

Business 141

Marketing Plan

The Creative Café

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Executive Summary

The Creative Café will be a business unlike any other in Downtown Charlottetown, Prince Edward Island. The business will be a welcoming and adaptable environment, where people can come for a quick coffee, a lunch meeting, or a night out with friends. We will provide consistent and superior customer service, offer quality, local and certified food and beverages, and uphold an environment that promotes creativity at all times. Through these core values we expect to gain high consumer-perceived value of our product. This perceived value will enable us to penetrate the market and gain market share.

From a situational analysis, we have determined our industry to be one that provides food, non-alcoholic beverages, and amusement services (NAICS 2012). We have found that although this industry is highly competitive our business still has the potential to be successful. This is because of the fact that we have strong product differentiation in a rapidly growing industry (Friend 2016). From our consumer analysis, we have determined that one of our strengths is the correlation of the age demographics in Charlottetown with our main product offerings. For example it can be seen that the median age in the City of Charlottetown, falls in the age range that consumes the most speciality coffees from coffee shops (Holmes 2012, Government of Canada 2016). Consumers are also becoming much more socially responsible and expecting the same from the businesses in which they are purchasing from. We have taken this research into consideration when creating our marketing plan, and it has heavily influenced many of our business decisions (Business Development Bank 2013).

The marketing strategy gives direction on where to focus our resources to gain the most opportunities. Using this strategy we hope will increase both our sales and our competitive advantage. At the Creative Cafe, our mission is to provide our consumers with a unique and welcoming environment, where they can showcase

their creativity in a vibrant social setting. To achieve our mission we have outlined our company's objectives into measurable and strategic goals. These goals include our projections for market share, sales, and profitability, and our plans to diversify our product offerings. To determine our target markets we have used age, lifecycle and psychographic segmentation to break up the market. We determined our two target markets as middle-aged educated adults and millennials. We have created a positioning statement to adhere to the two different markets, middle-aged coffee lovers and millennials looking for an alternative night out. We have determined our points of difference to be that we provide an atmosphere that promotes a facilitates the creation of art, the fact that we use ethical and local products, and also as an alternate option for evening entertainment. Because of the differential aspects of the business we have determined that we will be able to be successful in the market due to our unique product differentiation.

The marketing program demonstrates the experience we can provide and how that differs from our competitors. It communicates our idea of creating an environment which promotes acceptance and happiness. Within the marketing program we have communicated how we plan to be profitable while still maintaining our core values. These values include community building and commitment to high-quality local goods. We are planning to promote and advertise our products and services, using the five components of the promotional mix: advertising, sales promotion, personal selling, public relations, and direct marketing. The placing strategy talks about how we are going to physically distribute our product to the market, and the value distribution chain that is involved with our business. We determined that we are a level one channel as there are no intermediaries between the company and the consumer. The customer service strategy refers to the ability to satisfy our consumers by increasing and advancing our variables, such as workforce, technology, and atmosphere. We plan to increase our customer service by increasing human resources and training.

We have made projections for our future financial situation. We forecasted a 5% annual growth in sales for four years, which will then stabilize at \$1,066,752 annually. We forecasted to spend 82.5% of our sales on operating expenses, and spend approximately 15% on the cost of goods sold. This will leave us with a 2.5% profit margin. We also completed a break-even analysis, which determined that in our first year of business we would need to sell 154, 206 units for a total annual sales of \$894, 397.

We will follow a structured implementation process for the entire first year of business, to ensure that we follow the goals and objectives outlined throughout the marketing plan. Each section of the implementation plan will give specific outlines for the promotions, and strategies to be used during each stage.

In the event that our plans do not work out as expected we have prepared a contingency plan where we have outlined three major events that could have a significant impact on our business. In the best-case scenario we have outlined what we will do with the extra cash in the event that our sales revenue exceed our projections. We have also defined our worst-case scenarios as falling significantly below our sales projections. The third scenario involves planning for a lack of interest in the art aspect of the cafe. We have laid out detailed plans on what to do in each scenario to get the business operating to it's fullest potential.

Company Description

The Creative Café is a locally owned and operated business in downtown Charlottetown, Prince Edward Island. We pride ourselves in providing excellent customer service in a friendly, welcoming and adaptable environment. All of the food and coffee we source is ethical, sustainable, and local when possible. We strive to enhance the ordinary café experience by offering the unique element of being able to self-express through many different forms of art.

We are hoping to become one of the most popular establishments for people to go to in Charlottetown by offering a product that can satisfy the consumer demand for quality and ethically sourced coffee, as well as being a place where people can find time to relax by themselves or with friends. We will achieve this by positioning our business as accurately as we can in the minds of our target markets, who include millennials, and middle-aged educated adults. We are very optimistic about the success of our business because of the fact that the industry is in a high growth stage, generational trends seem to be favouring our product offerings, and the age demographics in in the City of Charlottetown are fitting with our business objectives and strategies.

