

Entrepreneurship & Innovation

SBS – MBA / MSC

Assignment I –KSA -2020

STUDENT ID :

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UNIT TITLE / CODE:

Entrepreneurship & Innovation

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Business Plan for

AROMA Café

Take your coffee, take your breathe

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1. Executive summary

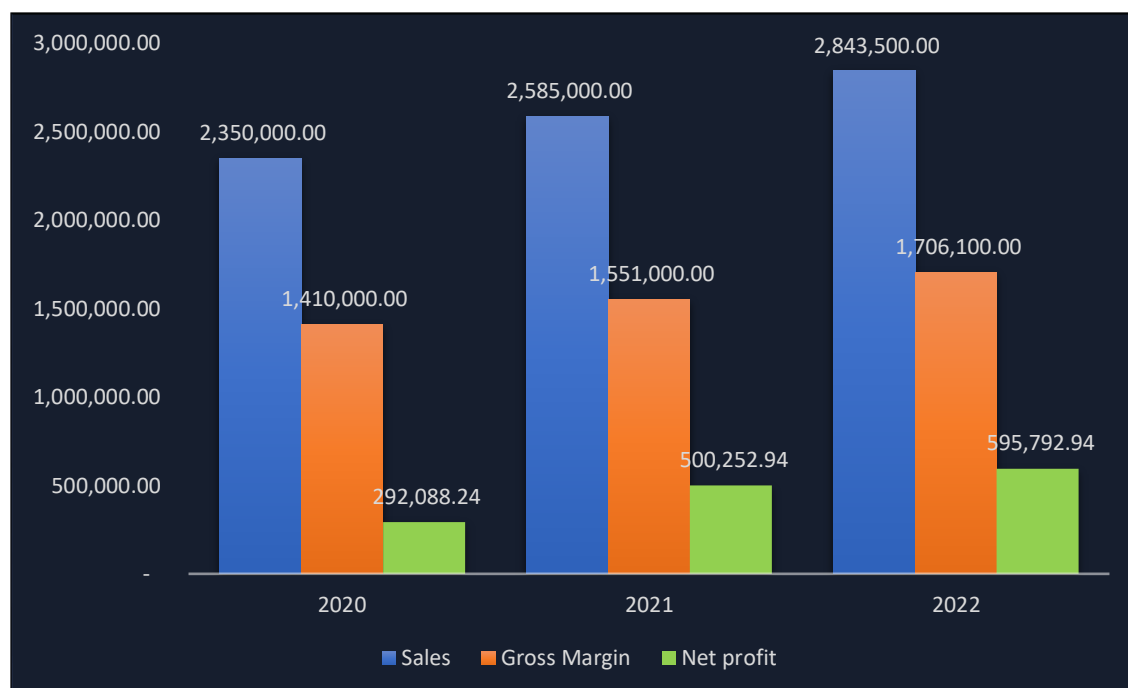
AROMA Café is determined to be daily necessity for whoever like the coffee, it is the relaxation place for whoever has any kind of stress due to the work ,it is the place where we can meet our friends or read books with the high quality of the coffee.

AROMA Café will be located in the new administration capital in Egypt, where is most of the people started to be allocated and in the same time most of the business will be located there.

The café will provide new taste of coffee free of charges will be tested by the customers in order to check their acceptance before we added in the Menu.

The café will be 800-meter square, will be very near Many of the new compounds in the new capital with lease for the coming five years with an option of extending.

We have also provided 1,500 K Egyptian pounds (capital and liability) out of 2,000 K Egyptian pound which is the required fund , capital including the value of the investment by the owners and the liability will be though the bank loan with guaranteed of my wife job and to be paid within three years.



1.1 Objectives

The AROMA café has three objectives with the plan to achieve it in the coming three years: -

- 3 drive Through locations in different areas as Naser city, 6th of October and AL-TAGAMOA.
- Gross margin will be 50% or more.
- Net profit will be 20% or more.

1.2 Vision statement

Our vision is to be the best relaxation café in the new capital in Egypt, with the best taste of coffee.

1.3 Mission

There are three mission for AROMA which is integral part from the café success: -

- **Product Mission:** Provide the customer the best quality we have which helping them to relax and take the negative energy out.
- **Community mission:** Open more branches which are requesting more employees, so many job opportunities will be opened.
- **Employee Mission:** give some kind of training to the employees to get their satisfaction and their loyalty to the café which helping the café to be more success.
- To gain the required profit and being the best coffee makers in Egypt.

1.4 Key to success

The key of success is different from any other café which are: -

- The location of the café is totally different because it is much nearby many of the new compounds which is attracting the people who are working in the same place and other main business around.
- The employees will be professional while dealing with the customers through some kind of training with the smile and happiness indication with creating good relation between customer and the employees.
- Cleaning machine and all the tools used in the coffee maker, with clean air and good smell with the relaxation music helping the customer to really relax and take their breath from the work stress.

2. Company Summary

AROMA café is Corporation limited liability LLC, the company will sell different kind of coffee with some of the pastries, with 800 Square meter lease located in new administration capital nearby the ministry of interior affairs.

