

ALÍCIA VICKERY DOMINGO

A BLUE OCEAN STRATEGY FOR A START-UP:
COFFEE CHAT

Trabajo Fin de Grado
dirigido por
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If there is already a market research report out there with all the information you need, it is probably too late for your new venture.

BILL AULET

Resumen

Aunque en Reus y sus alrededores el número de cafeterías ha ido progresivamente en aumento y existe un grupo de academias de idiomas que ofrecen clases de inglés a todos los niveles, no hay un sólo negocio que combine las dos opciones.

Mi proyecto consiste en realizar un Business Plan para analizar si una cafetería que sea a la vez academia de idiomas puede ser viable de manera realista.

Se ofrecería conversación, guiada por profesores nativos, en el propio local, diariamente y durante el horario entero de apertura, y el personal de cafetería estaría asimismo formado por profesionales de habla inglesa.

Nuestros clientes perfeccionarían el inglés oral, sin gramática ni ejercicios, bien para ascender de categoría profesional, bien por puro placer o para convertir algún sueño en realidad.

A pesar de la fuerte competencia existente, las características que hacen única a nuestra propuesta de negocio nos permitirán poner en práctica una *Blue Ocean Strategy*, en lugar de competir de forma agresiva con otras cafeterías y academias de idiomas.

Nuestros clientes disfrutarán de las ventajas de ambos negocios en un ambiente agradable y cómodo, en el que alumnos y profesores, en grupos reducidos, podrán conversar ante una taza de buen café y toda una gama de productos ecológicos.

Resum

Tot i que a Reus ha anat augmentant progressivament el nombre de cafeteries i existeix un conjunt d'acadèmies d'idiomes que ofereixen classes d'anglès a tots nivells, no hi ha un sol negoci que combini les dues opcions.

El meu projecte consisteix en fer un Business Plan per a analitzar si una cafeteria que sigui a la vegada acadèmia d'idiomes pot ser viable de manera realista.

S'oferiria conversa, guiada per professors nadius, al mateix local, diàriament i durant tot l'horari d'apertura, i el personal de cafeteria estaria així mateix format per professionals de parla anglesa.

Els nostres clients perfeccionarien l'anglès oral, sense gramàtica ni exercicis, per aconseguir una millora professional, per plaer, o per a realitzar alguns dels seus somnis.

Malgrat la forta competència que existeix, les característiques que fan única la nostra proposta de negoci ens permetran posar en pràctica una Blue Ocean Strategy, enlloc de competir de manera agressiva amb altres cafeteries i acadèmies d'idiomes.

Els nostres clients gaudiran de les avantatges d'ambdós negocis dins d'un ambient agradable i còmode, on alumnes i professors, en grups reduïts, podran conversar prenent una tassa de bon cafè i tot un ventall de productes ecològics.

Abstract

Even though in Reus, and its surrounding area, the number of coffee shops has been steadily increasing, and there are quite a few Language Schools offering English lessons at all levels, there is not one single business that combines the two options.

My project consists in devising a Business Plan to analyse whether a coffee shop doubling as a place for English conversation is realistically viable.

English conversation practice, conducted by native teachers, would be available on the cafe premises, on a daily basis, throughout its opening hours, and the coffee shop would likewise be staffed by English-speaking professionals.

Our customers would perfect their spoken English with no burden of grammar or exercises, either to further their professional careers, or simply for pleasure or to fulfil their dreams.

Despite stiff competition, the uniqueness of our business means it will be able to implement Blue Ocean Strategy, rather than compete aggressively with other coffee shops and Schools of Languages.

A comfortable, friendly environment, where small groups of learners and their teachers can converse over good coffee, and a whole range of organic products, will allow our customers to get the best of both worlds.

Key words

Coffee shops – English conversation practice – Organic products – Blue Ocean Strategy – Business Plan – Entrepreneurship

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Introduction

The aim of this dissertation is, in the first place, to meet an academic requirement for students of Business Management at *Universitat Abat Oliba CEU*, so as to introduce us to the field of research.

To carry out this task, I have followed my own personal preferences and interests related to the degree I have completed, since a dissertation provides the opportunity to study a subject of special interest in depth.

As for me personally, I chose my subject out of pure chance. It all started on a Saturday morning last March in my hometown, *Reus (Tarragona)*.

I was walking along with my mother, taking a stroll through the town centre, when I realized there was an increasing number of new cafes. 'Mum', I asked, 'have you noticed there are more and more new coffee shops in Reus?' She replied promptly: 'Yes Alice, new cafes have recently proliferated in a town like Reus.'

This started me thinking non-stop about unanswered questions such as: why are there so many new cafes in Reus? Why start such businesses when there are so many existing ones? Are they aware of today's fierce competition? Does each one of them follow a different business strategy? Why a cafe, rather than a different kind of business?

After considering all these questions, what I did know was that all the cafes offered the same products at similar prices, except those doubling as confectioneries, which offered some products of a higher quality.

Thus it dawned on me that I could write my dissertation on a strategy covered in Strategic Management, a fourth-year subject taught by Dr Eva Perea.

My project consists in developing a Business Plan for a company created and designed by me, inspired by my reflections on the coffee shops in my hometown. The main difference is that I will be using a strategy known as *Blue Ocean Strategy (BOS)*, which is precisely the policy none of the cafes in Reus follow.

I will now describe the reasons why I chose this particular project.

- At present it is very difficult to find, in this country, enterprising businesses. There are several reasons for this, ranging from taxation to bureaucracy, which is the reason why most young businessmen who have enterprising ideas find it difficult to start a company. This is why trying to start their own

business is such a challenge nowadays for any aspiring person in Spain, which is unlike the situation in other countries such as the USA.

- The world of business is not as perfect and idyllic as it sometimes seems to us. When we have a business idea in mind we feel optimistic, and believe the outcome will be positive. However this is not always the case. It is therefore necessary to carry out an in-depth analysis, to get to know the actual situation of the sector we want to do business in. Once we are well acquainted with the sector of our choice, we will be likely to find good opportunities in an unexpected market niche, which will then originate good, attractive ideas.
- This project affords the chance to create a kind of business that has not so far been devised in my hometown, that is, a Coffee Shop doubling as a Language School, for people looking for English conversation.

Taking my cue from this idea I found, when I first thought of it, such a business really attractive, as it breaks the boundary of both a conventional cafe and a traditional School of English. What it would offer could be described as follows:

- The coffee shop would be located in premises of 100 square metres in the centre of Reus¹. The food range would be totally organic, as the business would be environment-friendly.
- "*Learn as you speak*" would be the motto of the cafe, where customers will have a good time in the company of people who share a common goal: to improve their spoken English, in a nice, cosy environment that will make the customer feel comfortable. We will wish for customers to want to come back as soon as they leave, and look forward to having fun, and a nice time, again.

The above description sounds idyllic, but we still need to analyse all the necessary elements that make up such a business, in order to find out whether it can actually yield financial benefits.

¹ See Annex IV, page 113.

² See Annex I, page 101.

The main objective of this project is to find out whether the business I will have created, as a whole, is viable or not in my town, and to assess the possible risks when it is fully operating. If I concluded it could be successful, and gain a solid reputation, I would consider making this project a reality in the future. An additional objective, yet equally important, is the fact that this project affords the opportunity to put into practice the wide range of knowledge I acquired during my four-year studies at university. I am aware that, in order to carry out this project, I will be implementing a large number of strategies I learned in some of the subjects I was taught. This is why I believe this will be an enriching experience, and good fun to boot.

The methodology I will use to devise my *Business Plan* will follow the guidelines in a book, recommended to me by my tutor, *Disciplined Entrepreneurship* by Bill Aulet, managing director of the Martin Trust Center for MIT Entrepreneurship, and a senior lecturer of the MIT Sloan School of Management.

The book provides a 24-step plan to succeed in creating products, services, and information delivery systems in an innovative way. The scheme has been tried and tested, and has been applied across a wide spectrum of business activities. 24 questions are asked, whose answers are required to create a new business.

I have chosen 12 steps out of Bill Aulet's 24, the ones I have considered more relevant to my Business Plan. It is a more contemporary approach to a business plan. It is not a traditional plan, but a more dynamic method that is being used nowadays in many universities and entrepreneurship centres.

Finally, I will analyse the way to carry out the actual plan by using objective data, and reliable sources that have proved this kind of business to be eventually viable.

STEP – 1: Detect an opportunity

1.1. Creation of the idea

We are living these days in a world where innovation takes pride of place, both in products and in services, in our everyday life. We are living in a globalised world, that is to say, wherever we might be we find the same restaurant chains, the same clothes shops, and so on. It is also true we see the markets grow relentlessly, which creates business opportunities that are taken by enterprising people, hence their success. All successful companies in the last few decades have seized business opportunities, in other words, they have addressed unmet needs. However, how can an unmet need be detected? The answer to this question lies in the 21st century society we live in.

I will now describe in detail where my idea for a business came from, and why I think it is worth developing.

On a personal note, I like taking a stroll around the town centre, and usually walk into a cafe to have some coffee, either with my mother or with a friend. I have done this for years, and will continue doing so, since this is a good way to unwind and relax, and coffee shops are, generally speaking, nice places that allow people to spend a quiet time, and take a break.

Because of the current credit crunch quite a lot of companies have been forced to close down, as they cannot afford to keep their premises open for business when expenses are greater than revenue. As far as coffee shops are concerned, however, the opposite seems to be true. There are all sorts of cafes in my town, ranging from family-run local businesses that have been trading for years, to typical franchises whose low prices have made them fashionable.

What really caught my attention in my town, which I mentioned above in the introduction, is the fact that in this particular place, Reus, there is a high number of cafes, especially in the centre. This number has been steadily increasing in the last few years, and in addition, a series of franchises have appeared that had already been spreading throughout the whole country.

A possible explanation is the fact that Reus is a commercially-oriented town, whose centre is almost completely pedestrianized, thus making it highly accessible to a large number of citizens, proportionally larger than the amount of people in a city centre with heavy traffic, as is the case of Barcelona.

If a town has a busy commercial activity, many shops open from morning to late evening, a time span that will include breakfast, lunch, and evening meals. When someone is in the centre in the morning, he or she is likely to stop off for a coffee break while doing the shopping, on an errand, or during working hours.

The above description is about the current situation as to coffee houses in Reus. What comes next is the innovative idea I devised in my head.

My parents ran a school of languages for ten years, to meet a basic, worldwide need and demand: learning English. It was a successful business, with an increasing number of students, from adolescents to pensioners, year after year. Everybody wanted to learn English for a variety of reasons: to pass their school tests, for their jobs, or simply as a hobby. My parents' aim was for all students to be able to speak the language, but the spectrum of learners was extremely wide, which made things complicated.

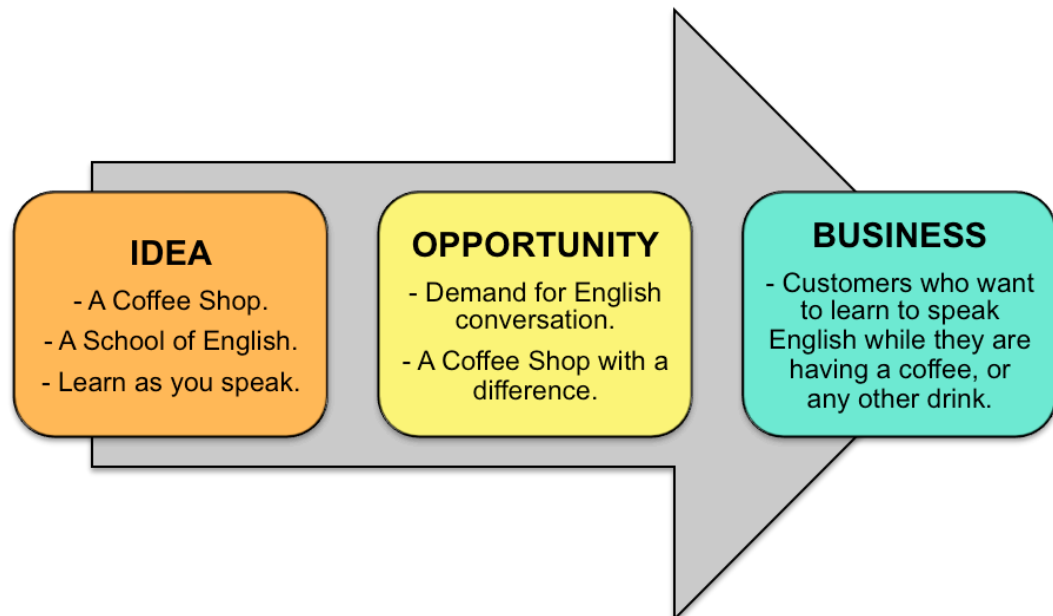
Over the years it has become obvious, through experience, that Schools of Languages give priority to grammar and other technical aspects, and the different groups of students, which consist of around ten people, make it impossible to have sustained, long conversations with their teachers. In my view, the most important thing to learn a language is to be able to speak it regularly, since putting it into practice is the key to learning it.

Therefore, by putting the thoughts on Cafes and Schools of Languages together, I reached the idea of fusing them into one project: a Coffee Shop doubling as a School of English with a difference, focusing on conversation practice only, without grammar or reading comprehension.

English is a global language, and is essential anywhere you go. Personally, as a trilingual speaker, I have used, when travelling abroad, English as a communication tool practically in every country I have visited.

This is the reason why I decided to give shape to this business idea, which is both typical, a Cafe and a Language School, and atypical, the idea of putting them together.

Figure 1: Factors to take into account when designing a new Start-up.



Source: Own elaboration, 2015.

1.2. Blue Ocean Strategy

The term *Blue Ocean Strategy (BOS)* was coined, and systematized, by W. Chan Kim and Renée Mauborgne relatively recently, even though its spirit and approach had existed for decades. BOS stands in opposition to what the two authors call "Red Ocean Strategy", in other words, the most frequent way of doing business, based on fierce competition, hence the implications in its name.

Companies trying to "fight" one another over the same market segment can be metaphorically related to water stained with blood. The opposite image is pure blue as a symbol of something new, an original idea that eschews market "violence". A lot of businesspeople have, in recent years, endorsed and embraced this philosophy.

