**Feasibility of Expanding Brewed Awakening**

**by Adding Additional Stores**

Prepared for:

Professor D.

Prepared by:

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**MEMO**

**To:** Professor D.

**From:**

**Date:** April 3, 2015

**Subject:** Feasibility Report on Proposed Expansion of Brewed Awakening

Enclosed is the study we conducted to determine whether or not it would be feasible to proceed with the proposed expansion of Brewed Awakening by adding new locations in the Southern California area.

We believe that we will meet the necessary requirements to succeed by targeting communities already hosting a 2-year college as opposed to a 4-year university. By doing this we will add value not only to college students in the area but to the community as well by providing services that are not currently available.

We look forward to discussing this option with you further after the holiday.

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**EXECUTIVE SUMMARY**

This report examined the feasibility of Brewed Awakening expanding its operations by adding new stores in the Southern California area. The research conducted focused on if we should continue our current model and open new facilities near 2-year colleges or if we should consider 4-year universities. In addition, we examined if we should continue to incorporate the Starbucks franchise into the new stores. Taking these items into consideration, we analyzed the competition and profitability potential for each scenario and were able to determine that we should continue our strategy of setting up operations near a 2-year college. This will provide the necessary means for our company to be successful since we would be in direct competition with a 4-year university and the amenities they already provide to their students.

**FEASIBILITY STUDY**

Since we are focused on growth versus immediate profit, the purpose of the feasibility study is to determine whether or not we should expand our company by adding new locations. First within the Southern California area and moving outward as we continue to grow. To verify our findings we focused on four key factors:

1. Need: It is evident that community colleges do not have the same amount of funding as universities, therefore the services they offer the students are not at par with a university.
2. Location: It is literally in the name community college that we know students who attend a two year institution live in the nearby communities, but more importantly this means they live near our store.
3. Competition: Locating our store near a college would mean we are not competing with any services the school already provides. In terms of competing with other businesses or the internet we simply price match, but Brian will touch more on this topic later.
4. Profitability Potential: By determining the correction location for the store will prove our profitability potential for future stores.

**NEED**

We chose to focus our store, in and around community college campuses because that’s where we found the greatest for our services. Four year universities offer a wide range of services within their campus including; labs, libraries, tutoring halls, bookstores, and open classrooms. Many of these services available to students 24 hours per day. UCSD has several lounges available for students 24 hours a day / 7 days a week. The Campus also houses several Library’s and Student Centers open as early as 5:30 am to 1:00 am on a regular basis, seven days per week, with extended hours and seating for finals.1

After conducting local research we also found many communities hosting a 2-year college have a large enough student body actively looking for other opportunities and places to learn. Our own campus for example, College of the Canyons, offers a wide range of services, but they have very limited hours, and days of operation:

1. The Learning Center-TLC is open 8:00 am to 8:00 pm Monday -Thursday and with even shorter hours Friday and Saturday. Closed on Sunday.2
2. The COC Library is open Monday - Thursday 8:00 am - 8:00 pm, Friday 8:00 am to 4:30 pm, closed Saturdays and Sundays.3

We believe this makes those services inaccessible to students at night, on weekends, or to the working student.

To further expand our research we went out into the community and this is what we found. The Santa Clarita Library has even more limited than the COC campus, open 9:00 am to 8:00 pm Monday thru Thursday, 10:00 am to 6:00 pm on Fridays and shorter hours on Saturday and Sunday. 4 Even local bookstore / coffee houses like Barnes and Noble, for example are only open 9:00 am to 11:00 pm.5

So where is a student supposed to go? Quality study time equates to a great student! Ivy League, Dartmouth College, states “students frequently discover they need to adapt their study habits to the college setting” and that “finding the right place to study” is important.6 Brewed Awakening is here to fill that need.

**LOCATION**

If one would ask students why they chose to attend a community college (CC) rather than a State University, a common answer would be because it is less expensive. Nowadays, the typical student lives at home while going to school and work. To be able to juggle work and school most students opt to go to a college that is nearby as a matter of convenience. In 2013 alone there were 5.3 million students attending two-year colleges all across the nation.7

“Community colleges also attract working adults, retirees and others who want to learn. Unlike residential colleges, many community colleges lack on-campus housing - most students live nearby.”8 On-campus housing does increase the student population at a University, yet those students are usually the only ones who live near campus. Some State Universities are also known as “commuter schools”, meaning that many students commute a bit of a distance for class. After looking at all 23 of the California State Universities’ websites, their statistics show that 15 of the universities had rates between 80-93% of students who lived off campus. The percentage included all students from freshman (1st year) to seniors (4 years and above). This is one indication that shows like a community college, students commute to and from school on a daily basis and may not spend a majority of their time on or around campus. The only difference here is that University students are willing to commute a longer distance compared to CC students who attend the local college.

From personal observation, both a CC and State University share very similar campus environments, being that students usually go to campus solely for class and then go about their day. The advantage of State University’s is they offer a variety of services to their students that a CC lacks. This difference allows students at a University to take advantage of the libraries, tutors, study lounges and other services provide to them whereas CC students do not have access to these type of amenities. Brewed Awakening would fill the void that is not needed at a university but desperately needed at a community college, therefore we believe the company would thrive being located near colleges like COC.

**COMPETITION**

One topic that must be examined while choosing a suitable location for our business is competition. Competition is more so apparent while looking towards locating our new location near four year universities. This is due to university campuses being more open to students, therefore allowing access to the library, or even vacant class rooms twenty four hours a day. Another instance that competition is more prevalent near four year universities is other bookstores such as small Mom and pop bookstores, or even bigger companies like Barnes & Noble. These bookstores locate themselves near universities due to a higher population of students/business, and pose a threat in either under selling us or even diffusing possible business figures. However regardless of location, one competitor that will be apparent is the internet. For years, the internet has been bringing down many businesses including bookstores, due to the great variety of products and low prices it offers. However, research suggests that "The independent bookselling world is actually stronger now than it was 10 years ago," said Harriett Logan, owner of Loganberry Books on Larchmere Boulevard. "Part of that is in response to the buy-local movement, (with) people wanting to invest in their communities, people wanting to keep their main streets alive (Bamforth Cleveland.com)."9 This shows how there is a niche market, to where people will still decide to buy local rather than online. However to compete with the internet we could always price match.

**PROFITABILITY POTENTIAL**

Research has shown that, due to the ongoing lackluster economy, major bookstores like Barnes & Noble, B Dalton, or Borders continue to close down their stores or have gone out of business entirely. However there has been a rising surge among independent booksellers in recent years.11 Despite online retailers like Amazon.com, people still like to be able to go to a bookstore and get that instant gratification of being able to buy a book right off the shelf while enjoying their favorite beverage.12

**CONCLUSIONS AND RECOMMENDATIONS**

After studying the demographics, we confirmed that positioning our store near a 2-year college brought in the necessary customer base needed to be successful. We will secure an even greater revenue stream by continuing to incorporate the Starbucks franchise since it not only cuts down our initial start-up costs significantly, but it is a well established name that generates a lot of traffic for the bookstore. Finally, we determined that by providing this added convenience, it encouraged our customers to stay longer which resulted in a significant increase in overall sales. To conclude, we have determined that it is feasible to add new locations within the Southern California area targeting 2-year college communities and recommend that you proceed with the expansion.

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