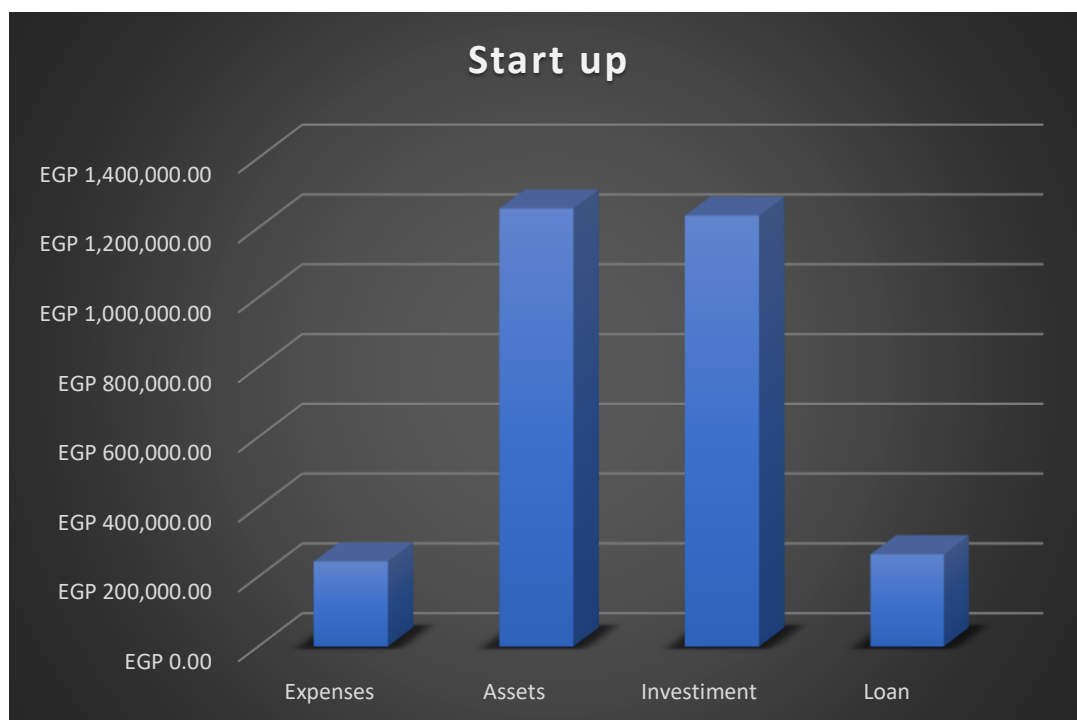
Major investors will be Mohamed Amer, Mostafa Amer and Dalia Nasr with 30%, 50% and 20% respectively the startup loses of the company will be 325 k EGP.

2.1 Company ownership

The Investors in the Company will be Mohamed Amer with 30% of the company, Mostafa Amer with 50% of the company and my wife Dalia Nasr with 20% of the company.

2.2 Start up Summary

The startup expenses for AROMA café will be as shown in the graph and the data below, the start expenses will be need for the lease land , license and some kind of decoration, the startup assets expenses will be for the machine and some kind of inventory will be sufficient for the coming six months.





Start up requirements	
Start up expenses	
Legal	11,470.59
Stationery etc	4,411.76
Brochures	31,588.24
Consultants	26,470.59
Insurance	21,176.47
Lease	38,823.53
Remodeling	88,235.29
Other	22,058.82
Total start up expenses	244,235.29
Start up assets	
Cash Required	592,261.76
Start-up Inventory	141,414.71
Other Current Assets	-
Long-term Assets	522,088.24
TOTAL ASSETS	1,255,764.71
Total requirement	1,500,000.00
START-UP FUNDING	
Start-up Expenses to Fund	244,235.29
Start-up Assets to Fund	1,255,764.71
TOTAL FUNDING REQUIRED	1,500,000
Assets	
Non-cash Assets from Start-up	663,502.94
Cash Requirements from Start-up	592,261.76
Additional Cash Raised	-
Cash Balance on Starting Date	592,261.76
TOTAL ASSETS	1,255,765
Liabilities and Capital	
Liabilities	
Current Borrowing	88,235.29
Long-term Liabilities	176,470.59
TOTAL LIABILITIES	264,706
Capital	
Planned Investment	
Mostafa Amer	617,647.06
Dalia Nasr	264,705.88
Mohamed Amer	352,941.18
TOTAL PLANNED INVESTMENT	1,235,294
Loss at Start-up (Start-up Expenses	(244,235.29)
TOTAL CAPITAL	991,059
TOTAL CAPITAL AND LIABILITIES	1,255,765
Total Funding	1,500,000.00

2.3 Company location and facilities.

AROMA Café will be located at the new administration capital, near from most of the new compounds related to R7 area it is including Town gate compound, Loft compound, Zavani compound and many of the other compound around, in addition it is very near from Pyramids company and other new located business, also it is near from the knowledge hub university.

The company will be 800 M2, 50 % of the café will be for the setting area, 30% of the café will be for production area and the remaining 20% of the café will be for the customer service.



3. Product

AROMA Café will offer the best tasting of coffee, with the best quality coffee ingredients and the menu will include the normal types of coffee such as espresso, latte, mocha and cappuccino, in addition to the cold coffee for the customers who likes the cold drinks.

In addition to the normal coffee we will add some of the new types of coffee will be done by our professional employees tested by the customer as free of charge in order to add it to the menu.

Moreover, we will include some of the pastries and coffee beans.

In addition to the cups with the name of the café for the customers need any kind of cups as part from the advertisement.

3.1 Product description

The menu of AROMA café will contain many types of the coffee such as latte, mocha, espresso, and cappuccino, the high quality of ingredients will provide the perfect taste of coffee.