Table 1: Red Ocean Strategy VS Blue Ocean Strategy.

Red Ocean Strategy	Blue Ocean Strategy
<ul style="list-style-type: none"> • Compete in existing market space. • Beat the competition. • Make the value-cost trade-off • Align the whole system of a firm's activities with its strategic choice of differentiation <i>or</i> low cost. 	<ul style="list-style-type: none"> • Create uncontested market space. • Make the competition irrelevant. • Create and capture new demand. • Break the value-cost trade-off. • Align the whole system of a firm's activities in pursuit of differentiation <i>and</i> low cost.

Source: *Blue Ocean Strategy: How to create uncontested market space and make competition irrelevant*, W. Chan Kim and Renée Mauborgne.

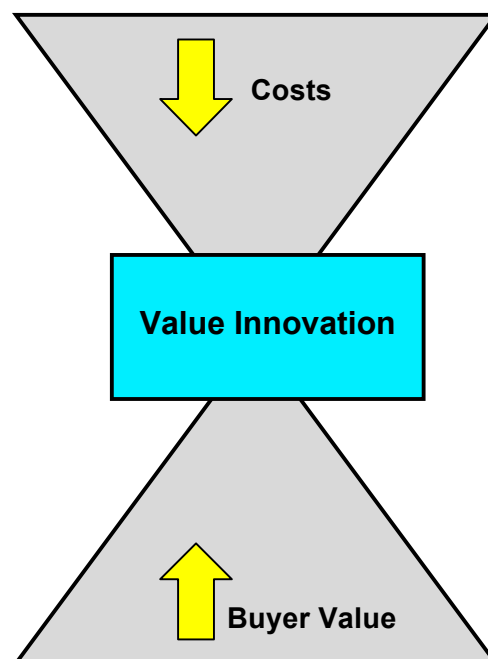
Implementing BOS requires a new mind-set, since its main purpose is not to compete against rival businesses in a given field, but render competition, especially the aggressive type, unnecessary. The creators of the BOS philosophy have always hastened to add that Red Ocean Strategy should not be ignored. On the contrary, it has always existed and always will, and being able to bypass it successfully is part of the plan. Therefore any new business venture must take good note of competitors (see below, Step 7), yet not to see how you can snatch a section of the market from them, but to supply new aspects, products, and perspectives that go well beyond what they can offer, and therefore not ignore but actually defuse the concept of competition. If a new business offers something unique, it will have the field to itself.

This does not necessarily mean creating something completely new, even though this certainly is a possibility. It can also mean innovating in a "Red Ocean" context, in such a way it creates a new market niche, a variation no one else had previously imagined. It is at this point important not to confuse innovation with technology, which does not necessarily play a part in it. A business can innovate in many different ways, and the key term for BOS is value innovation, a concept which is not new either, but has been adopted as the cornerstone of BOS by its creators.

Value innovation implies a balance of the two terms, that is, if a company focuses exclusively on one (value) or the other (innovation), the results will not be desirable at all. Focusing on value only can misdirect the strategy, and may make it difficult for the business to keep its stand in its market segment. Focusing exclusively on

innovation may result in an unrealistic outcome, and a lack of interest on the part of the customer. What integrating the two elements does is to enhance the value of a product or service to an unprecedented degree, and at the same time cut down on unnecessary costs, so that the customer can benefit from a novel idea on a low budget. There is no need to offer, within a business framework, superfluous services that are traditionally taken for granted, but can be easily dispensed with, when innovation may lie in concentrating on greatly enhancing the quality of the most relevant elements.

Figure 2: Value Innovation: The Cornerstone of Blue Ocean Strategy.



Source: *Blue Ocean Strategy: How to create uncontested market space and make competition irrelevant*, W. Chan Kim and Renée Mauborgne.

This explains why another key idea behind BOS is creating new markets, or variations on existing ones, rather than compete for a slice of a market in a already crowded field. The current business environment is that supply greatly exceeds demand, so there is no point in fighting over customers in a shrinking market, only to end up having ever-narrowing margins. Opening up new perspectives will, by contrast, bring increasing profits. Meeting previously unsuspected needs can create new markets.

Globalisation, the virtual dismantling of geographical barriers, and instant availability of products have created a ferocious scenario for a "Red Ocean". This is something BOS must stay away from, and concentrate on uniqueness instead, while also avoiding what Kim and Mauborgne call "the trap of competing" for the sake of competition. In other words, be aware of competitors, but stop trying to beat them. Explore an uncontested market niche instead.

BOS also implies challenging the accepted business rules. One of the received ideas that needs breaking is the value-cost trade-off. High value and low cost can go hand in hand, rather than be an either/or dilemma. A product or service can be innovative and different yet affordable. New demand can be created even when it seems that existing demand is dwindling. There is always uncharted territory, and a far-seeing vision can successfully combine differentiation and customer-friendly cost.

1.3. The Bill Aulet Model

Bill Aulet's model, as he describes it in his book *Disciplined Entrepreneurship*, was designed as a toolbox to be used, both by first-time and experienced entrepreneurs, to build major companies that can create new, innovative products.

His way of laying out a Business Plan consists of a 24-step guide, which can be implemented even by the most experienced entrepreneurs, who will here find a way to launch their products even more efficiently onto the market.

The initial idea for his model, though, was devised for first-time entrepreneurs. There were excellent books available, such as, among others: *Crossing the Chasm* by Geoffrey Moore, *Blue Ocean Strategy* by W. Chan Kim and Renée Mauborgne, *Inbound Marketing* by Brian Halligan and Dharmesh Shah, and *Four Steps to the Epiphany*, by Steve Blank. However, none of them actually offered a detailed roadmap for Start-up businesspeople.

Good as those books are, they focus too much on the theory of key aspects, and not enough on the process of creating and developing a business. Bill Aulet's new, innovative model, with its 24 steps², describes in a plain but expert, professional way the stages a business goes through, from the initial idea for a product down to the time when it is finally brought to market.

² See Annex I, page 101.

Aulet's method focuses on answering six questions³, which will help create a Business Plan. The process described by this method follows a linear logic, which is not necessarily chronological. The implication is that before we proceed from one step to the next, we may have to reassess earlier stages of the process, since they may have to be perfected, and sometimes even completely redesigned.

³ See Annex I, page 101.

STEP – 2: Market Segmentation

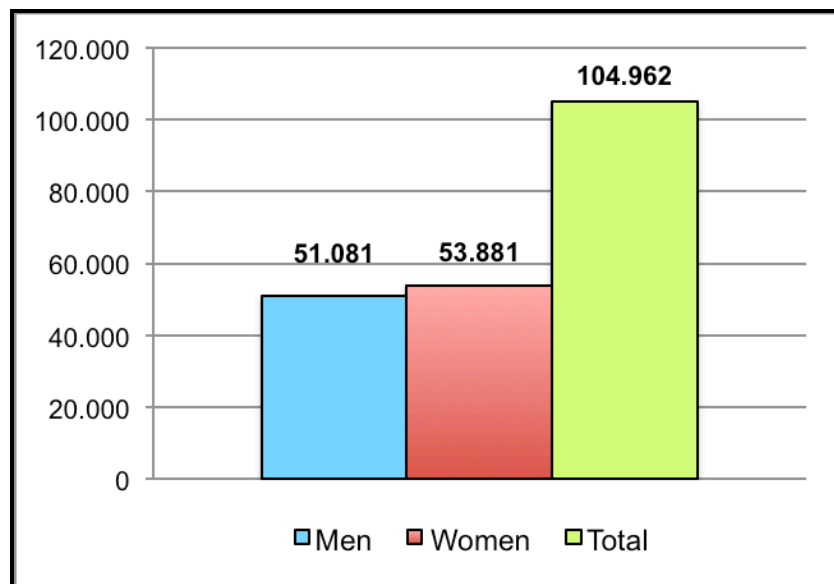
For this step, we need to carry out some market research, so that we can get a detailed description of end users within our market segment.

2.1. Market research

Market research is essential for success. It is about compiling and analysing information on the different markets, and the world of business in general. This ought to be done systematically, in order to make sound business decisions for our company. It also involves monitoring, and constantly interacting and communicating with our target customers, so that the collected information can be confirmed, and then properly analysed.

As our business will be located in Reus, we will first carry out some market research in the town on actual 2014 population data, and on macroeconomic data, all of which will help us choose our target customers better. We will now focus on some data and graphs, which will allow us to make an in-depth study, and select our target customers.

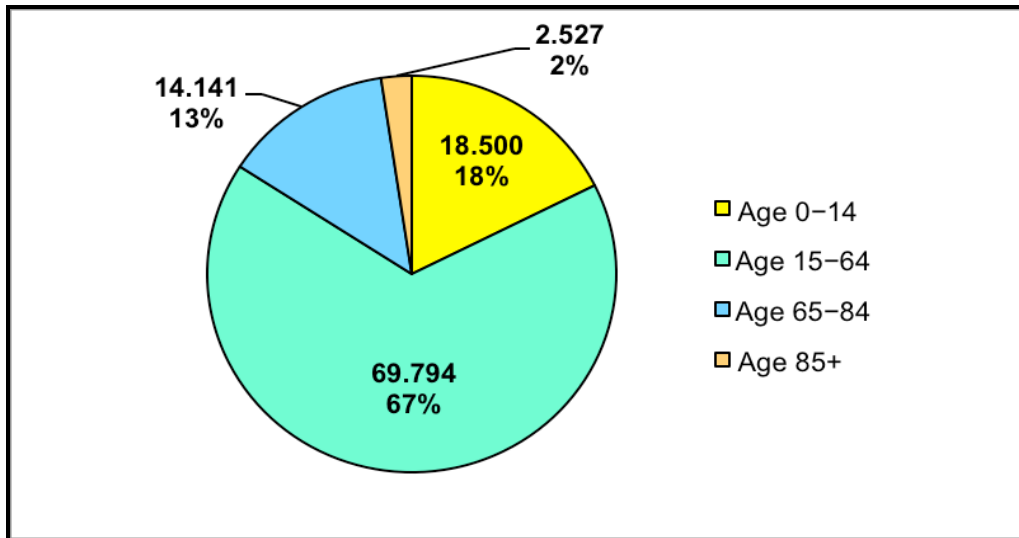
Figure 3: Total population of Reus.



Source: IDESCAT, 2014.

The above graph shows how the population of Reus is distributed by gender. There number of women is only slightly higher than that of men, therefore the percentage of male and female end users in our business should initially be quite similar.

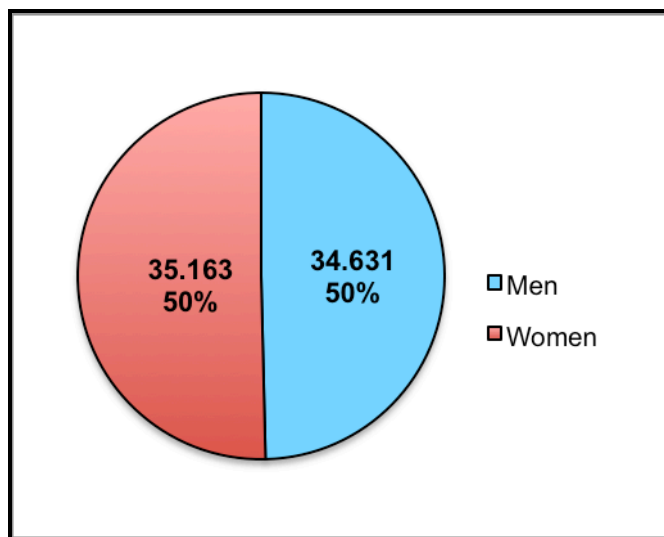
Figure 4: Total population by age group.



Source: IDESCAT, 2014.

Once we have collected the total population data, we will segment it by age group, from small children to pensioners. It is obvious the age range for our business is the red sector, that is, people between 15 and 64, who make up, at 67%, the largest age group in our municipal area.

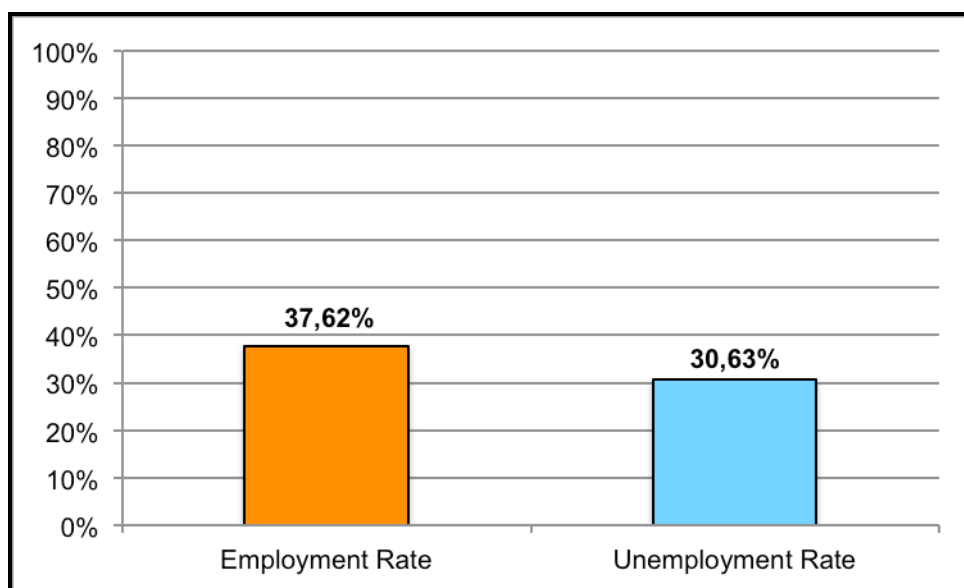
Figure 5: Distribution by gender: ages 14 – 64.



Source: IDESCAT, 2014.

Figure 5 shows the distribution by gender within this specific age group. It can be clearly seen that the percentage of men and women is, again, practically identical, that of women being only marginally higher as stated above.