The cafe will offer a wide selection of speciality coffees as well as a full bistro menu. The full menu along with pricing is available in Appendix A.1. In addition to full table and food service, we offer the unique value proposition of being able to create and explore many different forms of art in our establishment. For a fee of ten dollars you are granted access to all of our art supplies, including paint sets and canvases, colouring materials, knitting supplies, and pottery equipment. We plan to uphold an environment that promotes self-expression and creativity at all times, by encouraging people to draw on our chalkboard walls, and on the brown paper table cloths. There will be live music and art classes held on a regular basis as well, which will be open to the public for a pre-determined fee.

Situational Analysis

To gain a better understanding of the current and future states of the market we are entering we have done a SWOT analysis, which is a situational analysis done to identify the internal strengths and weaknesses, and the external opportunities and threats of an organization. We have done a detailed analysis on three specific areas that will affect our business: the industry, the competition and the customers.

These analyses allow us insight into what to expect as we penetrate the market as well as what to expect over time.

Internal

Strengths

- Quality products -
- Strong product differentiation -

Weaknesses

- Small, startup company -
- Similar product offerings to the competitors -

External

Opportunities

- Decreased interest in nightclubs and binge drinking -
- Increased consumer interest in local, ethically sourced products -
- Coffee shops are the fastest growing industry in the foodservice industry -

Threats

- Crowded marketplace -

The Industry

According to the North American Industry Classification System (NAICS) Canada 2012, the Creative Café would be classified as a mixture of three different industries: full service restaurants and limited service eating places (7225), other amusement and recreation industries (71399), and live theatres and other performing arts presenters with facilities (711311) (NAICS 2012). The first falls under sector 72 (accommodation and food services), and the second two fall under sector 71 (arts, entertainment and recreation) (NAICS 2012).

To summarize The Creative Café falls in an industry group which comprises establishments primarily engaged in providing food services and preparing and serving non-alcoholic beverages intended for immediate consumption (NAICS 2012). It is also involved in operating recreation and amusement facilities and services, as well as organizing and promoting performing arts productions (NAICS 2012).

Looking forward we project that entering this industry, although competitive, will be successful due to many external factors and generational trends. The coffee industry as a whole is a 6.2 billion dollar industry, and within food service it is a 4.8 billion dollar industry (Coffee Facts 2015). In terms of global sales, coffee shops are the fastest growing restaurant industry, with a 9.1% increase from 2014 to 2015 (Friend 2016). The growth itself is not overly surprising though, as coffee is the most popular beverage consumed by Canadians over the age of 16 (Coffee Facts 2015). What may come as more of a surprise is the fact that this growth is even larger than the whole international restaurant industry, as well as the global fast food industry, which saw a 5.7% and 5.8% increase in sales respectively (Friend, 2016).

In addition to the increasing popularity of cafés, there has been a steady decrease in nightclub and bar popularity, in fact, in the U.S. over 10,000 bars have closed in last ten years (Howe 2016). It is speculated that this switch is due to millennials

being less interested in binge drinking and clubs than generations before them (Howe 2016). Instead there is a rising trend in moderate consumption of alcohol in establishments that also feature activities such as board games, and arcade games (Howe 2016).

Consumers are also consistently becoming more socially conscientious and as a result wanting to buy more local and ethically sourced products (Kasriel-Alexander 2014). This trend is great for the bottom line of locally owned and operated businesses, as well as those that source certified and ethical products.

To summarize, although this industry is quite crowded already, the fact that it is the fastest growing industry in its market gives it quite a lot of potential to be successful. Especially, because it incorporates many other factors that seem to be growing in popularity - such as it being an establishment that features an activity, and sources its products ethically.

The Competitors

Although there are many unique aspects about the Creative Café, there are other businesses who will most likely prove to be strong industry competitors. We have identified the major competitors as businesses who provide services that overlap with our own, and are located in Downtown Charlottetown - the same geographical location as the Creative Café. Specifically we have identified the following businesses as competition: Starbucks, The Kettle Black, Receiver Coffee Co., Beanz Espresso Bar, Timothy's World Coffee, and The Small Print Board Game Café.

We suspect that our biggest coffee shop competitor will be Starbucks, which is an American coffee company and coffeehouse chain (Harris, 2015). It is a large scale corporation, with major brand recognition. Because of the fact that it is well known as a quality and consistent company, they have gained a lot of customer loyalty (Harris, 2015). In addition to all of this, they are also capable of investing a lot of

resources into developing their products, marketing, and loyalty programs. For example, they have recently developed an app that you can use to pre-order your drink, purchase your order at the counter, and track your purchases in order to gain points and eventually be rewarded (Harris, 2015). Competing with them will prove to be difficult, as it is evident that their resources and company experience will be difficult to compete with, especially as a small startup company.

The Kettle Black, Beanz Espresso Bar, and Receiver Coffee Co., are all locally owned and operated business in Downtown Charlottetown. They all sell quality and ethically sourced speciality coffees, and provide their consumers with a full bistro menu that includes breakfast, sandwiches, and pastries. They will be strong competitors as they provide much of the same products as we do, and in addition they attract consumers who want to buy local. They are all already established in Charlottetown, and because of that they will have loyal customers, especially because they have well aligned their product offerings with the current consumer demands.