Those kinds of coffee will be mixed with milk or without milk, for espresso it will be different single or double espresso for the people who are looking for more concentration.

Preparation technique is very important while preparation of the coffee, like the temperature of the coffee is impacting the taste of the coffee.

3.2 Sales literature

Three thousand flyer will be distributed to the all places around AROMA café, all the compounds around the café will receive the flyers one week before the opening of the café.

All companies around the café will receive our flyers and in addition to the students in the university will also receive it.

In addition to this we will make big advertisement through the social media, Facebook and Instagram, in order to reach to big segment of the market.

Moreover, Free invitations will be spreaded to the compound residents, companies' employees and the students in the university for 2 hour and 25% discount for the remaining day, to attract the customers.

4. Market analysis.

In Egypt most of the people like the coffee, it is different from one to the others, some of them are preparing at home and other like in the cafe.

But most of the people are drinking coffee as part from the daily lifestyle, some of them are drinking to increase their concentrations, others as habit while reading something, thinking about something.

But what we are sure, the coffee has very big demand from the different classification of the peoples, employees and students (men's and women's).

4.1 SWOT Analysis

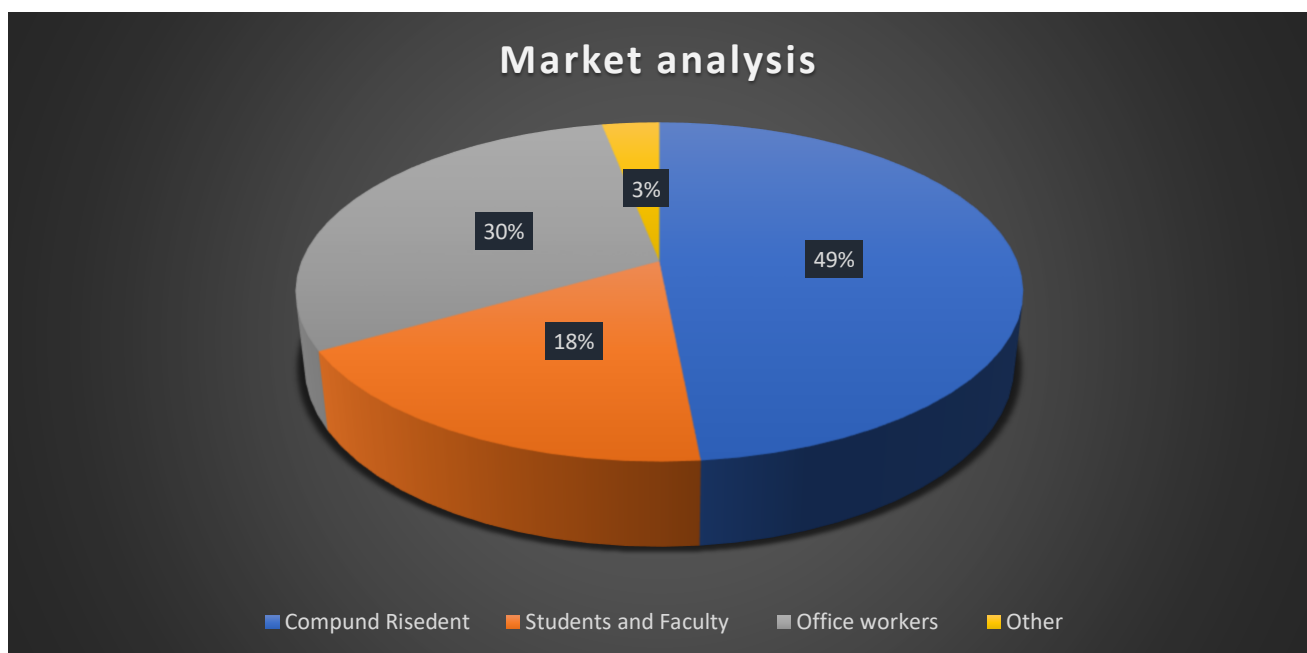


4.2 Market segmentation

AROMA café will target to reach to the students in the university and to the employees in the near companies.

In addition to the compounds residents as a major segment for the café, we will build good relation and good communication skills with our customers to gain their loyalty by listening to their comments carefully and take proper corrective action accordingly.

Below table and chart will give the indication for our main segment and their growth over the coming five years:



Market analysis							CAGR(Compound annual Growth rate)
		2020	2021	2022	2023	2024	
Potential Customers	Growth						
Compound Resident	8.00%	20,000.00	21,600.00	23,328.00	25,194.24	27,209.78	8.00%
Students and Faculty	3.00%	15,000.00	15,450.00	15,913.50	16,390.91	16,882.63	3.00%
Office workers	5.00%	10,000.00	10,500.00	11,025.00	11,576.25	12,155.06	5.00%
Other	0.50%	5,000.00	5,025.00	5,050.13	5,075.38	5,100.75	0.50%
Total	5.25%	50,000.00	52,575.00	55,316.63	58,236.77	61,348.23	5.25%

4.3 Target market segment strategy

AROMA café will provide the customer the best taste of coffee with the best quality, our main segment will be the resident of the compounds and as know there are many different compounds around the café, in addition the employees of the companies around and the student in the college, but those students will be seasons customer not all year, that's why we considered the highest growth rate is the compound then the students.

4.3.1 Market needs

As part from the daily lifestyle in Egypt everybody is looking for something to wake him up in order to go to the job, college or anywhere.