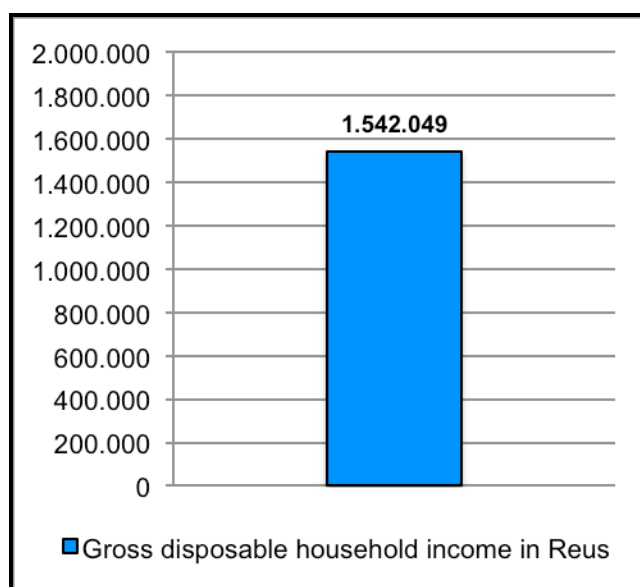
Figure 6: Employment and unemployment rates.



Source: IDESCAT, 2014.

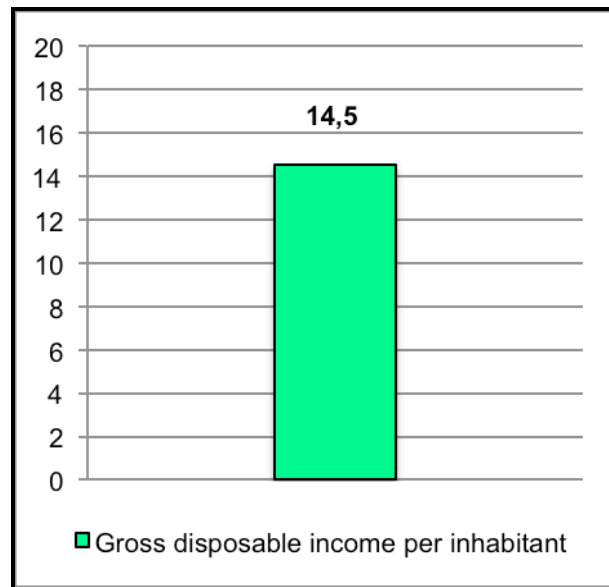
Figure 6 shows the work situation in Reus. The employment rate refers to the working population age range, 15 to 64.

Figure 7: Gross disposable income in Reus in thousands of Euros.



Source: IDESCAT, 2012.

Figure 8: Gross disposable income per inhabitant in thousands of Euros.



Source: IDESCAT, 2012.

Figures 7 and 8 show the income the inhabitants of Reus have, and consequently the gross disposable income per person, which stands at €14,500 per annum.

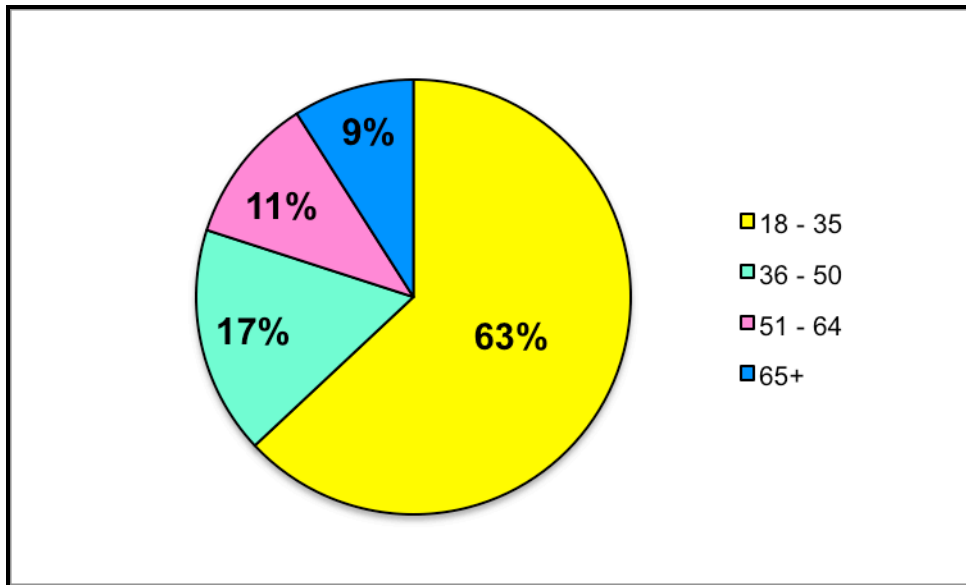
2.2. Market research through surveys⁴

Once all the data have been collected, we will focus on the results of a survey, conducted on one hundred people. Even though we have a totally developed business opportunity, our product still does not exist, therefore we need to know what the situation of our potential customers is, and what their actual needs are.

Although we will be focusing on the most highly representative graphs, the ones that supply the most useful data, we have included all remaining graphs in Annex II.

⁴ See Annex II, page 103.

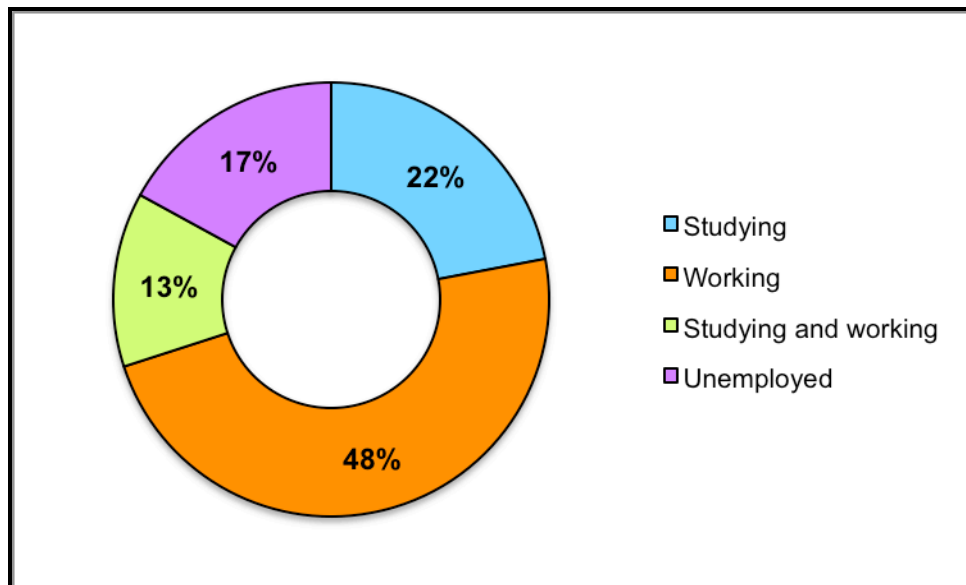
Figure 9: Age range.



Source: Own elaboration, 2015.

Figure 9 clearly shows that the age range of most people who completed the survey is 18 to 35, therefore the customers we will be targeting are young adults.

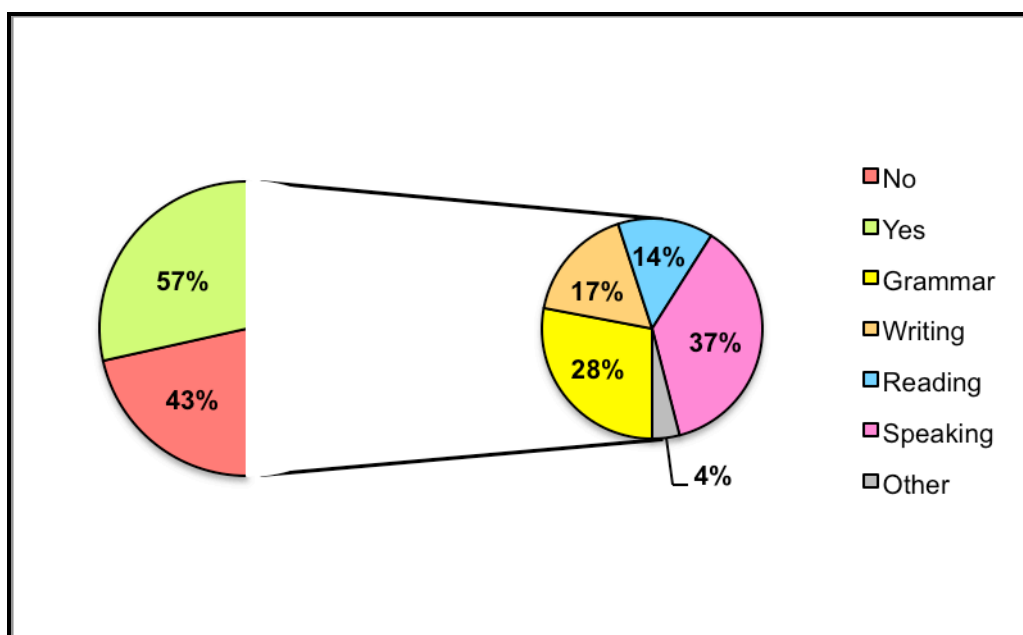
Figure 10: Current work situation.



Source: Own elaboration, 2015.

As Figure 10 shows, almost half of the people who completed our survey are currently working. Our target customers will consist, therefore, of fully employed people, but we will also aim at those who are both working and studying.

Figure 11: Importance attached to the different areas of English.

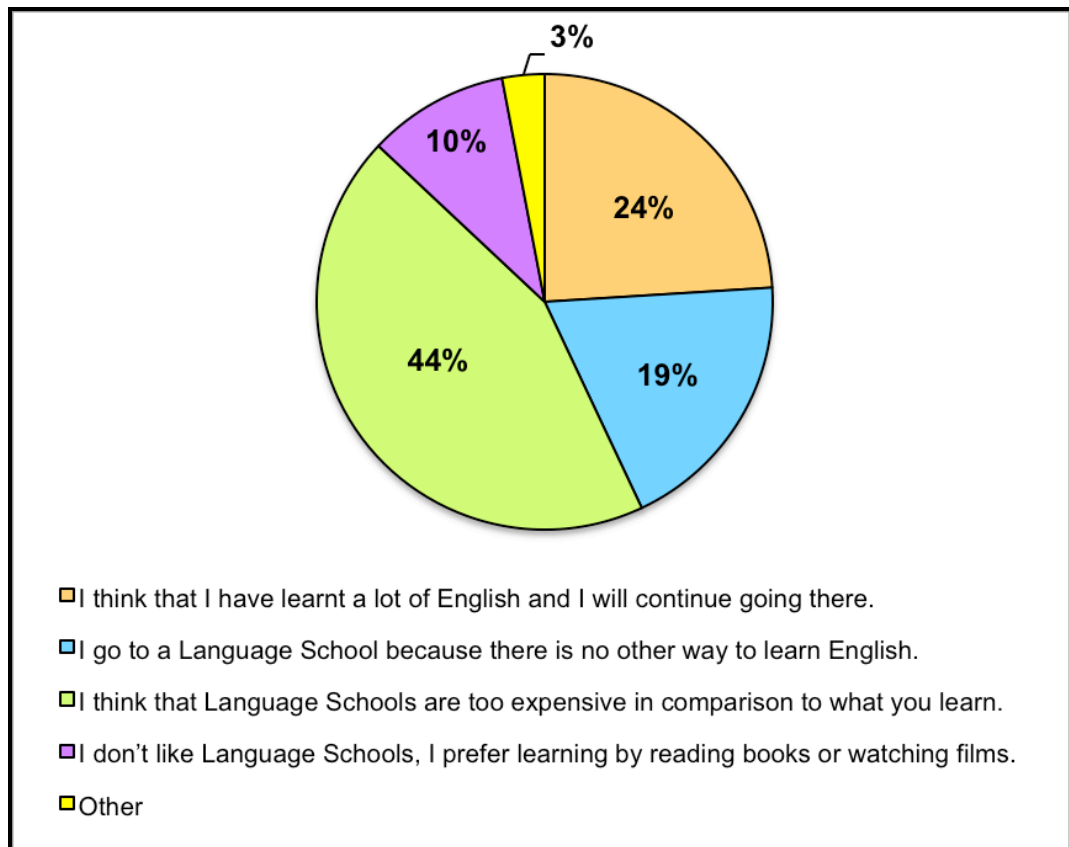


Source: Own elaboration, 2015.

The above graph offers some of the most important information in our survey. The left-hand side half circle shows the percentage of people, more than fifty per cent, who are now studying, or have in the past studied, English in a school of languages. The right-hand side graph segments the different areas of the English language. The highest percentage of people attach more importance to speaking practice than to the other areas.

This is a key result for us, since our teaching area will be, precisely, conversation practice. This will satisfy a clearly unmet need.

Figure 12: Opinions on Language Schools.



Source: Own elaboration, 2015.

Figure 12 offers an approach to what people who have been going, or went in the past, to a school of languages think, and the result is clear enough: almost half of them feel language school fees are far too high, and do not match what you actually learn.

This will allow us to determine the pricing policy for our business, in the sense that what our customers learn should, and will be in proportion to what they pay. The most important thing is for our customers not to feel they are wasting their money, as it so often happens in a traditional Language School.

STEP – 3: Beachhead Market

In this step we will focus on choosing the user profile we are looking for in a potential customer, the kind of people that are likely to be drawn to our business, and will therefore become our source of income.

3.1. Description of end users

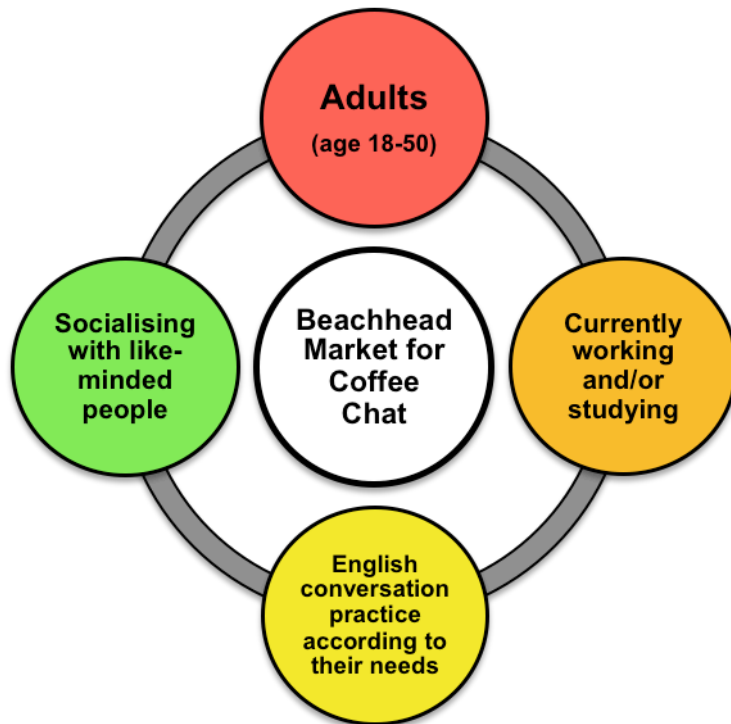
We will here draw a profile of end users that may be interested in our services. Our objective is to describe a specific, reduced subgroup of end users who share common features and similar needs.