Timothy's World Coffee is a large Canadian chain of coffeeshops that was founded in 1975 in Toronto (Timothy's Cafe, 2008). They pride themselves in using fairtrade and organic coffee beans, and along with this promoting public awareness around environmental and social responsibility (Timothy's Cafe, 2008). They have brand recognition, and although not local to PEI, they are still a Canadian brand and many people do resonate well with supporting Canadian companies even if they are franchised. The fact that their product offering is in line with consumer demands for ethically sourced and local products right now, gives them competitive advantage.

The Small Print Board Game Café is a locally owned and operated business, who we suspect will prove to be our biggest competition in terms of their unique service offering. They promote an atmosphere for playing games and socializing with friends (Small Print Cafe, 2016). They serve gourmet coffees, local craft beer, and a

small menu of shareable snack foods (Small Print Cafe, 2016). Their unique product offering is that for a fee of five dollars per person you can play any of their 300 games with your friends (Small Print Cafe, 2016). Their company's differential advantage is similar to that of The Creative Café, and because it also offers an alternate activity for a night out, they will be one of our largest competitors in the industry.

Despite the strong competition that we have clearly outlined, we believe that our unique value proposition will help us to work our way into the market and gain a profitable amount of market share.

The Customer

Coffee Shops, especially those that provide a unique value proposition are on the rise in Canada (Friend 2016). According to Statistics Canada, 86% of the population in the City of Charlottetown is over the age of 15, and as mentioned previously the most popular beverage consumed by Canadians over the age of 16 is coffee (Government of Canada 2016, Coffee Facts 2015). When comparing these two facts we can easily see that the consumer demand for coffee shops in the City of Charlottetown is rising.

From further consumer research we found that adults aged 35 to 54 make up 42% of the people who drink specialty coffees, such as lattes and cappuccinos (Holmes, 2012). We have also found that adults with post-secondary educations are 70% more likely to visit coffee shops, and also that the highest proportion of specialty coffee drinkers are adults who make more than \$76,000 annually (Holmes, 2012). Looking more specifically at the City of Charlottetown, we have found that the median age is 42.3 (Government of Canada 2016). This allows us some insight into how many people approximately are interested in coffee shops and gourmet coffee in Charlottetown.

Millennials were another group that came up frequently during our research. We found that they are increasingly consuming gourmet coffee, and that they are decreasing their consumption of alcohol (National coffee, 2016; Howe 2016). This generation is often seeking alternative options to the nightclub scene, and therefore creating a greater demand for establishments that offer unique activities (Howe, 2016). When looking at the City of Charlottetown, it is easy to see that millennials are an important segment to consider as the largest age demographic in the region, 20 to 24, falls within this generation (Government of Canada, 2016).

One other important factor to mention is that the majority of Canadian consumers are becoming increasingly conscious of their impact on the environment, and are taking much more social responsibility for their buying behaviours (Business Development Bank 2013). This means, that in order to increase the perceived customer value of a product it is smart to demonstrate how the business and its owners are socially responsible and use ethically sourced products.

To recap, through our consumer research we have found that educated middle-aged adults are the main consumers of specialty coffees and coffee shops. We have also discovered the generational trends that are happening with millennials, such as the decrease in consumption of alcohol. We have also highlighted the importance of being socially responsible in the eyes of the consumers. In our marketing strategy we will elaborate on this research to explain our target markets, and why we chose the ones we did.

Marketing Strategy

Mission

Our mission is to provide our customers with a unique and welcoming environment, where they can showcase their creativity in a vibrant social setting.

Marketing and Product Objectives

Within the first five years of being open, we are planning for expansion in products, brand awareness, and profit.

We have decided on 8 key objectives that we feel are specific, measurable, attainable, realistic, and timely (SMART) for our business. Each goal is set to be completed within a certain time frame, but they will all be hopefully be completed within a two to five year range of the business being open.

Key Objectives:

- By year 2 have developed enough brand awareness that 20 percent of Charlottetown knows about the business.
- By year 2 Expand menu options
- By year 3 breakeven.
- By year 3 Become licenced to serve alcohol, and start to serve local craft beer
- By year 3 begin to target more niche markets, such as artists
- By year 5 occupy 20% of the industry's market share.
- By year 5 have yearly sales of approximately \$1,000,000.
- By year 5 have a profit margin of four percent.

Moving forward these 8 key objectives should guide us towards running a successful and profitable business. This vision will hopefully keep us on the right path, and keep us in line with our marketing and overall business plan.

Target Markets

Before creating a positioning scheme and a marketing program we evaluated the market and determined the best strategy for segmenting, which involved dividing

the market into distinct groups. We decided to segment based on age, life-cycle and psychographics. We then evaluated the potential for success in each segment by doing a situational analysis, and decided to target two distinct segments: middle-aged educated adults, and millennials.