This is not only in morning but also afternoon specially in the breaktime, some of the employees are looking for some places to relax from the work stress or even meet with the clients to do some specific jobs

Not only this but also students they are looking for the place where they can meet with their friends to study something with relaxation and quiet place.

4.4 Industry analysis

Coffee sales in Egypt registered a positive compound annual growth rate (CAGR) of 11.86% during the period 2012 to 2017 with a sales value of EGP 1,520.73 Million in 2017, an increase of 13.69% over 2016. Most of the people in Egypt are like the coffee with different taste, some of the coffee drinks are using in winter to give some heat like latte and Cappuccino others coffee drinks are using for concentration like espresso.

Each year the market share is increasing specially with the number of people in Egypt, it is more than 100 million citizens.

Egypt is coffee drinking country and each day the coffee industry is increasing because of the market share is increasing every day.

4.4.1 Competition and buying pattern competition

The main competitor for AROMA café is Starbucks café, as we know it is one of the know coffee brand in the world, the competition will not be easy. But AROMA café will compete with the best quality and taste of the coffee with the relax environment, I by using some kind of relax music with very comfortable chair and relaxation design, during my visit to Starbucks café I found the relaxation is missing.



In addition, we will gain the loyalty of the customer by point card, each drink has specific points and with the points he can change it with some kind of coffee or pastries.

Another point for AROMA café is the prices, all kind of coffee will not be less than the Starbucks prices

The prices will be logic and affordable for all of the customers.

So, with those three options we will start competing Starbucks.

5. Strategy and implementing summary

AROMA café strategy is not only increasing the number of customers but also retaining the current customers, our strategy is always keeping the current customer is satisfied in order to get the loyalty.

Loyalty of the customer will not lead only to increase his sales but also, he will recommend the others to visit the café.

5.1 Competitive edge

AROMA café will be competing through the best quality of the coffee, relaxation environment, good seats and sofas and relax music.

In addition to the loyalty programs which will be given to the customers which is introducing free drink with some specific number of points.

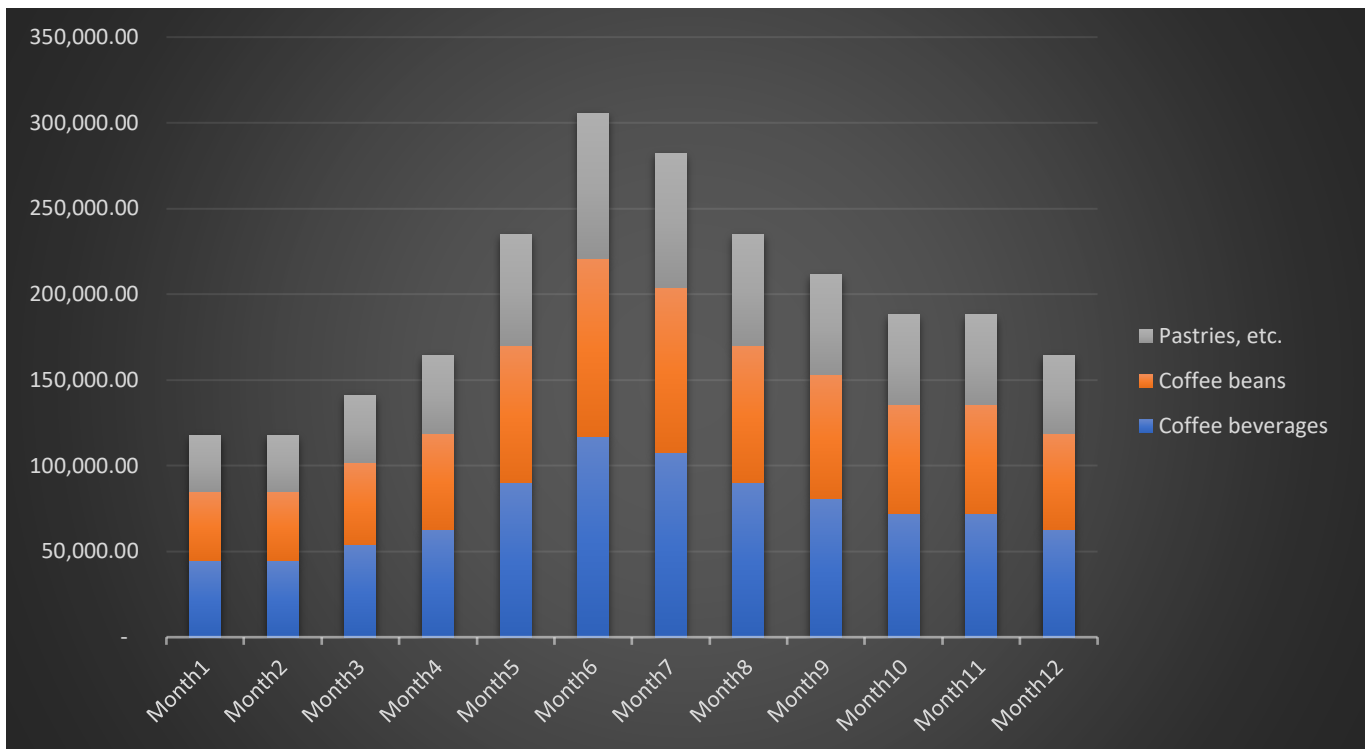
5.2 Sales strategy

AROMA café will have one barista for each customer to arrange his request, another employee will care about the customer to offer him some of the pastries and the cub of the café with the café logo and also to handle the sales transaction.