It is essential for any business to have a clear, well-defined idea of the profile of its target customers in mind. This is important, since trying to sell a specific product or service to different kinds of users is as ineffectual as trying to sell them to a lot of disparate markets.

Our end users will consist of people with a similar profile as to goals and motives, people who share an interest in learning, improving, or perfecting their spoken English. Their reasons, among many others, might be seeking employment abroad, doing a master's degree in English, or purely personal.

Step 5, under the heading Profile the Persona, describes ten real-life characters who, in spite of their different ages, nationalities, hobbies, and income, have similar goals, both on a personal and a professional level. These descriptions show a realistic picture of our Beachhead Market.

Figure 13: Characteristics of our Beachhead Market.



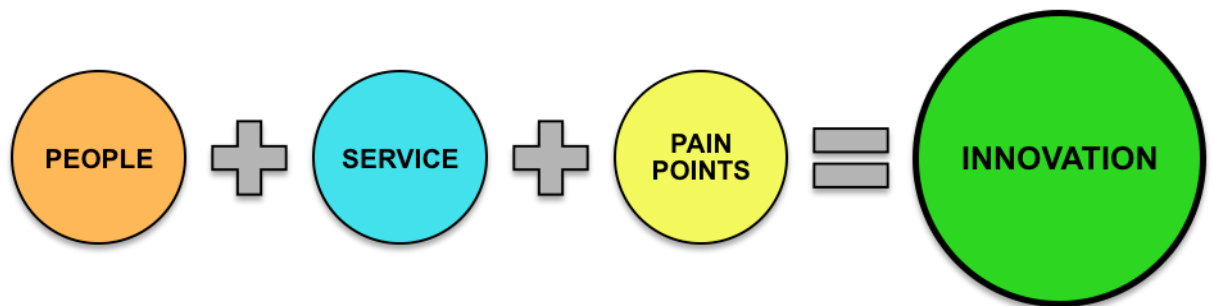
Source: Own elaboration, 2015.

STEP – 4: Pain Point and Business description

4.1. Pain Points

Creating a business involves learning as an essential part of the process. An entrepreneur's initial task is not pushing an idea forward, but first to find out to what extent the idea is actually viable. The downfall of many businesses is due to misreading an opportunity, or simply to not realizing the opportunity was not there in the first place.

Figure 14: Components of an Innovation.



Source: Own elaboration, 2015.

A good place to start is targeting unmet needs, a major source of frustration for many customers. This is why unmet needs are also referred to as pain points.

Once a pain point has been detected, the next step is to find out whether there really is a market for our business idea. Being objective is the key to avoid failure: surveys have to be made, data analysed. Once it has been concluded there is a market to fulfil a need, a potential entrepreneur will be able to fill a market niche that other companies have neglected.

Unmet needs may at first seem unimportant, not worth paying attention to, as they may not be particularly hard to find. However, with the right approach they can yield unexpected results. Bill Aulet offers this equation: people plus service plus pain points equals innovation.

4.2. Description of Pain Points

I have personally witnessed the need to learn a language whose importance goes from strength to strength, but the traditional approach to learning it has to be changed in an innovative way. To meet this particular need, therefore, I have stayed away from the traditional English language sector, which has already been thoroughly exploited.

There are currently thousands of people spending hour after hour trying to learn a foreign language, whether English, French, German, or Chinese. I have never been a student at a School of Languages, but I have, as I mentioned above in Step 1, been there to witness how hundreds of people tried to do their best in order to learn English, either because they needed it, or simply for pleasure.

Time, however, shows that a School of Languages does not provide the best environment to learn. To illustrate my point, I remember a former student of my father's, the best in a group of ten, whom we met one day by chance. My father started off the conversation in English, but this person soon switched to Catalan, as he could not reply to my father adequately. I immediately began pondering why he should feel daunted in front of an English person, even though the conversation was simple enough. Was he afraid to make mistakes? Was he too nervous to talk to a native speaker? Had he perhaps forgotten most of what he had learnt? Many questions could have been asked to analyse his response, but the only obvious answer was that something was not quite right within the learning process.

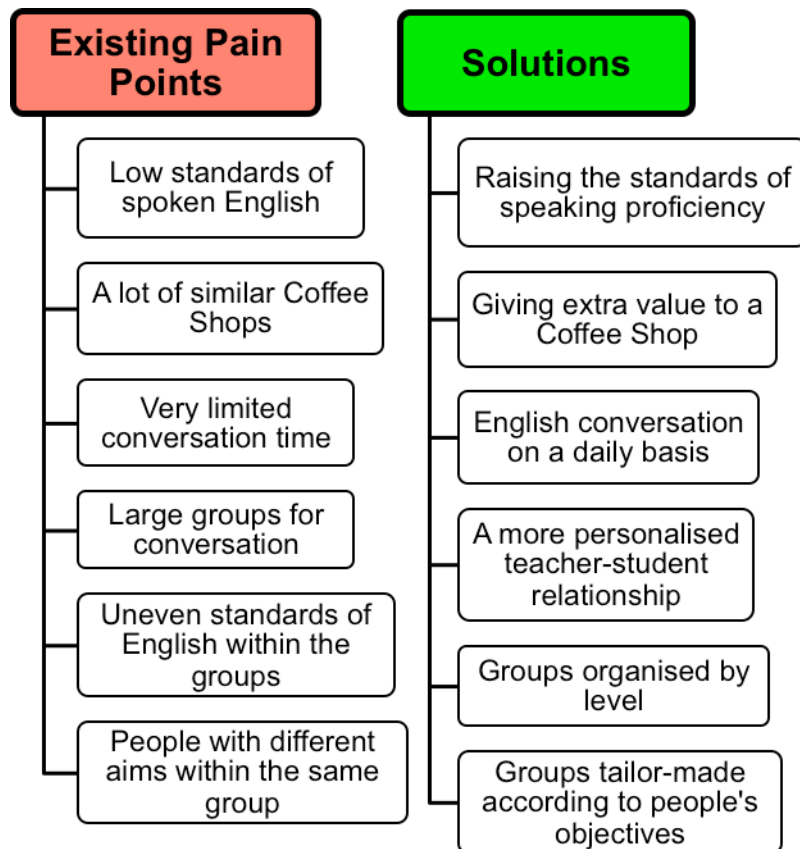
Another surprising example is the fact that there are European citizens who speak perfect English as a second language. I saw this once while dining with my family in a restaurant, in a well-known holiday resort. The waitress serving us, thinking we were foreign visitors, started talking to us in English. My father praised her command of the language, considering she was living in Spain. She turned out to be Romanian, and told us English was comprehensibly taught, in her native country, to students of all ages, and there was at least one subject at Schools taught entirely in English.

This explained, unlike what we had experienced with my father's former student some time before, her proficient use of the language.

These are further reasons why my project is to create something different, a business that, as I said before, does not exist either in my town or its surrounding area.

When I first thought of it I took my parents' business experience into account, and also sought their approval. I knew my enterprising mind would take the necessary steps.

Figure 15: Pain Points and their solutions.



Source: Own elaboration, 2015.

4.3. Vision

The vision that best defines my business is:

We provide positive experiences within an environment of friendly relationships. These feelings will not just stay in the Coffee Shop, but can also be taken into the outside world.

4.4. Mission

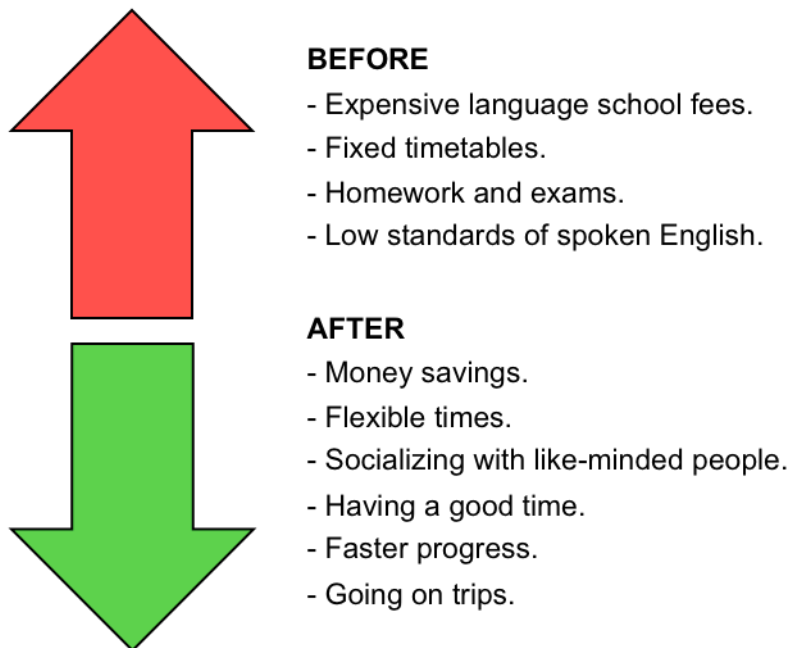
The mission that best defines my business is:

English conversation in a Coffee Shop provides a refreshing experience, unique in our community, laced with products of the highest quality. Customers will be offered a most inviting environment, friendly staff, and great value for money.

4.5. Value proposition

The value my business offers is being able to learn a language outside the language school system. People will learn as they speak, whenever they like and feel like it, without pressure from exams, homework, or attendance records. Customers may come to the cafe either alone, or with their families, friends, or partners, as long as they meet the necessary requirements. The most important thing is for customers to feel they have not wasted their time, but have made the most of it while enjoying themselves.

Figure 16: Before and after the creation of Coffee Chat.



Source: Own elaboration, 2015.

4.6. SWOT Analysis

SWOT is an in-depth analysis of business strengths, weaknesses, opportunities and threats. We can thus know the current state of a business, and plan out its future so that strengths and opportunities can be enhanced, and weaknesses and threats minimized.

4.6.1. Strengths

We will offer good-quality organic products, as we care about the environment. The premises will be centrally located, which will draw the attention of a large number of passers-by. Staff will consist of native speakers, an extra advantage for our customers. Prompt service will be a strong point, including a free assessment test for all our customers. We will follow *Blue Ocean Strategy*, that is, we will not be in direct competition with other businesses, as ours will be a hybrid between a traditional cafe and a School of English.

4.6.2. Weaknesses

We have the same weaknesses as any other Start-up companies, or first-time entrepreneurs, namely, lack of experience, running an unfamiliar business and limited investment capacity.

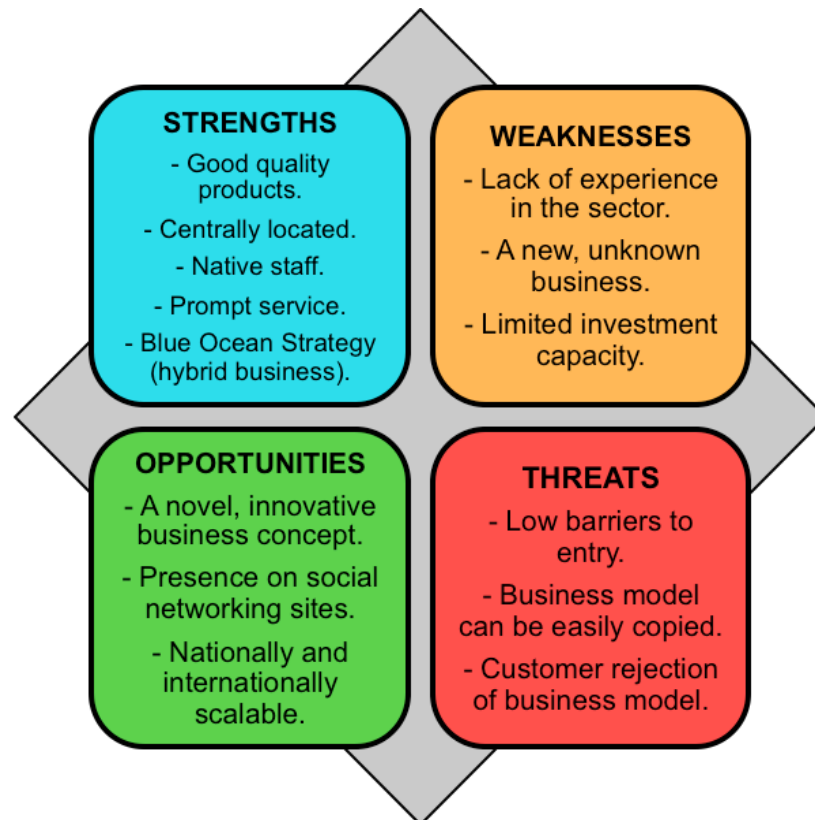
4.6.3. Opportunities

We will be able to attract customers looking for both a quiet atmosphere and a place to learn a language, offering the best of both worlds. It will be part of the currently increasing trend of having a conversation in a quiet place over a cup of coffee, a glass of juice, or an aperitif. It is a novel approach that cannot be found anywhere in our province, and is about having a nice, good time in the company of other people while being offered high quality service and products. Having a professional presence on social networking sites is becoming more and more important in our interconnected society. We will sign up for accounts at Facebook, Instagram and Twitter to constantly update our relationship with our customers. An easily created business like ours can be nationally and internationally scalable, due to its potential growth.

4.6.4. Threats

The main threat we may face is the fact that the idea for such a business is easy to copy, and simple to apply, as barriers to entry are low. We will therefore try to be one step ahead all the time, since there may be future competition. Some customers might not accept this novel business model, and might not want to give it a try. Segmenting the market we take aim at is essential in order to face this issue.