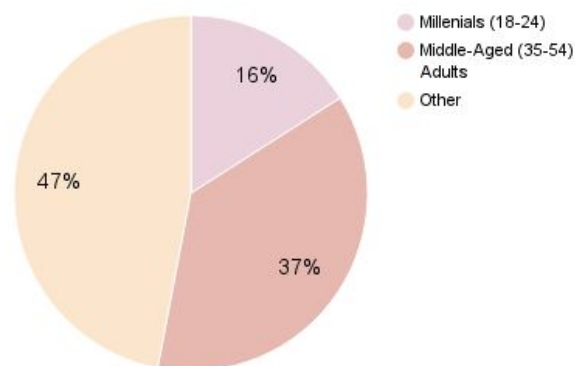
Our first target market is middle-aged adults, who have pursued post-secondary education and are now working in high paying careers. This is because from our consumer research we have found that adults aged 35 to 54 make up 42% of speciality coffee drinkers (Holmes 2012). We have also found that adults with post-secondary educations are 70% more likely to visit coffee shops, and also that the highest proportion of speciality coffee drinkers are adults who make more than \$76,000 annually (Holmes 2012). This research allows us to see that targeting this market in Charlottetown makes sense, because of the fact that the median age in the City of Charlottetown is 42.3, which falls within this target market's age range (Government of Canada 2016).

The other target market that we have decided to pursue is millennials. Although they do represent a significant portion of coffee shop consumers, the fact that they are one of our target markets is less based on the fact that they are coffee drinkers, and more on how this generation is often seeking alternate options for nights out with friends (Howe 2016). The decrease in the party scene, has resulted in a greater demand for establishments to implement different activities for their consumers to participate in (Howe 2016). The Creative Café is a place where millennials can come with their friends to create art and meaningful experiences. The importance of the latter is increasing dramatically among young adults, who are resolving that being sober and having real conversations with people is much more effective at building friendships, than is being highly intoxicated at a club (Chapin 2016). The fact that The Creative Café is a business that can satisfy this demand for millennials, is an important reason for targeting them. It is also important to note that because 20-24 is the largest age demographic in the City of Charlottetown, it makes sense from a

business perspective to target them, as gaining one of the largest age demographics in the city will highly increase our market share (Government of Canada 2016).

In a grand sense, we've decided to go after a large group of people in terms of age range. Roughly people start to drink coffee at the age of sixteen, so using the numbers given on Statistics Canada, and the fact that approximately 85% of the population drinks coffee, there are 21,522 people in the City of Charlottetown who consume coffee on a regular basis (Coffee Facts, 2015; Government of Canada, 2016). This number can be broken down by the two segments we have determined as well. If millennials are considered to be people between the ages of 18 and 24 then they make up sixteen percent of this market (Government of Canada 2016). If middle aged adults are considered to be people between the ages of 35 and 54 then they make up thirty seven percent of the market (Government of Canada 2016). Given these numbers, we have decided to target quite a significant portion of the coffee drinkers in Charlottetown - approximately fifty-three percent. By choosing to target these groups we are optimistic about achieving our financial goals, and becoming a successful business within the City of Charlottetown.

Coffee Drinkers - City of Charlottetown



Point of Differences

There are many aspects of The Creative Café that would be considered comparable to our previously identified competitors. But, there are a few key offerings that consumers will more than likely, not find elsewhere. These include:

- An atmosphere that promotes and facilitates the creation of art.
- The products used are always local and/or ethically sourced.
- An establishment that offers consumers - especially those who are underage or who do not want to go to a nightclub - a place to go for entertainment.

These three points of difference set us apart from other businesses in the industry and give us a competitive advantage. By providing a place where people can go to create art and immerse themselves in an expressive and welcoming environment, we offer something unique to the area. We will be one of the only businesses that offer the combination of entertainment, food, and beverages in an environment that does not involve loud music and crowded spaces. In addition we will only offer ethically, locally, and sustainably sourced products which will satisfy the demand of consumers, and have a positive impact on society and the local economy.

Positioning

Positioning refers to the process of making target markets aware of your points of difference. It is essentially how a company and its products are defined in the minds of the consumer relative to the competitors. Because of the importance of positioning in the success of a business, we put a lot of thought into choosing how we would position ourselves in the minds of our two target markets.

For middle-aged educated adults we decided to display our use of local, and ethically sourced products. We also wanted to position ourselves as the best

gourmet coffee in the market, and imply that we would guarantee their satisfaction. To do this we will use the following positioning statement:

- For a hardworking and educated adult, the importance of a quality cup of coffee is not to be underestimated. That's why at The Creative Café we only use the finest, locally sourced ingredients, to deliver you the satisfaction you deserve.

For millennials we chose to demonstrate our unique environment, and the creative activities that we offer as an alternative to nightclubs. We also wanted to position ourselves as a local business as this resonates well with this target market. The position statement is as follows:

- At the The Creative Café we understand the importance of creating memories for young adults. Come enjoy a locally sourced dinner with friends, and after put your creative skills to work. You will leave with a full belly, heart, and a new piece of art.