The employee will give the customer the flyer of the coffee to check the menu in case he wants to order something else and to be aware about all the café products.

5.2.1 Sales forecast

Food cost assumed as 25% for the coffee beverage and 50% for the coffee beans and pastries, the below chart and table is the details for the forecasted sales.



Sales forecast			
	2020	2021	2022
Coffee beverages	900,000	990000	1089000
Coffee beans	800,000	880000	968000
Pastries, etc.	650,000	715000	786500
TOTAL SALES	2,350,000	2,585,000	2,843,500
	2020	2021	2022
Direct Cost of Sales			
Coffee beverages	376,000.00	413,600.00	454,960.00
Coffee beans	329,000.00	361,900.00	398,090.00
Pastries, etc.	235,000.00	258,500.00	284,350.00
Subtotal Direct Cost of Sales	940,000	1,034,000	1,137,400

6. Management summary

The owners of the café will be Mr. Mohamed Amer, he is 37 years, he graduated from faculty of tourist and hotels in 2006, in addition he has Master of Business Administration specialized in human resource, he spent much time working in Starbucks café in different levels, he has much experience in dealing with the customer and building a good relation with the customers.

The other owner is Mr. Mostafa Amer he is graduated from civil engineering faculty; his work experience is project management and he have Master of Business Administration.

The last owner is Dalia Nasr, she has Bachelor of Science and has master's in science.

The manager of the café will be Mohamed Amer since he has the experience in this field, we will hire two full time barista and four employees as part time.

6.1 Management team

Mr. Mohamed Amer is the manager of the café since he has sufficient experience in this field, he will be responsible for managing the people arranging with the suppliers, checking the stock material.

Since he is the owner of the café, he will be care about everything in the café and he will be care about the employee satisfaction and the customer loyalty as well.

6.2 Management team Gabs

Despite the owners has sufficient experience in this field, but we will hire consultant which is specialized in this kind of business, he has much experienced in the café shop and helped many of the cafés to penetrate the market.

This consultant will help to get the customer satisfaction and loyalty, he will advise for any kind of opportunity in the market, he will add some values to the café specially in the first year.

6.3 Personnel plan.

The below table will clarify the payroll for each one of the employees.

Personel Plan			
	Year1	Year2	Year3
Manager	180,000.00	198,000.00	217,800.00
Shift supervisors	96,000.00	105,600.00	116,160.00
Barista	120,000.00	132,000.00	145,200.00
Total People	7	8	8
Total payroll	396,000.00	435,600.00	479,160.00

7. Financial plan

AROMA café will provide the best quality has ever been with the relaxing place and music and very comfortable sofas and seats, the owners are provided the sufficient capital for this project, and their objective are to increase the gross margin year after year.

AROMA café will control their cost in order to manage the cash and get the required growth.

7.1 Important assumptions

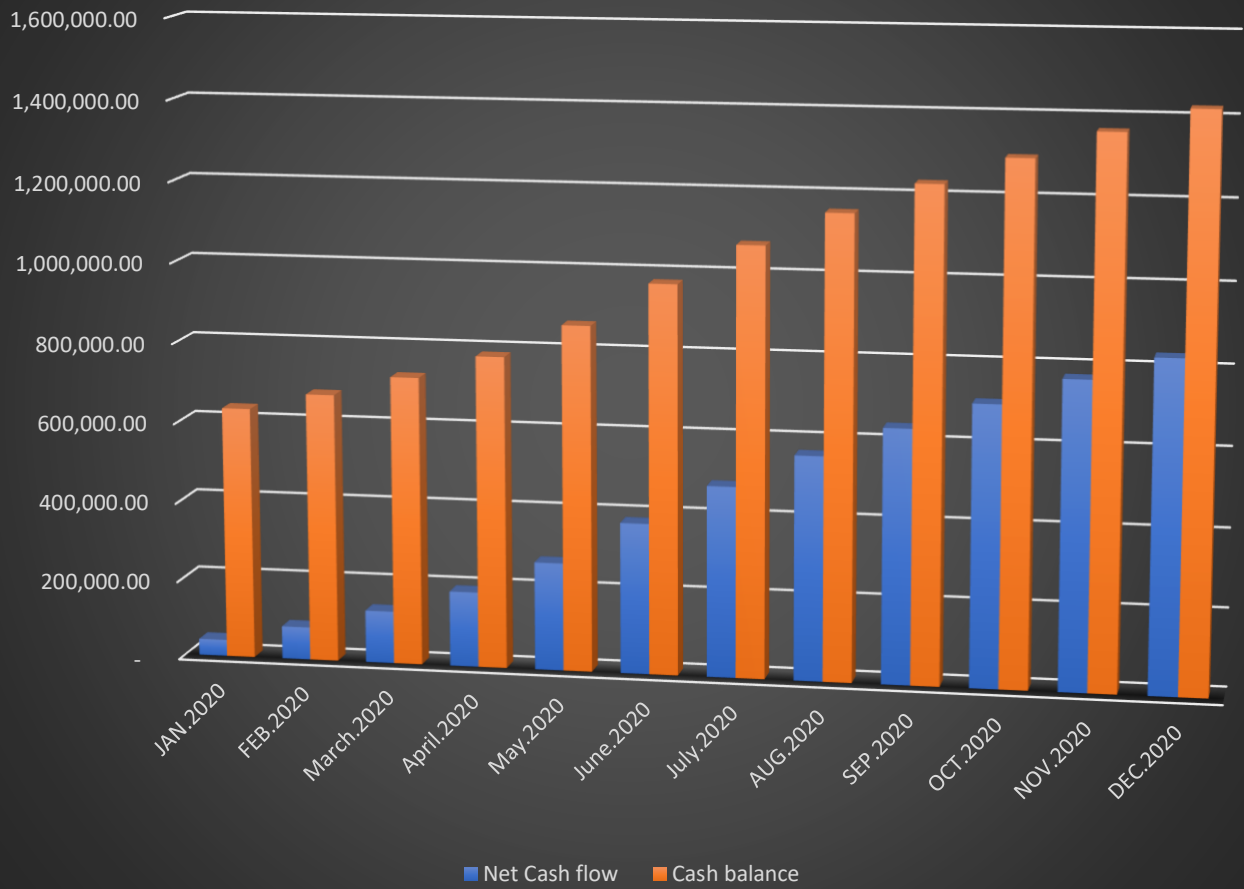
General Assumptions			
	Year1	Year2	Year3
Current Interest Rate	10%	10%	10%
Long-term Interest Rate	10%	10%	10%
Tax Rate	15%	15%	15%