Figure 17: SWOT analysis.



Source: Own elaboration, 2015.

STEP – 5: Profile the persona

In order to choose our prospective end users from a pool of potential customers, we will create a well-detailed, realistic description of personae, who will clearly illustrate the objectives that we aim at. By defining specific personae for our beachhead market, the founding members of our business will get a tangible idea of our target market, which will also allow our staff to clearly focus on our common goal: to make our customers both happy and successful.

No profile can illustrate all the features of all end users, but as they are being defined, a match will certainly be found, and therefore we will be safely able to focus on developing services around the personae we have created.

5.1. Personae

Figure 18: Marta. She knows exactly what she wants, and the way she wants it. She is constantly willing to further her career, which makes a good command of English essential for her professional future.



Marta, age 28.
BBVA branch manager.
Salary: €3,000 per month.

- Born in Barcelona (Spain), Marta graduated in Business Administration, specialising in Finance.
- She has been married for two years, and loves travelling around the world.
- A very ambitious woman, she wants to fulfil all her dreams.
- She wants to speak very fluent English in order to move on, and become an executive in a multinational company.

Source: Own elaboration, 2015.

Figure 19: Diana. She is having a relationship with a British man, and English is their language of communication. Speaking English better will also be useful, as she is contemplating moving to the UK eventually.



Diana, age 30.
Hairdresser at *Cebado*.
Salary: €1,100 per month.

- Born in Bogotá (Colombia), Diana trained as a beauty salon hairdresser.
- She studied beauty and hairdressing.
- She loves animals, and is currently working in a popular hairdressing salon in Reus.
- She would like to live in London with her boyfriend, and start a family.
- Apart from her job, she likes going out for a drink with her friends.

Source: Own elaboration, 2015.

Figure 20: Gerard. This engineer aims at a new life abroad with his family. Improving his English is mandatory to be able to start a new life in the USA.




Gerard, age 35.
Engineer in a multinational company.
Salary: €3,500 per month.

- Born in Tarragona (Spain), Gerard graduated in Industrial Engineering.
- Married with two daughters (aged 5 and 3), he loves sport, especially football and skiing.
- He often travels to the USA for job meetings, and cares about the environment.
- His main objective is to move to the USA with his wife and daughters.
- He has a dog called *Coco*.

Source: Own elaboration, 2015.

Figure 21: Dani. Young, good-looking, and sporty, he wants to have a successful international career as a sportsman, therefore he needs to speak fluent English.




Dani, age 24.
Trainer at *Elit gym*.
Salary: €1,000 per month.

- Born in Reus (Spain), Dani has a degree in Physical Education (INEFC).
- He loves all sports, especially boxing, and would like to own his own gym in Reus.
- He runs marathons all around the world, and his dream is to take part in the 2016 New York City marathon.
- At weekends he goes bowling with his friends.

Source: Own elaboration, 2015.

Figure 22: Rebeca. She loves helping and giving people advice, and is very good at listening to their needs. Her weak point, however, is her spoken English, a good command of which is essential to lecture at multinational companies.




Rebeca, age 33.
University lecturer at URV and a professional Coach.
Salary: €2,200 per month.

- Born in Reus (Spain), Rebeca studied Advertising and Public Relations.
- She loves writing, and has had three books published on coaching.
- Her main interest is helping people overcome their issues.
- She would like to give lectures aimed at foreign companies.

Source: Own elaboration, 2015.

Figure 23: Adana. Even though she would now like to have a stable life, and start a family, she has not lost her passion for travelling around the world, which is why she needs to keep improving her English.




Adana, age 30.
Hotel receptionist.
Salary: €1,000 per month.

- Born in Abuja (Nigeria), Adana studied tourism.
- She has been living in Spain for a year, and works in a hotel in Salou (Tarragona).
- A very optimistic person, she always has a smile on her face.
- She would like to start her own hotel business, and expand it throughout Europe.
- Occasionally she goes back to Nigeria to visit family and friends.

Source: Own elaboration, 2015.

Figure 24: Alex. Currently doing a Master's degree, he has a promising career ahead. Although he is not at present fully employed, his ambition is to become a prestigious international entrepreneur.



Alex, age 23.
Currently doing a Master's Degree in Marketing.

- Born in Reus (Spain), he graduated in Business Administration.
- He is an aspiring entrepreneur, and is planning to create a start-up business with his brother.
- He loves reading about Business and Economics, and plays paddle every day.
- He would like to become an acknowledged entrepreneur, and have success.
- He wants to do a course on Entrepreneurship in the USA.

Source: Own elaboration, 2015.

Figure 25: Sergio. An experienced lawyer, he wants to invest abroad by purchasing real estate properties. He needs to improve his English to be able to communicate with estate agents.




Sergio, age 37.
Commercial Lawyer.
Salary: €3,800 per month.

- Born in Madrid, Sergio studied Law, and is currently working in a solicitors' practice in Reus.
- Married with two sons and a daughter (aged 10, 7, and 5 respectively).
- He loves cars and motorbikes, and is currently doing a PhD in International Public Law.
- He would like to buy a house in Manchester (UK), and his dream is to be happy and healthy.

Source: Own elaboration, 2015.

Figure 26: Noemí. A young aspiring actress, she has far-reaching ambitions, and puts a lot of effort into fulfilling them. Her motto is "effort brings rewards". Her dream is to make films in the USA.




Noemí, age 21.
Dramatic Arts student.
Salary: €600 per month.

- Born in Reus (Spain), Noemí is currently studying Dramatic Arts.
- At weekends she works in a pub, and loves listening to pop music.
- She lives in a village with her parents, and has acted in plays since she was 10.
- She would like to become a professional actress, and make films in Hollywood.
- She would also like to be a professional model.

Source: Own elaboration, 2015.

Figure 27: Mei Ling. A Chinese businesswoman with a high purchasing power, she loves the world of business as much as Spanish culture. This encouraged her to move to Spain, but she still needs to keep her English fresh.



Mei Ling, age 40.
Owner of several businesses.
Salary: €3,000 per month.

- Born in Shanghai (China), Mei Ling studied Commerce.
- She has been living in Reus for 20 years, is married, and has a 15-year-old son.
- She owns four companies: a restaurant, and three bazaars.
- She loves Spanish culture, and Spanish paella.
- Her goal is to eventually go back to China with her husband, and open a Spanish restaurant there.

Source: Own elaboration, 2015.

STEP – 6: Definition of Business Core. Name, logo and slogan

6.1. Core of the Business

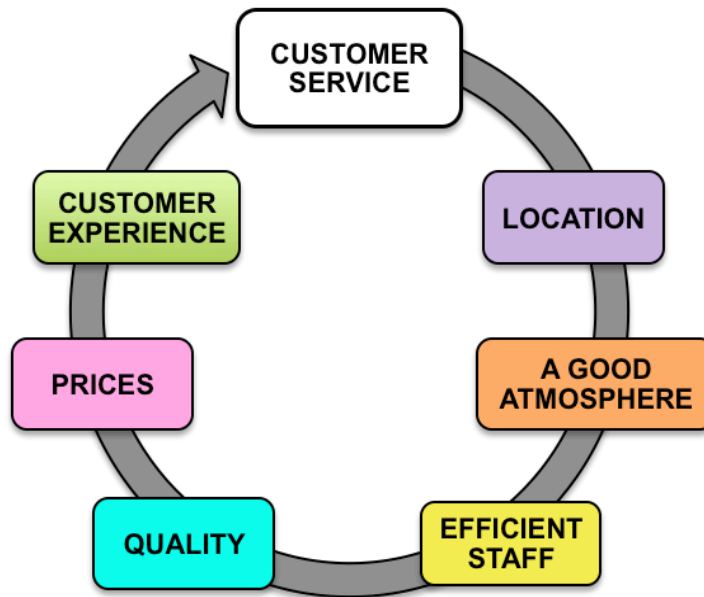
So far, we have focused almost exclusively on satisfying the needs of a well-defined group of target customers. Now we will look to the future, and describe what makes our business special.

The strong point of a business is that which provides clear advantages for customers, and is valued by them more highly than what other companies might offer. The core of any business is protection against possible competitors, as it ensures that the hard work we have invested in opening a new market, and creating a new kind of service, will not be taken advantage of by a similar company. Any business has to provide a product or a service competitors will not be able to replicate, or at least easily imitate. What sets us apart from our competitors is precisely what we will now be focusing on.

In our case, the main focus will be on customer service. Our main goal will be to deliver outstanding service to our customers, which will allow us to potentially retain them in a more effective way than our possible competitors. We will likewise be able to attract customers more efficiently, since those who have enjoyed the experience will, it is hoped, enthusiastically recommend it to others, what is known as word-of-mouth marketing.

Such a strategy requires a high level of commitment across the whole spectrum of the company, and focusing intensively on attaining and sustaining the highest levels of customer satisfaction. This strategy is difficult to carry out in a way that discourages competitors from copying it, especially in the catering sector, where barriers to entry are almost non-existent. If we do things right, we will succeed.

Figure 28: Defining factors for good customer service.



Source: Own elaboration, 2015.

I will now describe the different points that are essential to complement our focus on customer service.

- **LOCATION:** Location will be a major key to the success of our business. It is very important for our premises to be centrally and strategically located, so that we can get people's attention, and increase the number of our customers over the years. Our premises will be located at *Raval Santa Anna 12, Reus*.
- **A GOOD ATMOSPHERE:** A pleasant, comfortable environment is an essential element for a good atmosphere in a coffee shop. This will be achieved by interior decoration, music, and temperature. Features will include, apart from essentials such as men's and ladies' toilets, heating, and air conditioning, settees for the different groups of learners, Wi-Fi, laptops for quick internet access, and so on.
- **EFFICIENT STAFF:** Staff are extremely important in cafes, and their efficiency will be based on good interpersonal relationships. This will allow them to work happily and effectively, which is something customers will certainly pick up.

- **QUALITY:** This is another key feature to running a successful coffee shop, and to why customers will keep coming back to it. Good service does not only mean serving orders adequately. It goes beyond this, and essentially involves supplying good-quality products. This is why we will be offering a wide range of high-quality organic products to our customers.
- **PRICES:** It has to be acknowledged that reasonable prices cannot always be expected when dealing with high-quality products. This means on the one hand our food prices will be somewhat higher than those of our competitors; on the other hand, though, what we charge for our English conversation practice will be significantly lower than standard Language School fees, which will make up for our food prices.
- **CUSTOMER EXPERIENCE:** Customer satisfaction means, to us, much more than service. We want to take our customers even further, and provide a experience that has to do with emotions, and the way customers feel as they and our business interrelate. Our goal goes beyond supplying products, and aims at providing memorable living experiences for our customers.

6.2. Name of the Company

One of the most important aspects to take into account when starting a Coffee Shop has to do with choosing a suitable name that will help our business project succeed, a name that reflects our idea adequately. However, this is not always an easy task, as not everyone hits on an appropriate name.

An effective name should highlight the main features of a business, and communicate simply and clearly what makes it stand out, the unique qualities that set it apart from the rest. A name should ideally contain all the essential information in a nutshell, and use actual rather than made-up words, which, experience has shown, it is far preferable.

Before we make a list of possible names for our business, let us recap the main characteristics that best identify it. As we are talking about a cafe, coffee will be the key element. In addition, it is a cafe with a difference, since the premises will double as an informal School for English conversation, where customers will talk to each other and to their teachers. We will therefore find a name that brings these two somewhat disparate elements together:

The Coffee Club	Coffee House	English Coffee
Honest Coffee House	Interact Coffee House	Coffee Chat
The Talking Cafe	Friendly Cafe	Coffee Break

After much consideration, and having taken suggestions into account from family and friends, I finally settled for:



6.3. Logo

To complete our corporative picture, I designed the following logo myself:

Figure 29: Coffee Chat logo.



Source: Own elaboration, 2015.

The Coffee Chat logo is a drawing of two cups facing each other, representing a man (left) and a woman, with two "beaks" suggesting their mouths. I have chosen black for the design, as it is a colour that transmits an idea of simplicity and elegance.

I did not want bright colours for my logo, since they may suggest Coffee Chat is also suitable for children and families are welcome, which is not the case at all.

- A logo should be simple, which is why I chose a stylized design that avoids excessive drawing. Its black lines, eschewing bright colours, give it an elegant look.
- A logo should be memorable, which is why I thought of two coffee cups looking at each other and talking. This kind of design, made with simple lines, is meant to be easy to remember.
- A logo should be enduring. A good logo ought to include perennial elements that will not quickly go out of fashion, but will stand the test of time over the next few decades.
- A logo should be versatile, meaning it ought to be easily applicable to different contexts, and be equally effective in different ways of presenting it.

6.4. Slogan

A good slogan should be as memorable as possible, and should ideally follow the following principles:

- It should be a powerful way of attracting attention.
- It must be borne in mind it is part and parcel of your business identity.
- To make a clear, direct statement it should be kept short and to the point.
- It is an ideal shortcut for people to remember what your business stands for.

The slogan I have chosen for Coffee Chat is:

Learn as you speak.

STEP – 7: Detection of our main competitors

Competition is something all businesses inevitably have to face to a greater or lesser degree, and detecting it is not always easy or straightforward. Competition may come from any business, not necessarily from those offering the same or similar products or services, but simply from anything people decide to spend their money on. Understanding this gives a valuable clue, and it is at this point that the main principles behind *Blue Ocean Strategy* (see Step 1 above) can successfully be implemented. When a business focuses on dissatisfied customers, and offers them products and services that in innovative, unexpected ways suit their needs, competition in the traditional sense becomes irrelevant, since the crucial point is not to fight over existing space, but to chart new territory.

Competitive position is the place where we focus on the things that are of real value to customers, and really matter to them. Analysing our competitive position will reveal to what extent we compare to our competitors, and how we can refocus products and services innovatively. With this in mind, we are now going to analyse our main competitors in both fields, Coffee Shops and Language Schools.

7.1. Coffee Shop competitors

Figure 30: Coffee Shop competitors.



Source: Own elaboration from company data, 2015.

Figure 31: Map of Reus. The yellow circle delineates the town centre.











Source: Google Maps, 2015.