Marketing Program

Product & Branding Strategy

At the Creative Café, we strive to provide an environment in which individuals have access to the resources that allow them to express their creativity. The majority of cafés follow a similar model that consists of providing hot beverages and a cozy space. At the Creative Café, however, our goal is to enhance the customer's traditional café experience by adding a truly valuable element to one's otherwise run of the mill experience. The way in which we choose to separate ourselves from our competitors is centered around allowing the consumer to expand their minds through art, as well as, meaningful conversation with other creative individuals. Our goal is to establish an image of acceptance and friendliness. We wish to be seen as a place people can go where they are not only included, but where they can make

lasting bonds and friendships. To achieve this, we must brand ourselves in an appropriate fashion. At the Creative Café we will advertise the fact that we are not only a unique business to Charlottetown, but that we support local, as well as ethically sourced goods. We believe branding ourselves in a socially responsible manner will be attractive to our target markets.

Price Strategy

At The Creative Café, our pricing strategies will consist of cost-plus pricing ensuring we make a reasonable margin. We will also incorporate competition based pricing for certain products, to ensure that our beverage prices will be comparable to other upscale local cafés. That being said, we also have a goal to enhance our local community. A certain portion of our profits will be donated to local charities and organizations in Charlottetown. We feel as though our target market would greatly appreciate this generosity. This in turn would promote brand loyalty, setting us up for a promising future with a substantial loyal customer base.

Promotion Strategy

Promotion is the communication between the company and the consumer. In order to make the market aware of your product offering, you must create a promotion strategy that will inform, persuade and remind consumers about your product. Without this, consumers would most likely be unaware of your existence, regardless of how great your product or service might be.

The Creative Café will to some extent, take advantage of all five components of the promotional mix: advertising, sales promotion, personal selling, public relations, and direct marketing. By blending all five components we will create effective and integrated marketing communications (IMC). Because we are a new company, we must start out with strong IMC to ensure market penetration.

We will use advertising to reach large groups of people in the Charlottetown region. Because we are just starting out and our budget is not very large, we will avoid expensive advertising channels such as television, and stick to medias such as newspaper and radio. More specifically we will buy advertisements in the Buzz, which is local paper that comes out monthly and is placed in locations all over Charlottetown. Because the Buzz comes out monthly, this will increase the frequency of the advertisement, which is often a very effective method in getting people to recognize your brand. We will also purchase advertisements in the Guardian - PEI's provincial newspaper, as well as on Hot 105.5, CFCY, and Ocean 100 - the most listened to Island radio stations.

Although personal selling is the most expensive tool per consumer reached, it is often the most effective. So even though we are working on a tight promotional budget, we still want to put some effort into this component. We will be walking around Downtown Charlottetown telling the people in the streets about our business. Along with this we will integrate a sales promotion by giving away discount cards as incentive to come into the café and try it out at a reduced cost.

Public Relations (PR), also known as publicity is the act of generating positive publicity and this is something we are aiming to take advantage of. Publicity, like advertising reaches mass amounts of people. But, unlike advertising, PR is unpaid and often perceived by consumers as more credible and therefore they are more likely to consider going into your business.

Looking into the final piece of the promotional mix, we will use direct marketing by creating a website that contains all of the information about our business. We will also use social media as a tool to spread the word about our product offering. We will create a Facebook, a Twitter, an Instagram, and a Snapchat. These are four very popular and commonly used social medias, and if we use them in a smart and interactive way, this could be a wonderful and cost-effective method to gain some the market's attention.

In summary, all five of these tools are important when it comes to creating an effective promotional strategy. As a startup business our funds for promotion are quite limited, but hopefully as we expand and become more profitable we will also be able to expand our promotions as well.

Place Strategy

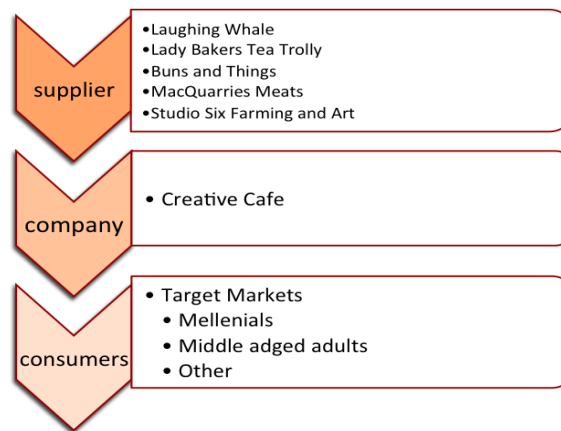
In general the value delivery network is made up of everyone involved in getting the product to the consumer. For the The Creative Café, this network, as well as the distribution strategy will be relatively simplistic due to the small size of the company. For our business we have suppliers who give us, the company, the products we need to serve our customers. This means that we are a level one channel as there are no intermediaries between our company and our consumers. We will take a closer look at the three components of our value delivery chain.