7.2 Projected cash flow

As below chart and table the company will maintain a good cash flow which will help to move with the business as self-funding for the coming three years.



Cash flow



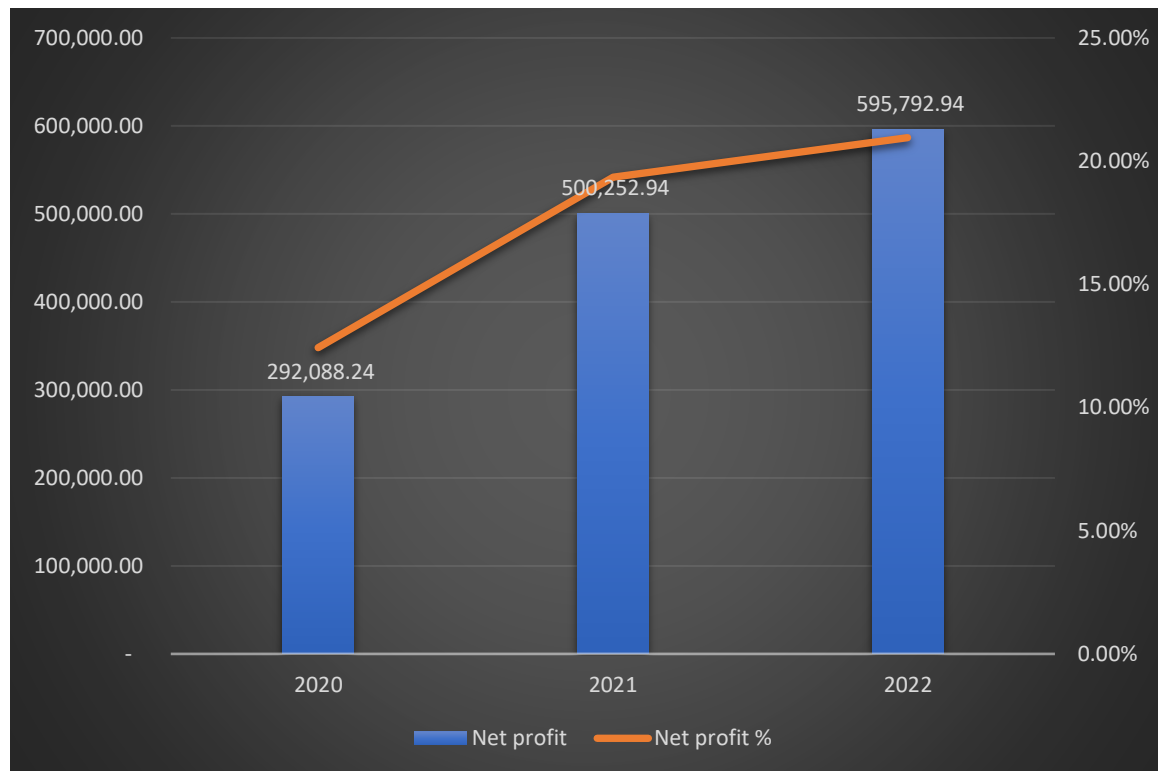


Cash flow			
	2020	2021	2022
Cash-in			
cash from operation			
cash sales	2,350,000	2,585,000	2,843,500
Cash received	2,350,000	2,585,000	2,843,500
cash-out			
Payroll	396,000	435,600	479,160
Bill payment	1,122,882	1,306,618	838,968
Legal	11,470.59		
Stationery etc	12,000.00	12,000.00	12,000.00
Brochures	20,000.00	20,000.00	20,000.00
Consultants	20,000.00	20,000.00	20,000.00
Insurance	50,000.00	50,000.00	50,000.00
Lease	100,000.00	100,000.00	100,000.00
Remodeling	88,235.29		
Other	22,058.82		
Direct Cost of Sales	705,000.00	1,010,500.00	542,850.00
Bowring	29,411.76	29,411.76	29,411.76
Long-term Liabilities	58,823.53	58,823.53	58,823.53
Interest	5,882.35	5,882.35	5,882.35
Total Cash out	1,518,882	1,742,218	1,318,128
Net cash flow	831,118	842,782	1,525,372
Cash In hand	592,262		
Cash balance	1,423,379.41	2,266,161.76	3,791,534.12