Figure 32: Location of Coffee Shop competitors on the map.



Source: Google Maps, 2015.

- | | |
|--|--|
|  Pannus |  Tradicionarius |
|  Panishop |  Granier |
|  Viena |  Dylan's |
|  Can Vicenç |  Coffee Chat |

Among the large number of cafes now trading in Reus, it is those that are centrally located that we must keep an eye on. There are seven companies we consider our direct competitors, which can be described as follows:

7.1.1. Tradicionarius⁵

This franchise was established in *Reus* in 1996, and is a cafe and a bakery that also feature confectionery and delicatessen. It offers good-quality, hand-crafted products that are nonetheless made using state-of-the-art, innovative procedures.

7.1.2. Viena⁶

A franchise established in *Sabadell* in 1969, it started life as a small business in the town centre, and has developed into a high-quality company offering a great variety of products. It is a fast-food restaurant that also offers coffee-shop products in a nice, spacious, clean environment. Service is courteous and diligent.

7.1.3. Pannus⁷

Established in *Barcelona* in 1957, it later became a bakery franchise. Products are hand-crafted, and its branches offer customers a pleasant environment.

7.1.4. Dylan's⁸

A family business ran by Irish people, it was established in 2010. Its premises are rather charming, decorated like an Irish pub, with a wide choice of products.

7.1.5. Can Vicenç⁹

This franchise started life in 1978 as a family business in *Montbrío del Camp*, a small village 11kms from Reus. Its products are traditionally made with good-quality raw material, and adapt to market trends. There are ten branches in Reus, which have become a role model for other coffee shops.

⁵ www.tradicionarius.es

⁶ www.viena.es

⁷ www.pannus.es/es

⁸ www.facebook.com/DylansIrishBar/

⁹ www.canvicenc.com

7.1.6. Panishop¹⁰





This franchise was created in *Zaragoza*, by the Rébola family, in 1993, after five generations of bakers and confectioners. The business is also a coffee shop that offers high-quality snacks. There are more than fifty branches in five autonomous regions.

7.1.7. Granier¹¹

This franchise started life in *Vilanova i la Geltrú* in 2010. Offering good-quality products at competitive prices makes their business pattern successful. Their products are made with the best traditional ingredients. It boasts 120 branches in Spain, and is currently expanding internationally, with branches in London, Rome, Budapest and Miami.

The following table will show an in-depth description and analysis of our four main competitors.

Table 2: An analysis of our main Coffee Shop competitors.

What to look for	Competitor A	Competitor B	Competitor C	Competitor D
Name of the company				
Location	<i>Carrer Sant Joan, 34</i>	<i>Avinguda Prat de la Riba, 12</i>	<i>Plaça Mercadal, 4</i>	<i>Raval de Jesús, 48</i>
Year of creation	1993	1957	2010	1996
The products or services they provide and how they market them to customers	- Coffee Shop, breads, confectionery, chocolates, savoury snacks, sandwiches and catering service.	- Coffee Shop, breads, pastries, cakes, salads and sandwiches.	- Coffee Shop, breads, pastries and sandwiches.	- Coffee Shop, breads, cakes, takeaway food, ice-cream and delicatessen.
The prices they charge of most representative products	- Espresso: €1,20 - Croissant: €1,10	- Espresso: €1,20 - Croissant: 3 for €1,50	- Espresso: €1,10 - Croissant: 3 for €1,50	- Espresso: €1,25 - Croissant: €1,20

¹⁰ www.panishop.com

¹¹ www.pansgranier.com

How they distribute and deliver	40 franchised branches in Spain.	53 franchised branches in Spain.	120 franchised branches in Spain, the UK, Hungary, Italy, and the USA.	7 franchised branches in Spain.
The devices they employ to enhance customer loyalty and what back-up service they offer	<ul style="list-style-type: none"> - Hand-crafted products with natural ingredients. - Premises out of the ordinary. - Superbly trained staff. - Open all year. - Free Wi-Fi. 	<ul style="list-style-type: none"> - All products freshly made in store throughout the day. - Premises with a modern look. - Staff selection and training. - Free Wi-Fi. 	<ul style="list-style-type: none"> - Direct contact with the public, listening to their requests. - Careful display of the products. - A constantly renewed wide range of products. 	<ul style="list-style-type: none"> - Products made on the premises. - English conversation practice once a week for 90 minutes. - Advantages for customers: discounts and special offers.
Their brand and design values	<ul style="list-style-type: none"> - Exclusive products. - A prestigious brand. - 100 years' experience. - Research laboratories to develop new products. - Assistance to franchisees. 	<ul style="list-style-type: none"> - High-quality products. - Unique know-how. - Two brands: PANNUS and DELIPATESSEN. - Integrated management of the point of sale, training, handling and productivity. - Values: tradition, quality, service and neatness. 	<ul style="list-style-type: none"> - High-quality products combined with long experience. - A far-sighted business. - Communication at the point of sale. - Advice on recruiting suitable staff. 	<ul style="list-style-type: none"> - Experienced bakers and good-quality ingredients. - Experience in the sector. - Hand-crafted products. - Extensive catalogue of products.
Whether they innovate - business methods as well as products	<ul style="list-style-type: none"> - Classic traditional business. 	<ul style="list-style-type: none"> - Classic traditional business. 	<ul style="list-style-type: none"> - Classic traditional business. 	<ul style="list-style-type: none"> - Work philosophy: Tradicionarius Club, Workshop, TV Channel.
Their staff numbers and the caliber of staff that they attract	<ul style="list-style-type: none"> - 7 members of staff per branch. 	<ul style="list-style-type: none"> - 4 members of staff per branch. 	<ul style="list-style-type: none"> - 5 members of staff per branch. 	<ul style="list-style-type: none"> - 6 members of staff per branch.
How they use IT - for example, if they're technology-aware and offer a website and email	<ul style="list-style-type: none"> - Website. - Own computer system. - Facebook and Twitter. - E-mail address. 	<ul style="list-style-type: none"> - Website. - Facebook page for each individual branch. - Twitter. - E-mail address. 	<ul style="list-style-type: none"> - Website. - Facebook page for each individual branch. - Twitter. - E-mail address. 	<ul style="list-style-type: none"> - Website. - Facebook, Twitter and Instagram. - E-mail address.
Who owns the business	Antonio Rébola, chairman of the Rébola-Panishop Group.	Sergio Llarás, CEO of the group.	Juan Pedro Conde, founder of Granier.	The Arrufat – Cardús family.

<p>Their media activities - Check their website as well as local newspapers, radio, television and any outdoor advertising</p>	<ul style="list-style-type: none"> - Blog for the latest news related to the sector. - Adverts at bus stops. 	<ul style="list-style-type: none"> - Multimedia section for pictures of branches and products. - News related to the sector. 	<ul style="list-style-type: none"> - Jobs portal on their website. - Press notes and news to keep customers updated. 	<ul style="list-style-type: none"> - Section of quality surveys for customers. - Online shop. - Section with updates on their different branches.
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Source: Own elaboration from company data, 2015.

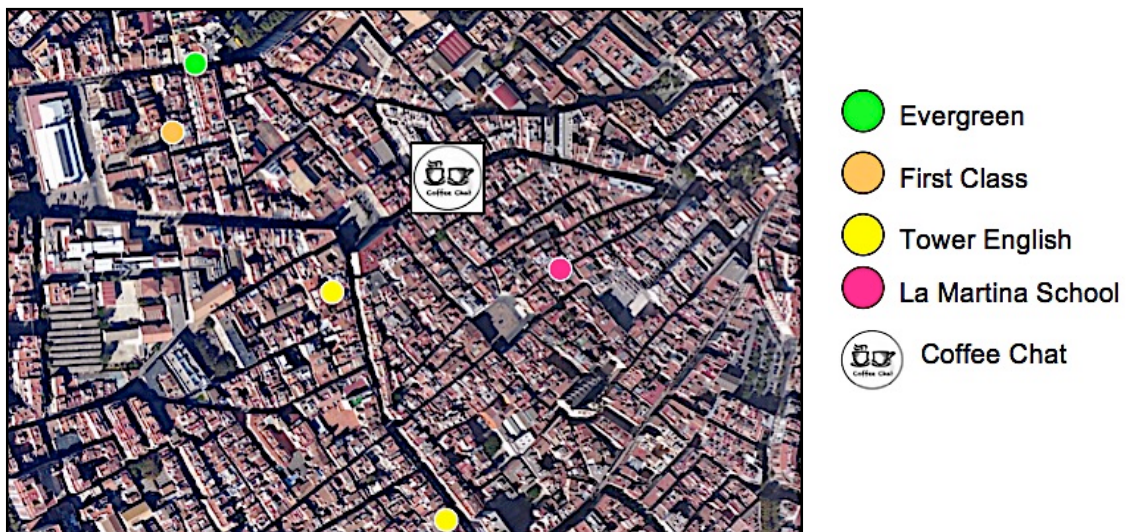
7.2. Language School competitors

Figure 33: Language School competitors.



Source: Own elaboration from company data, 2015.

Figure 34: Location of Language School competitors on the map.



Source: Google Maps, 2015.

In Reus there is a high number of Schools of English for all kinds of learners depending on their needs. Our strategy is to focus on those students whose profile would most closely match that of our customers. We will now describe the six Schools that may pose direct competition, and then display the features of three of them in table form.

7.2.1. Tower English¹²

Established in *Reus* in 1994, this professional organization is centrally located, and has three branches, where they offer high-quality English tuition. There are four business partners and twelve teachers, and students range from ten-year-old children to adults.

7.2.2. First Class¹³

Established in *Reus* fifteen years ago, they do not only teach English but also other languages, such as French, German, Russian, Italian, Portuguese, and Chinese. There are two branches with eight teachers, who also specialise in preparing students for official examinations.

7.2.3 Language Club¹⁴

Established in *Tarragona* in 2005, it offers language courses of several kinds, including courses for businesses. Students of English range from 6-year-old children to adults. They also offer other languages: French, German, Russian, and Chinese. There is a branch in *Tarragona*, and one in *Reus*.

7.2.4. Evergreen Idioms¹⁵

Established in 1992, Evergreen Idioms is one of the oldest Language Schools in *Reus*. English, German, French, Italian, and Russian are taught there, and they also prepare students for Cambridge official examinations. Students may start as early as four years old. There is a branch in *Reus*, and one in *Riudoms*, which opened in 2006.

¹² www.towerenglish.net

¹³ www.firstclassidiomes.net

¹⁴ www.languageclub.es

¹⁵ www.evergreenidiomes.es

7.2.5. IN TGN¹⁶




This education company, established in 1997, with a branch in Reus and one in Tarragona, offers English for all age groups also including businesses.

7.2.6. La Martina School¹⁷

Established in Reus in 2006, it offers a wide range of languages such as English, French, German, Italian, Russian, Chinese, and Japanese, for all age groups and for businesses, plus a wide range of courses according to different needs: summer courses, conversation practice, one-to-one tuition, and so on.

The following table will display an in-depth analysis of our three main competitors.

Table 3: An analysis of our main Language School competitors.

What to look for	Competitor A	Competitor B	Competitor C
Name of the company			
Location	Raval Martí Folguera, 21 Raval de Jesús, 42 Riera Miró, 76	Avinguda Prat de la Riba, 22	Carrer d'Espronceda, 4
Year of creation	1994	1992	1999
The products or services they provide and how they market them to customers	- Tuition at all levels, and preparation for Cambridge official examinations.	- A variety of language courses, remedial courses, and preparation for Cambridge official examinations.	- Experienced in language teaching, and official exam preparation.
The prices they charge	- From €50 to €92.	- From €60 to €120.	- From €50 to €100.
How they distribute and deliver	- 3 branches in Reus.	- 2 branches (Reus and Riudoms).	- 2 branches in Reus.
The devices they employ to enhance customer loyalty and	- 10% discount for a student's sibling.	- Discounts on registration fees for a student's siblings, large families (3 children or more),	- Free assessment tests.

¹⁶ www.intgn.com

¹⁷ www.lamartinaschool.com

what back-up service they offer	-Free assessment tests.	and single-parent families. - Discounts on monthly fees for siblings.	- Discounts for a student's sibling.
Their brand and design values	- Approachable teachers. - School mottoes are: "Practice is the key", "Less is more", "Teaching is caring".	- A team of experienced teachers with university degrees. - Personalised student monitoring.	- Small groups, including exclusive small groups for friends or acquaintances. - One-to-one tuition. - Exam preparation.
Whether they innovate - business methods as well as products	- Structural-Functional Method (SFM), consisting in applying everyday basic structures.	- Personalised tuition for all students. - Striving for academic excellence in every respect. -Attention is always focused on students.	- Quality, tailor-made methods. - Teaching adapted to each age group. - Teachers focusing on speaking practice only.
Their staff numbers and the caliber of staff that they attract	- 4 founders. - 12 teachers. - 3 secretaries.	- 10 teachers. - 2 secretaries.	- 8 teachers. - 2 secretaries.
How they use IT - for example, if they're technology-aware and offer a website and email	- Website - Facebook - E-mail address.	- Website - Facebook - E-mail address.	- Website - Facebook - E-mail address.
Who owns the business	Stewart Forbes and Alasdair Leith.	Owned by a Spanish family.	Owned by a Spanish family.
Their media activities - Their website as well as local newspapers TV and any outdoor advertising	- News blog, and picture gallery.	- Advertisements on Reus TV and in the local press.	- Frequent adverts in regional newspapers.

Source: Own elaboration from company data, 2015.