We pride ourselves in exclusively using local and/or ethically sourced products. Therefore our suppliers are very important to us, as we work closely with them to ensure they are meeting our standards and providing us with Island or Canadian products. Our first, and arguably our most important supplier is Laughing Whale, this is a Nova Scotia based coffee company that provides us with our coffee supply. We chose to work with them, because their values of environmental protection and fair trade align with those of our company (Laughing Whale Coffee Roasters, 2016). Other suppliers who are of great value to us include, Lady Baker's Tea Trolley, Buns and Things Bakery, Harvest Wholesale, and MacQuarrie Meats, these are all PEI suppliers who provide us with tea, bread and baked goods, produce, and meats respectively. We also require art supplies which we order almost exclusively online from the Canadian company - Studio Six Farming and Art Supplies. Other suppliers include the landlord who we rent the building space from, the suppliers of our

electricity, water, heat, and internet, as well as the companies who print our menus, and sell us utensils and restaurant equipment.

After our company is supplied with all of the necessary tools, the next step is for us to prepare the product and service to be purchased. Once we do this, we can then move on to the final step of the value delivery network, which is distributing the prepared product to our customers.

Value Distribution Chain



Customer Service

In order to ensure that our customers are satisfied with the product we must ensure that we reach or surpass their perceived value by providing them with a quality product. We must also create a welcoming and suitable atmosphere, through sound, smell, and decor. Most importantly, we must adequately prepare the staff who will be serving them. After all is said and done, no matter how great the product or atmosphere is, if the service is inadequate then the consumer is going to be unhappy with their entire experience at your business. That is why at The Creative Café, customer service is one of our top priorities.

We want to make sure that our customers receive the best possible service while in our establishment. We are going to do this by hiring a human resources manager to immediately implement proper policy, and create an orientation program. This will

ensure that our staff have developed the proper skills to work in the foodservice industry. By having this human resource manager working in the business, it will make certain that staff are well trained and satisfied with the workplace. Having happy employees will translate to happy customers, as your employees are arguably your most valuable asset when running a business.

Financial Data and Projections

Finances are an integral part of every aspect of a business, and being fiscally responsible as an entrepreneur is vital to being successful. Below we have outlined our sales forecast for the first four years, as well as an expense forecast, and a break-even analysis.

Sales Forecast

A typical, independently owned café generates roughly \$2500 in revenue daily (Heibutzki, 2011). For our financial projections we are going to assume this to be a reasonable starting point for our income. However, we are expecting an increase in customers with time, and from this we are forecasting a steady increase in sales by 5% annually for our first four years. After the four year period we project our sales will stabilize, leaving us with daily average revenues of \$2993, and an annual average revenue of \$1,066,752 .

Annual & Daily Sales Projections

	Year 1	Year 2	Year 3	Year 4+
Annual Sales (\$)	921,500	967,575	1,015,954	1,066,752
Daily Sales (\$)	2,500	2,651	2,783	2,993

Expenses Forecast

In our first year we project that we will not see a profit due to capital expenses incurred when opening a new business. But generally, based on industry averages, the costs of goods sold will represent 15% of sales (Butner, 2016). In the cafe industry the bulk of your costs are incurred in the way of operating expenses (Butner, 2016). Therefore, we expect about 82.5% of sales to go towards covering our operating expenses (Butner, 2016). Operation expenses includes labour costs (~35%), rent (~15%), depreciation, capital expenditures, training, professional fees for HR consulting, charitable donations (2%), and other miscellaneous expenses (Butner, 2016). This leaves the company with an overall profit margin of 2.5% in an average year.

Break-Even Analysis

The break-even analysis is used to determine when your business will be able to cover all of its expenses and begin to make a profit. It is calculated using a formula, which is the annual fixed costs of the business divided by the total annual sales minus costs of goods sold. From this formula we can determine the quantity of products that need to be sold in order to generate annual sales that equal total annual costs.

We have averaged all of the prices on our food and beverage menu, and have calculated the average price per unit to be \$5.80. Our fixed cost in year one, as noted in the expenses, is \$760, 238. Using these numbers we were able to calculate that the quantity needed to be sold in order to break even is 154, 206 units, which at a selling price of \$5.80 is equal to \$894, 397 in sales. For our break-even analysis graph refer to appendix A.2.

Implementation Plan

Month 1:

In the month leading up to our opening, we will ensure that we have established a relationship and a understanding with all of our suppliers, and that they understand what we will need from them for opening day and beyond. We also have all our staff hired, as well as the HR manager. Everyone will receive orientation and training, so that they are prepared for the opening day. Before we open for business, we will also begin to introduce ourselves to the public, more importantly, our target market. In the first month of implementation, we will strive to create a buzz surrounding our opening, as well as communicate our points of differentiation from our competitors. Heavy use of the promotional mix will be used during this stage, as it is integral to a successful future in the coffee shop industry. We will put an advertisement on the radio and in the Buzz, we will implement personal selling on the streets of Charlottetown, as well as the distribution of coupons as incentive to visit our business when it opens. Finally we will create all of our social media accounts, and our website, beginning the direct marketing portion of the promotional mix.