	JAN.2020	FEB.2020	March.2020	April.2020	May.2020	June.2020	July.2020	AUG.2020	SEP.2020	OCT.2020	NOV.2020	DEC.2020
Cash-in												
cash from operation												
cash sales	117.50 M	117.50 M	141.00 M	164.50 M	235.00 M	305.50 M	282.00 M	235.00 M	211.50 M	188.00 M	188.00 M	164.50 M
Cash received												
cash-out												
Payroll	19.80 M	19.80 M	23.76 M	27.72 M	39.60 M	51.48 M	47.52 M	39.60 M	35.64 M	31.68 M	31.68 M	27.72 M
Bill payment												
Legal	.57 M	.57 M	.69 M	.80 M	1.15 M	1.49 M	1.38 M	1.15 M	1.03 M	.92 M	.92 M	.80 M
Stationery etc	.60 M	.60 M	.72 M	.84 M	1.20 M	1.56 M	1.44 M	1.20 M	1.08 M	.96 M	.96 M	.84 M
Brochures	1.00 M	1.00 M	1.20 M	1.40 M	2.00 M	2.60 M	2.40 M	2.00 M	1.80 M	1.60 M	1.60 M	1.40 M
Consultants	1.00 M	1.00 M	1.20 M	1.40 M	2.00 M	2.60 M	2.40 M	2.00 M	1.80 M	1.60 M	1.60 M	1.40 M
Insurance	2.50 M	2.50 M	3.00 M	3.50 M	5.00 M	6.50 M	6.00 M	5.00 M	4.50 M	4.00 M	4.00 M	3.50 M
Lease	5.00 M	5.00 M	6.00 M	7.00 M	10.00 M	13.00 M	12.00 M	10.00 M	9.00 M	8.00 M	8.00 M	7.00 M
Remodeling	4.41 M	4.41 M	5.29 M	6.18 M	8.82 M	11.47 M	10.59 M	8.82 M	7.94 M	7.06 M	7.06 M	6.18 M
Other	1.10 M	1.10 M	1.32 M	1.54 M	2.21 M	2.87 M	2.65 M	2.21 M	1.99 M	1.76 M	1.76 M	1.54 M
Direct Cost of Sales	35.25 M	35.25 M	42.30 M	49.35 M	70.50 M	91.65 M	84.60 M	70.50 M	63.45 M	56.40 M	56.40 M	49.35 M
Bowring	1.47 M	1.47 M	1.76 M	2.06 M	2.94 M	3.82 M	3.53 M	2.94 M	2.65 M	2.35 M	2.35 M	2.06 M
Long-term Liabilities	2.94 M	2.94 M	3.53 M	4.12 M	5.88 M	7.65 M	7.06 M	5.88 M	5.29 M	4.71 M	4.71 M	4.12 M
Interest	.29 M	.29 M	.35 M	.41 M	.59 M	.76 M	.71 M	.59 M	.53 M	.47 M	.47 M	.41 M
Total Cash out	75.94 M	75.94 M	91.13 M	106.32 M	151.89 M	197.45 M	182.27 M	151.89 M	136.70 M	121.51 M	121.51 M	106.32 M
Net cash flow	41.56 M	41.56 M	49.87 M	58.18 M	83.11 M	108.05 M	99.73 M	83.11 M	74.80 M	66.49 M	66.49 M	58.18 M
Cash In hand	592.26 M											
Cash balance	633.82 M	675.37 M	725.24 M	783.42 M	866.53 M	974.58 M	1074.31 M	1157.42 M	1232.22 M	1298.71 M	1365.20 M	1423.38 M

7.3 Projected profit and loss

The below table is showing the annual sales around 2.3 M L.E, against total cost 2 M L.E, so the net profit will be 292 K L.E with 12% at the first year, 19% second year and 20% third year.