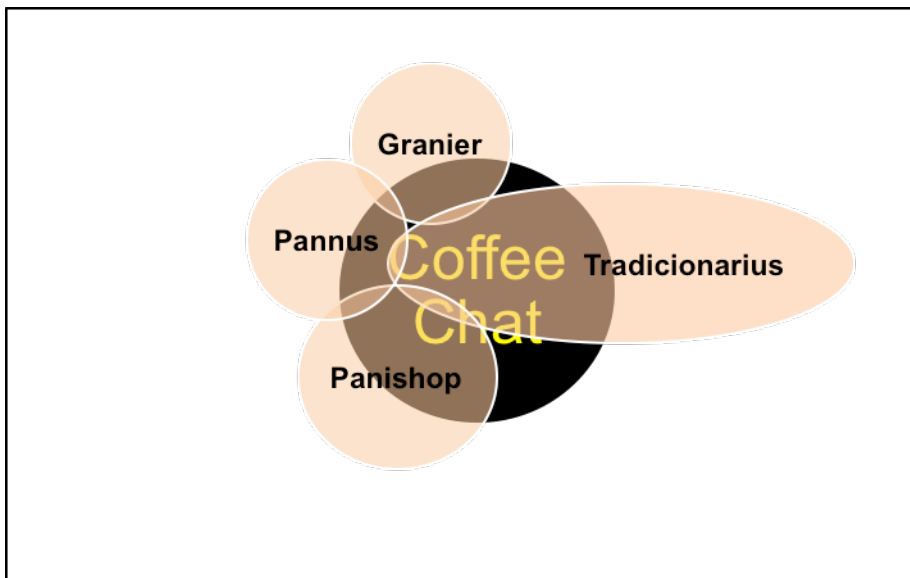
7.3. Analysing both kinds of competitors

I will now describe what sets us apart from our competitors. As far as our business model is concerned, since it is both a Coffee Shop and a Language School, we will first focus on the four cafes we analysed above.

The four Coffee Shops share a very similar business model, so what we will do is improve on some of their weaker points. One of them is the products they offer, which are, typically, sandwiches and industrial pastry, common to all of them. We will, by contrast, offer organic fruit juice, and other exclusive products that are popular in the UK. Another weak point is their crowded premises, which are also indifferently decorated. Our premises will be nice and cosy, a completely different, unique experience.

Tradicionarius is the Coffee Shop we should especially pay attention to, as it offers free English conversation practice once a week for 90 minutes, conducted by teachers from some of the Language Schools we described above. Its business model is, therefore, very similar to ours. We will study its strong points, and then find out how they can be improved upon.

Figure 35: Venn diagram of Cafe competition.



Source: Own elaboration, 2015.

Now we will focus on the three English Language Schools we analysed above. Although Language Schools can also be our direct competitors, as they can pose their own kind of problems as regards our Business Model, since the profile of some of their customers matches ours, namely, people willing to perfect their English.

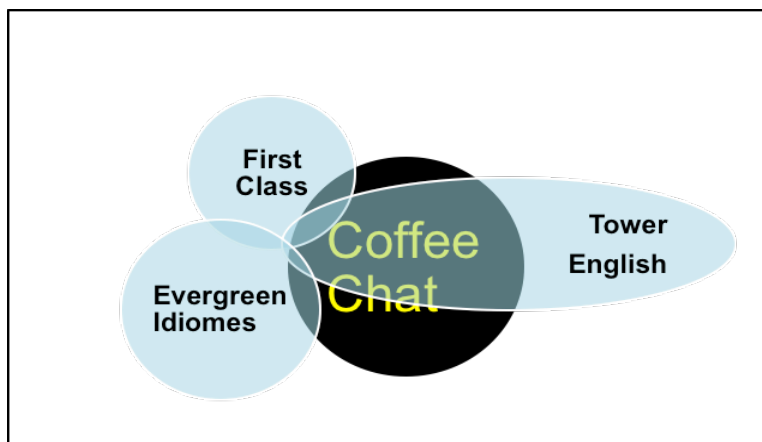
The weakest point of all Language Schools is they cannot offer enough hours of continuous speaking practice. This will be precisely one of our strong points, since we will offer oral practice exclusively.

Another weak point is the fact that their groups of students are far too large, whereas we will organise small groups of six people. Each group will be led by a native teacher, which is not always the case in most Schools of Languages, which also employ non-native teachers, albeit with a degree in English.

In this respect *Tower English*, with three centrally-located branches, will be our main competitor, since unlike *Evergreen Idioms* and *First Class*, it does not offer languages other than English, is run by native speakers, and has had many years' experience. It is a role model in Reus, boasting good results, and a high number of students.

Our goal will be to draw the attention of adult students attending *Tower English* to perfect their spoken English, so that they may decide to give Coffee Chat a go, and in the medium term eventually give up *Tower English* to become our regular customers.

Figure 36: Venn diagram of Language School competition.



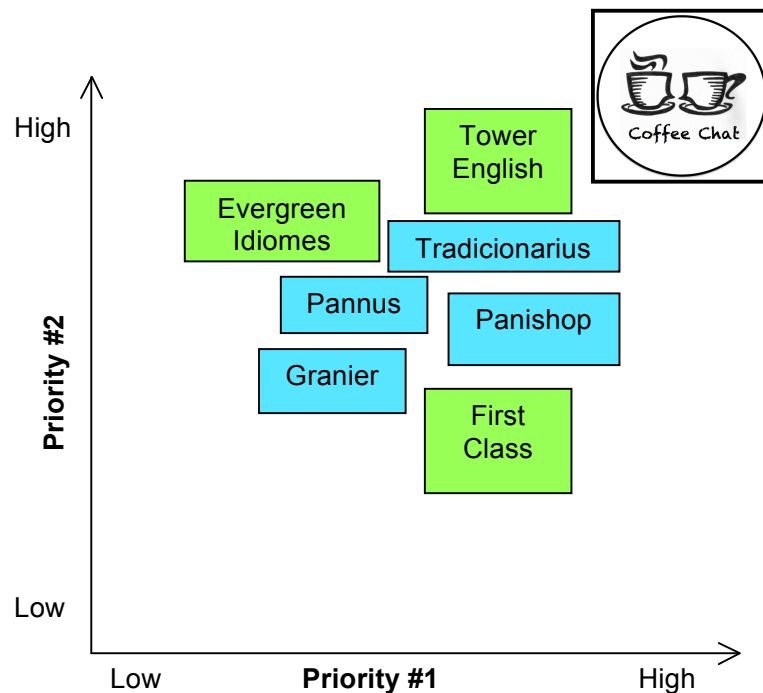
Source: Own elaboration, 2015.

7.4. Coffee Chat's competitive position

Charting our competitive position is a clear way to picture the value of our products and services in relation to those of our competitors. The position is based on the criteria customers would use to select their first and second priorities. Now that the services offered by our competitors have been displayed and analysed, we will make a graph that shows the customer's top two priorities, and the position my business would have on it:

- The X axis shows the top priority of a potential customer: a pleasant environment.
- The Y axis shows their second priority: English conversation practice.

Figure 37: Competitive positioning Chart.



Source: Own elaboration, 2015.

Coffee Chat is clearly positioned on the top right-hand side of the graph, as top priority in both categories.

7.5. Competitor Array analysis

We will now use the Competitor Array to display the figures that compare Coffee Chat with its main competitors. For this chart we will use the following procedures:

- List the key success factors. The list should be as comprehensive as possible.
- Rank those factors by weighing them.
- Rate our competitors.

Table 4: Competitor Array for Coffee Shops.

Key Industry Success Factors	Weight	Coffee Chat		Panishop		Pannus		Granier		Tradicionarius	
		*/10	Weighting	*/10	Weighting	*/10	Weighting	*/10	Weighting	*/10	Weighting
Product quality	0,15	8	1,2	7	1,05	6	0,9	5,5	0,83	7,5	1,13
Customer focus	0,25	9	2,25	6	1,5	7	1,75	6	1,5	8,5	2,13
Prices	0,1	7	0,7	8,5	0,85	8	0,8	8,5	0,85	6,5	0,65
Advertising	0,05	8	0,4	8	0,4	8	0,4	7	0,4	7	0,35
Atmosphere	0,15	8,5	1,28	7	1,05	6,5	0,98	6	0,9	7,5	1,13
Trained staff	0,1	9	0,9	7	0,7	7	0,7	7,5	0,8	8	0,8
Use of technology	0,05	8	0,4	6	0,3	7	0,35	6,5	0,33	8	0,4
Location	0,15	8	1,2	6,5	0,98	8	1,2	8,5	1,28	7,5	1,13
TOTALS	1	65,5	8,33	56	6,83	57,5	7,08	55,5	6,78	60,5	7,7

Source: Own elaboration, 2015.

Table 5: Competitor Array for Language Schools.

Key Industry Success Factors	Weight	Coffee Chat		Tower English		Evergreen Idiomies		First Class	
		*/10	Weighting	*/10	Weighting	*/10	Weighting	*/10	Weighting
Methodology	0,15	9	1,35	8	1,2	7,5	1,13	7	1,05
Native teachers	0,1	8	0,8	9	0,9	7	0,7	6	0,6
Prices	0,1	8	0,8	6	0,6	6	0,6	7	0,7
Speaking practice	0,2	10	2	5,5	1,1	7	1,4	6	1,2
Level variety	0,15	7,5	1,13	7	1,05	6,5	0,98	8	1,2
Experience	0,1	6,5	0,65	9	0,9	8	0,8	7,5	0,75
Location	0,15	8	1,2	8,5	1,28	7	1,05	8	1,2
Quality of teaching	0,05	9	0,45	8	0,4	6,5	0,33	7,5	0,38
TOTALS	1	66	8,38	61	7,43	55,5	6,98	57	7,08

Source: Own elaboration, 2015.

STEP – 8: Design of the Business Model

When an entrepreneur creates a business, the amount of time he or she employs to devise their business model tends to be disproportionately small. Developing profiles of end users, and defining services and value propositions, are important aspects to be considered, but little time is dedicated to estimating how such value can be turned into a profitable company.

A Business Model is representation of a plan a company devises and implements to generate revenue, in view of the value of the products they offer to their customers.

The revenue a business gets is directly related to what customers are prepared to pay, if they attach enough value to the products and services they are offered, independent of price.

8.1. Key factors when designing a Business Model

Deciding on a Business Model that will suit our company will depend on specific situations. This is why there are four key factors to be considered:

- The customer: We must have a clear picture of what a customer is prepared to do. To this end, we can conduct surveys to find out what customers think about our kind of business, how much they would be prepared to pay, and so on.
- Creating and capturing value: This estimates how much value our services supply to our customers, and when such value is supplied.
- Competition: It is very important to know what our competitors are doing. In our case, we will closely watch the Coffee Shops and Language Schools that we consider our direct competitors.
- Distribution: We should make sure our distribution channels provide the necessary incentives to sell our products.

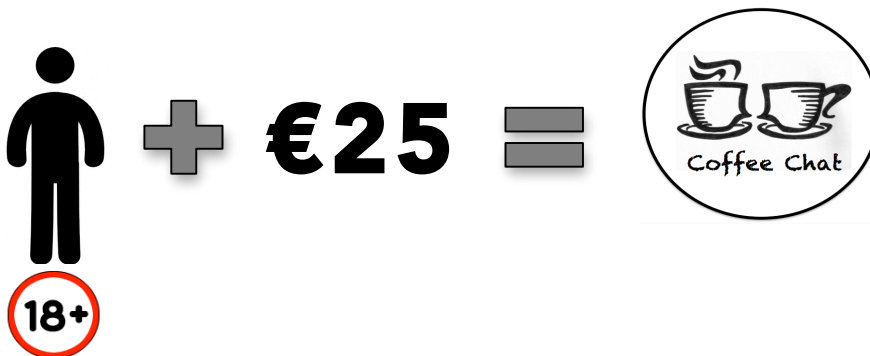
8.2. Subscription or Leasing Model

There are business model typologies by the dozen. Out of the whole spectrum, it is the subscription or leasing model that best suits our type of business.

This model requires a fixed amount of payment, either per month or any other agreed, prearranged period of time. It is a good way to obtain a steady flux of income. There are several variations, including an annual commitment, which is what we will apply. We will thus be able to retain our customers by offering a fee that will be lower than paying a lump sum in advance.

Coffee Chat customers will pay a €25 subscription fee that will expire in 365 days, and which will be able to be renewed at no additional cost. This will be a great advantage for our customers, since Language Schools ask for monthly payments, and higher fees.

Figure 38: Requirements to become a member of Coffee Chat.

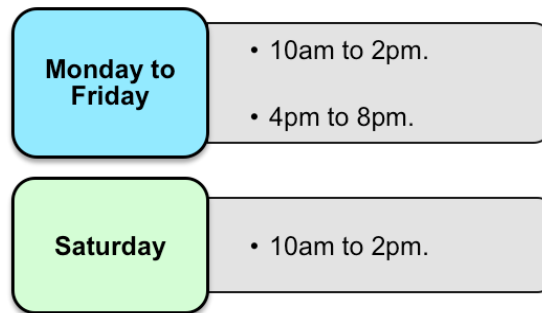


Source: Own elaboration, 2015.

In this way, by paying the €25 fee, registered Coffee Chat customers over 18 years of age will have the right to freely attend our conversation lessons, Monday to Saturday, as often as they like provided it is not more than once a day.

Coffee Chat will open eight hours a day, Monday to Friday, and four hours on Saturdays. There will be five round tables placed throughout the premises, and up to six people will sit at each table. As an extra requirement, each customer will have to order at least €5 worth of drinks or snacks.

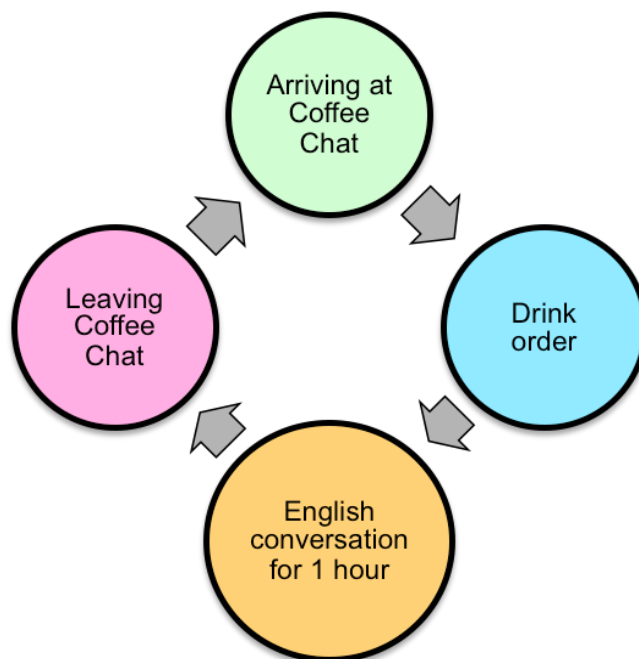
Figure 39: Coffee Chat opening hours.