Month 2:

The first month of operations will be crucial, and we need to make sure our product and service is of the utmost quality. The first impressions of our business will be taken from this time frame, and it is important in order for us to be successful, that these be positive impressions. Word-of-mouth is very important in a small city like Charlottetown, so being able to impress the people who come through the door, will likely create positive publicity, one of the key tools in the promotional mix. During this month there will be continued promotions, including advertisements, sales promotions, and direct marketing. We will have lots of entertainment and special activities during this month to draw people into the business. Focus will be

on establishing an upbeat and welcoming atmosphere and culture. Though our intention is to always maintain this atmosphere and culture, demonstrating it early to our customers is vitally important to developing consumer relationships.

Month 3-11:

Our implementation strategy for the rest of the year's operations will be a continuation of the second month's promotions, but with a focus on gaining new customers while also keeping customers coming back. During this time period, there will be a lot of trial and (hopefully minimal) error. We are expecting to learn what works and what doesn't during so that we can learn and gain insight into the market and industry.

Month 12:

By the end of our first year in business, we hope to have gained a large amount of insight into what we can continue to do to see the business thrive, and what we need to remove from our goals/plans. This month will be a time to re-assess previous notions and assumptions. At this time the marketing plan may be updated, and an implementation strategy for the following year will be put in place, keeping in mind the marketing objectives and what we can do to make this happen. We will reassess the training needs of our staff, and seek consumer feedback.

Contingency Plan

Despite having a well thought out marketing plan, things do not always work out as expected. In the likelihood that we are off in our projections we have prepared a contingency plan to help us respond to significant unexpected events so that we can concentrate our efforts on running the business as smoothly as possible.

Sales revenue exceeds projections:

If revenue exceeds our projections, we would consider this to be the best case scenario. Exceeding our expected revenue will allow us to accomplish some of our goals earlier than planned. We can also allocate more funds into more advertising, employing more staff, and more event programming. In addition to increasing funds spent on these activities, we will also use funds to help our community. We will do this by making donations to charitable organizations that fit our overall business goals, such as the Confederation Centre of the Arts Foundation, which would use our donation to help fund the acquisitions and conservation of the art gallery and youth and education training.

Sales revenue misses projections:

In the worst case scenario we fall short on our sales predictions and will have to adjust accordingly. In the case that we don't make enough money we will have to let go of some of our staff to still be able to afford to run the business. To get back on track we will need to allocate available funds towards advertising to raise awareness of our business. We will also begin asking for referrals from our regular satisfied customers. We will hand out business cards to our customers stating that "We grow our company through referrals from satisfied customers. If we provided excellent products and customer service, please tell your friends and colleagues. If we did something wrong, please tell us and we will fix it. Our goal is 100% customer satisfaction." (Emerson 2015). With referrals our customers will be able to gain new customers by letting them know that we are genuinely interested in meeting the needs of our customers.

An insignificant interest in the art portion of the business:

In the case of customers not wanting to pay fees to paint and craft, we will have to reevaluate our business plan. In the event that this happens we will have to strictly rely on our food and beverage sales and possibly eliminate the art aspect of the cafe

or add something new. Without the additional part of the café, we become even more similar to our competitors, which can be dangerous in a market that is as saturated as the café one.

Epilogue

After the completion of the marketing plan, we have all come to the consensus that in order to really understand the concepts in marketing, it is essential to apply them. There were certain terms and ideas, that although we had studied, we came to realize we did not fully comprehend. The SWOT analysis for example, is a term that is frequently discussed in class, but actually doing all the research that goes into the full analysis, made us have a greater appreciation for the benefits it can actually have on a business. It really was the benchmark for the rest of the plan, as we had to reference back to it consistently.

From doing this project, we not only learned a lot more about marketing, but also about the business in which we chose to do our plan on.

The Creative Café is part of the coffeshop industry. We all became much more knowledgeable on this industry, as well as the competition that exists within it. It was also interesting to analyze the market. By doing consumer research, followed by segmenting, targeting, and then positioning, we really began to understand how all of the concepts linked together and worked to build the customer relationships we always discuss in class.

Although the entire plan was a learning process, we all agreed that figuring out how all of the pieces fit together really was the most challenging and eye-opening part. Each piece on its own is relatively simple, but figuring out how each section fits into the bigger picture of the plan is the difficult part. In this situation, teamwork really paid off. We met on a regular basis and could discuss the issues we were facing together. As the saying goes, “two (or four) heads are better than one”, and this

definitely had more than an ounce of truth to it when it came to completing our marketing plan.

The time and effort we put into this plan really paid off when we finally finished and got to see all of our hard work come together into a cohesive paper. It was especially rewarding because of the fact that the plan was on a business that we worked together to create. It was almost as if we were actual business partners creating a marketing plan for our startup company.