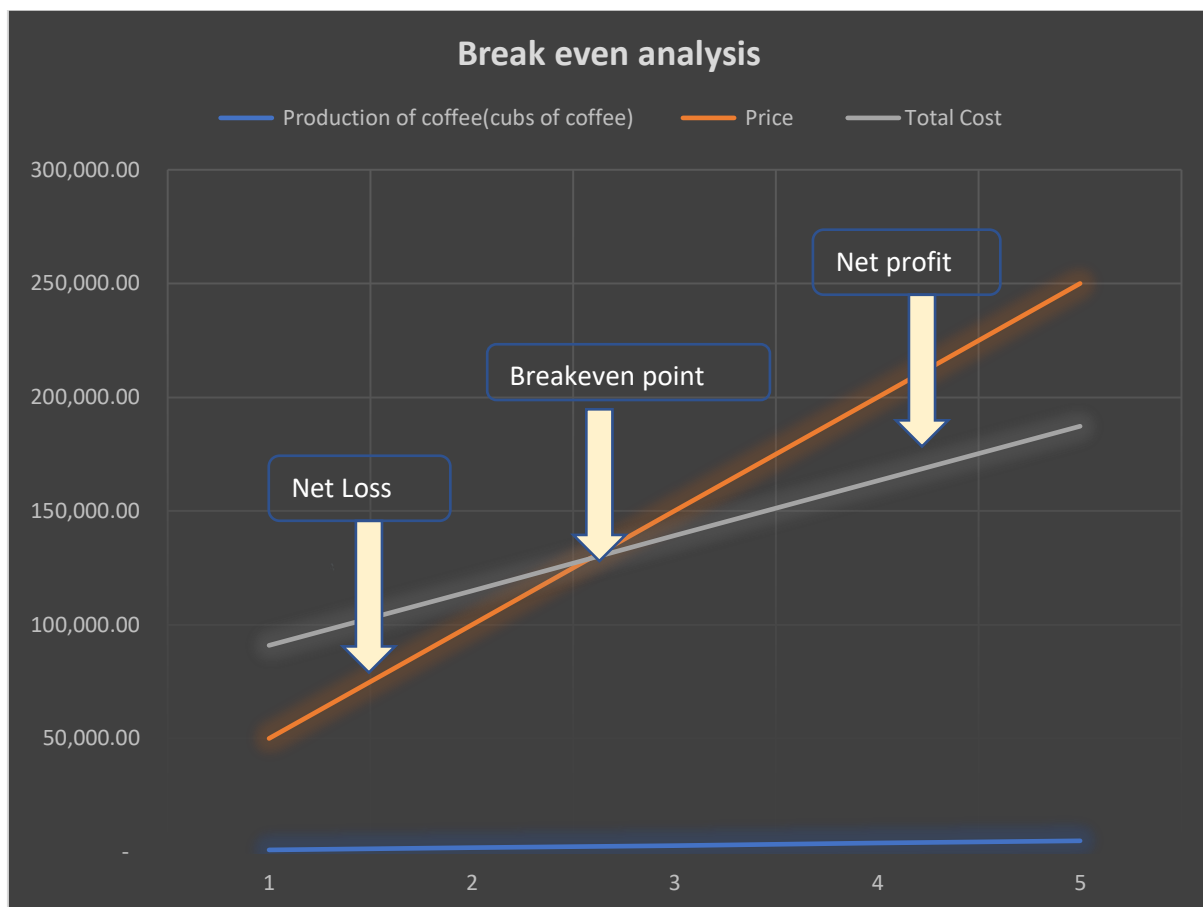




Profit and Loss			
	2020	2021	2022
Revenue			
Total sales	2,350,000.00	2,585,000.00	2,843,500.00
Cost			
Total sales cost	940,000.00	1,034,000.00	1,137,400.00
Total payroll	396,000.00	435,600.00	479,160.00
Legal	11,470.59	-	
Stationery etc	12,000.00	12,000.00	12,000.00
Brochures	20,000.00	20,000.00	20,000.00
Consultants	20,000.00	20,000.00	20,000.00
Insurance	50,000.00	50,000.00	50,000.00
Lease	100,000.00	100,000.00	100,000.00
Remodeling	88,235.29	-	-
Other	22,058.82	-	-
Current Borrowing	29,411.76	29,411.76	29,411.76
Long-term Liabilities	58,823.53	58,823.53	58,823.53
Interest rate	5,882.35	5,882.35	5,882.35
Depreciation	174,029.41	174,029.41	174,029.41
TAX	30,000.00	35,000.00	40,000.00
other indirects	100,000.00	110,000.00	121,000.00
Total Cost	2,057,911.76	2,084,747.06	2,247,707.06
Net profit	292,088.24	500,252.94	595,792.94
Net profit %	12.43%	19.35%	20.95%

7.4 Breakeven analysis

The average of fixed cost is 66K L.E and the variable cost is 24 L.E per unit compared to price 50 L.E per unit, so based on that the contribution margin is 60% and the break-even cost round 111K L.E which is 2,227 Unit.



Production of coffee(cubs of coffee)	Price	Total Cost	Fixed Cost	Varriable cost
1,000.00	50,000.00	90,917.73	66,835.78	24,081.95
2,000.00	100,000.00	114,999.68	66,835.78	48,163.89
3,000.00	150,000.00	139,081.62	66,835.78	72,245.84
4,000.00	200,000.00	163,163.57	66,835.78	96,327.78
5,000.00	250,000.00	187,245.52	66,835.78	120,409.73



7.5 Projected Cash balance

In the below table the current capital and liability are equal to the total current assets at the end of 2020 which is equal to 1.9 M L.E , also the net worth for AROMA Café at the end of the year is equal to 1.5M L.E compared to the original capital which is 1.2M L.E

Balance sheet			
	2020	2021	2022
Assets			
Current cash (Cash balance)	1,423,379.41	2,266,161.76	3,791,534.12
Inventory	142,337.94	226,616.18	379,153.41
Total Current assets	1,565,717.35	2,492,777.94	4,170,687.53
Long term assets			
Long term assets Cost (assumed for 3 years)	522,088.24	574,297.06	631,726.76
Depreciation	(174,029.41)	(348,058.82)	(522,088.24)
Total long term assets	348,058.82	226,238.24	109,638.53
Total assets	1,913,776.18	2,719,016.18	4,280,326.06
Liability and capital			
Accounts payable	292,276.18	889,351.47	2,355,121.35
Current Borrowing	29,411.76	29,411.76	29,411.76
Long term liability	64,705.88	64,705.88	64,705.88
Total liability	386,393.82	983,469.12	2,449,239.00
Capital			
Paid in capital	1,235,294	1,235,294.12	1,235,294.12
Earning (Net profit)	292,088.24	500,252.94	595,792.94
Total capital	1,527,382.35	1,735,547.06	1,831,087.06
Total capital and liability	1,913,776.18	2,719,016.18	4,280,326.06
Net worth	1,527,382.35	1,735,547.06	1,831,087.06