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Appendix

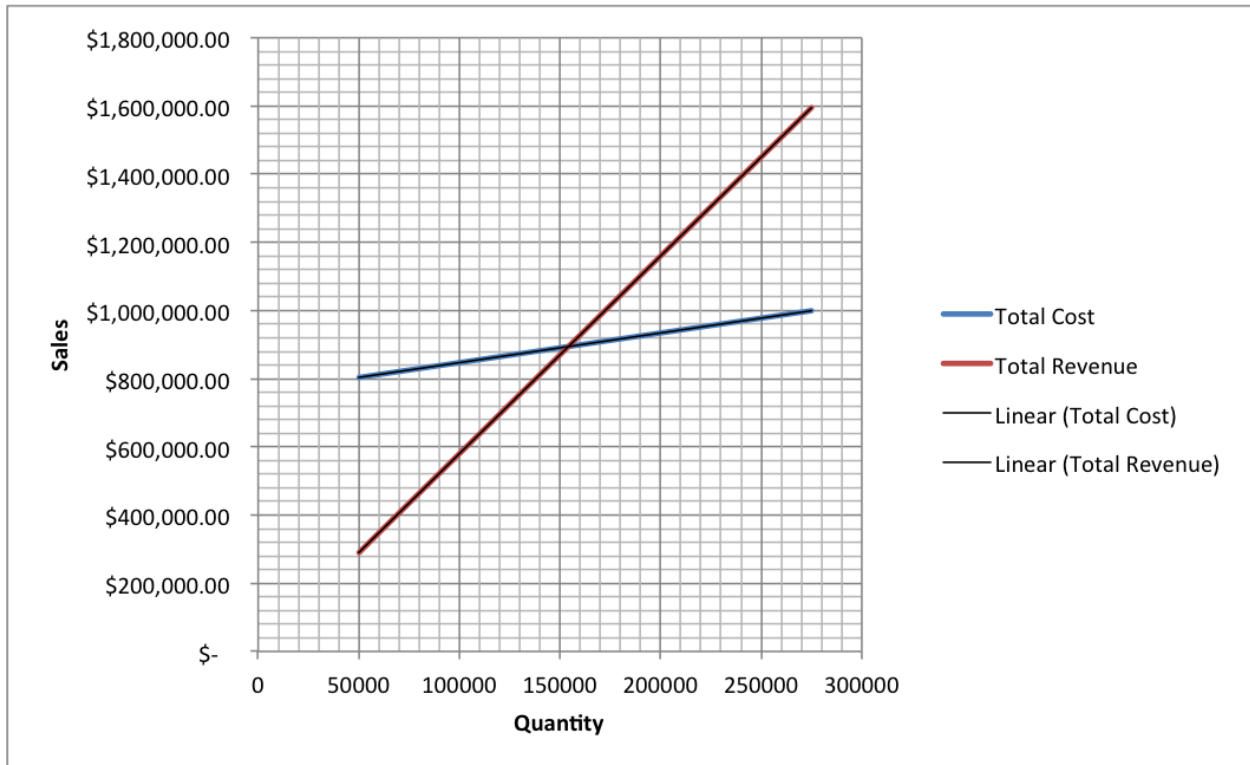
Appendix A.1.

Full food and beverage menu for The Creative Café.

<p>-- The Creative Cafe --</p> <hr/> <p>-- The Drinks --</p> <p>Latte - 4 // 5</p> <p>Cappuccino - 3.5 // 4</p> <p>Americano - 3.5 // 4</p> <p>Chai Tea Latte - 4 // 5</p> <p>Lady Baker's Tea - 3</p> <p>Drip Coffee - 2.5 // 3</p> <hr/> <p>-- The Sandwiches --</p> <p>Avocado Toast - 7</p> <p>Chicken Club - 9</p> <p>Grilled Veggie & Goat Cheese Panini - 8</p> <p>BLT - 7</p> <p>Smoked Salmon Bagel - 9</p> <hr/> <p>-- The Sides --</p> <p>Daily Soup - 4</p> <p>Salad (House, Greek) 4 // 8</p> <p>House Cut Fries - 4</p> <p>Poutine - 6</p> <hr/> <p>-- The Snacks --</p> <p>Hummus, Pita & Veggies - 8</p> <p>Guacamole & Chips - 9</p> <p>Popcorn - 4</p> <p>Charcuterie Board - 12</p> <p>Nachos - 10</p> <hr/> <p>-- All Access Creation Pass - 10 --</p>
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Appendix A.2.

Break-even analysis graph. Break-even is defined as where the total revenue is equal to the total cost.



Signatures:

Kaylee Jabbour

Sarah Ryan

Polina Puchkova

Luke Reeves-Rollins

Section Division:

Executive Summary - Kaylee, Sarah, Polina, Luke

Company Description - Kaylee

Situational Analysis - Kaylee

Marketing Strategy:

 Mission - Kaylee, Sarah, Polina, Luke

 Marketing & Product Objectives - Sarah

 Target Markets - Sarah, Kaylee

 Point of Difference(s) - Sarah

 Positioning - Sarah

Marketing Program:

 Product & Branding Strategy - Luke

 Price Strategy - Luke

 Promotion Strategy - Polina, Kaylee

 Place Strategy - Polina

 Customer Service - Polina

Financial Data and Projections - Luke, Kaylee

Implementation Plan - Luke

Contingency Plan - Sarah

Epilogue - Kaylee

References - Kaylee, Sarah, Polina, Luke