Source: Own elaboration, 2015.

The different groups will be progressively organised right from the start, and each conversation practice will last no longer than an hour. The customers will then be asked to leave the table to make room for the next groups, but will be able to finish their drinks in the bar area. This procedure will be observed until closing time.

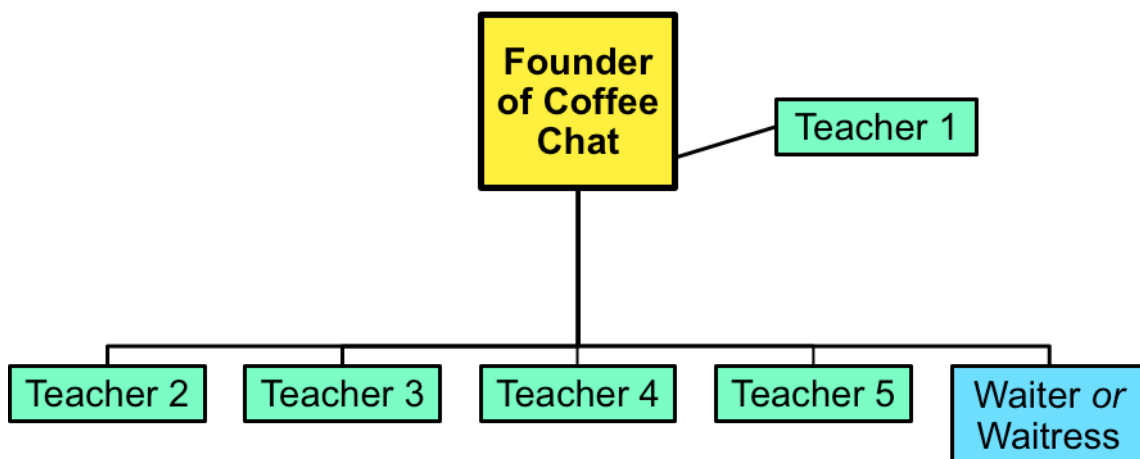
Figure 40: Procedure for Coffee Chat customers.



Source: Own elaboration, 2015.

Staff will consist of six members: five native English teachers, and a waiter/waitress to serve the customers. The teachers will coordinate the specific subjects to be talked about, by interacting with the different groups. The founder, who will also teach, will supervise all procedures, and make sure everything runs smoothly and professionally at all times.

Figure 41: Organizational Chart of Coffee Chat.



Source: Own elaboration, 2015.

Once the groups have been made dynamic, and conversation is fully under way, the teachers will monitor the progress of the practice, correct mistakes, and suggest further topics when necessary.

STEP – 9: Set your pricing framework

9.1. Prices

Prices are an important factor to decide whether we buy a product or not. This is why businesses consider several factors when they have to decide on the price of a product:

- Costs should not be a factor in deciding price: Our prices will not be based on cost, but on the value our customers get from our services.
- Understand the prices of your competitors: In the Coffee Shop sector, pricing is free, but most businesses set their prices in relation to their competitors. We will not follow this strategy, since our business has an added value other Coffee Shops do not have, which means our customers will be willing to pay a higher price for our products.
- Different types of customers will pay different prices: We will be offering a wide range of snacks and drinks, therefore what customers spend will vary a lot. Our customers will fall under the "early adopters" category, which includes those customers who do not attach much importance to price, but are more interested in being well catered for, which will require special treatment and extra services. These would include, for the first six months of business, a free drink for every customer who brings new customers to our premises.
- Be flexible with pricing for "early testers" and "lighthouse customers": These two types of customers are basic to run a successful business. Early testers will help us improve our products. Lighthouse customers will strongly influence the purchasing decisions of other customers; as potential crowd-pullers, they could temporarily be given discounts, and offered promotions.
- It is always easier to drop the price than to raise it: It is always advisable, at the start, to ask for higher prices, and then offer discounts, rather than offer low prices that will eventually have to be increased. Putting prices up might mean losing customers, which would go against the interests of our business.

Taking all these factors into account, the best way to price our products is, as we said above, to ask our customers to pay higher prices for our products than they would pay in other Coffee Shops, given the added value provided by Coffee Chat. We hope our customers will be willing to do so, and choose our business over our competitors. Our pricing is detailed as follows.

9.1.1. Coffee

Figure 42: Cup of coffee.



Source: Own elaboration, 2015.

Table 6: Coffee prices.

Name	Description	Price
Espresso	A double shot of straight espresso.	1,75 €
Espresso Macchiato	A straight shot of espresso topped with a spoonful of rich milk foam.	1,85 €
Caffe Americano	Espresso combined with hot water, a gourmet brewed coffee.	1,90 €
Caffe Latte	Espresso combined with steamed milk, topped with a small amount of milk foam.	2,75 €
Caffe Mocha	A Caffe Latte combined with Ghirardelli chocolate, topped with whipped cream and chocolate shavings.	3,10 €
Cappuccino	Espresso with a smooth topping of milk foam.	2,50 €

Source: Own elaboration, 2015.

9.1.2. Teas

Figure 43: Cup of tea.



Source: Own elaboration, 2015.

Table 7: Tea prices.

Name	Description	Price
Earl Grey	Black tea that has been flavoured with the oil of bergamot.	2,15 €
English Breakfast	English breakfast tea is simply black tea without added herbs or other ingredients.	2,15 €
Peppermint	Peppermint tea is an herbal tea made from an infusion of peppermint.	2,15 €
Chamomile	Chamomile is an herb that comes from a flowering plant from the daisy family.	2,15 €
Tropical Green	Green tea is made from <i>Camellia sinensis</i> leaves that have undergone minimal oxidation during processing.	2,15 €

Source: Own elaboration, 2015.

9.1.3. Juices¹⁸

Figure 44: Fruit juices.



Source: Santa Cruz Organic Juices.

Table 8: Juice prices.

Name	Ingredients	Price
Apple Juice	Juice from ripe, whole, and organic apples.	2,95 €
Apricot Mango	Filtered water, organic pear juice, organic apricot puree and organic mango puree.	2,95 €
Apricot Nectar	Filtered water, organic apple juice and organic apricot puree.	2,95 €
Berry Nectar	Filtered water, organic apple juice, organic strawberry, organic blackberry and organic raspberry purees.	2,95 €
Concord Grape Juice	Filtered water and organic concord grape juice.	2,95 €
Hibiscus Cooler	Filtered water, organic white grape juice, brewed organic herbal tea, and organic lemon juice.	2,95 €
Cranberry Nectar	Filtered water, organic white grape and organic cranberry juice.	2,95 €
Limeade	Filtered water, organic lime, organic white grape and organic lemon juice.	2,95 €

¹⁸ Santa Cruz Organic Juices © 2015 (www.santacruzorganic.com)

Orange Mango	Filtered water, organic apple juice, organic banana puree, organic orange juice and organic mango puree.	2,95 €
Pear Nectar	Filtered water, organic pear puree, organic pear and organic white grape juice.	2,95 €
Red Tart Cherry	Filtered water, organic apple and organic red tart cherry juice.	2,95 €
White Grape Juice	Filtered water and organic white grape juice.	2,95 €

Source: Own elaboration from company data, 2015.

9.1.4. Water and soft drinks

Figure 45: Water, milk-shake and fizzy drinks.



Source: Own elaboration, 2015.

Table 9: Water and soft drinks prices.

Name	Price
Still water	2,00 €
Coca Cola	2,20 €
Coca Cola Light	2,20 €
Coca Cola Zero	2,20 €
Lemon Fanta	2,15 €
Orange Fanta	2,15 €
Nestea	2,70 €
Vichy Catalan	2,10 €
Cacaolat	2,70 €

Source: Own elaboration, 2015.

9.1.5. Pastries and snacks

Table 10: Pastries and snacks prices.

Name	Image	Price
Croissant		2,10 €
Chocolate Croissant		2,20 €
Ham and Cheese Croissant		2,30 €
Doughnut		1,90 €
Strawberry Cheesecake		3,60 €
Chocolate Cake		3,80 €
Carrot Cake		3,95 €

Brownie		3,90 €
Cookies		2,50 €
Muffin		2,40 €
Olives		2,25 €
Nuts		2,50 €
Salt Pretzels		2,20 €
Crisps		2,00 €

Source: Own elaboration, 2015.

STEP – 10: Map the process to acquire new customers

It is essential to understand on the one hand how customers purchase products, and on the other what factors determine costs. This will allow us to be able to shorten the sales process, and eventually make it cost-effective.

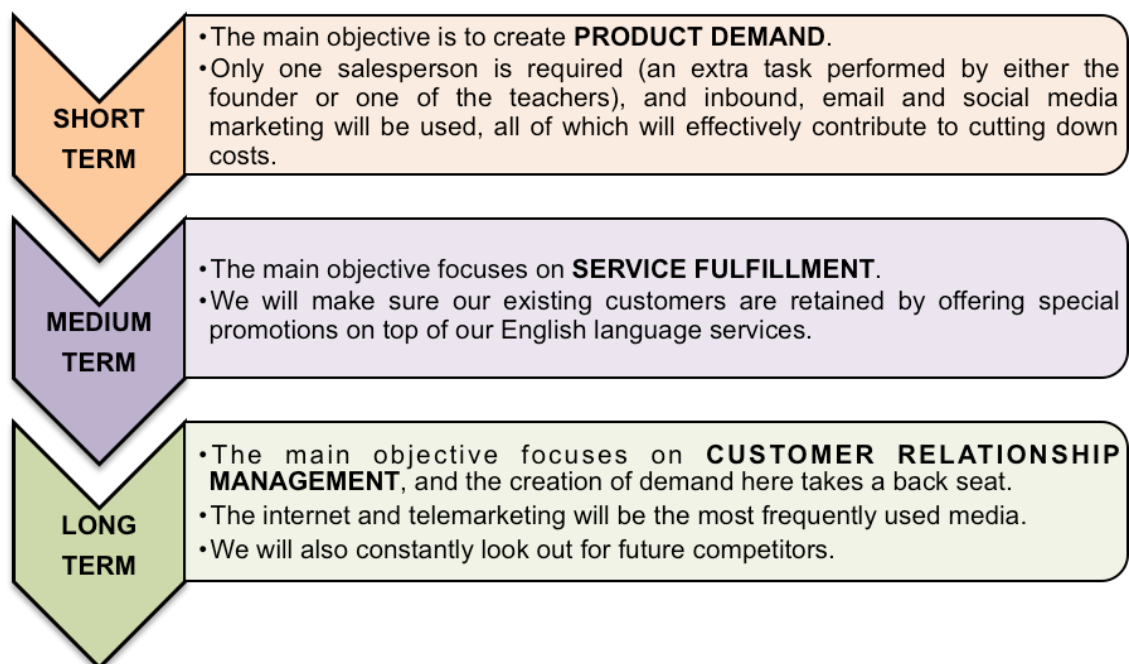
10.1. Cost of Customer Acquisition (COCA)

The Cost of Customer Acquisition (COCA) is an extremely important performance metric which details the costs of acquiring new customers, including all sales and marketing factors. This indicator also includes customers who finally decide not to buy our products.

10.2. Short, medium and long-term sales process

In most businesses the COCA will at first be rather high: the sales process that is needed to attract and retain customers takes longer, and investment is higher, when a company is new. Nevertheless, it will decrease over time, as the company develops. We will now divide the sales process of my business into three periods of time for the sake of clarity.

Figure 46: Sales process in the short, medium and long-term.



Source: Own elaboration, 2015.

10.3. Calculation of the COCA

To calculate the COCA we will need the sales and marketing expenses for the first three years of business, therefore we will focus on the costs of key items within our sales and marketing plan. The following list includes the number of salespeople and their salary per annum, the social networking sites we will be on, the contract mobile phone bills with internet access, and Wi-Fi for the premises, and finally a simple but highly efficient method to advertise our services, brochures¹⁹.

Table 11: Marketing and Sales Budget.

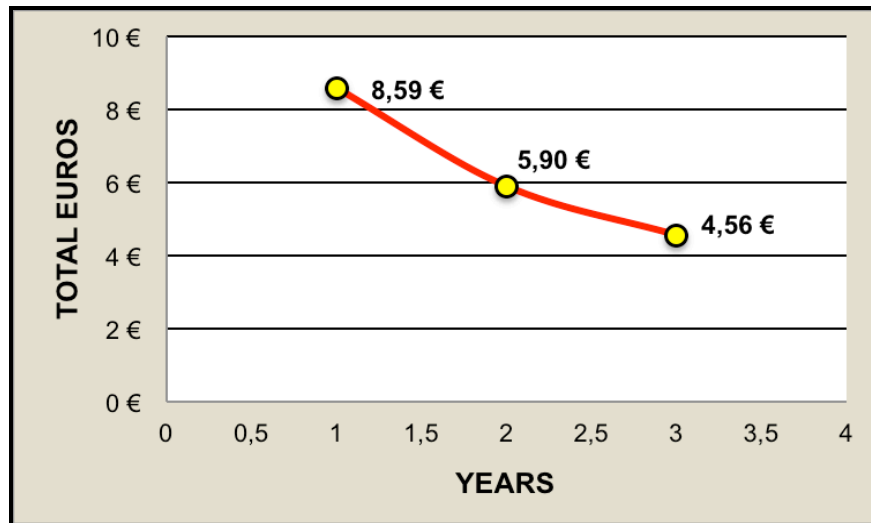
Items from Marketing and Sales Budget	YEAR 1	YEAR 2	YEAR 3
Number of Salespeople	1	1	1
Net annual salary for extra sales tasks	7.200 €	7.416 €	7.638,48 €
Website	400 €	412 €	424,36 €
Facebook	- €	- €	- €
Twitter	- €	- €	- €
Instagram	- €	- €	- €
Mobile phone with internet access + WiFi	840 €	865 €	891,16 €
Advertising through brochures	150 €	155 €	159,14 €
TOTAL	8.590 €	8.848 €	9.113 €
Number of customers	1000	1500	2000
COCA for year	8,59 €	5,90 €	4,56 €

Source: Own elaboration from company data, 2015.

$$COCA = \frac{\text{Sales and Marketing Costs}}{\text{Number of new customers}}$$

¹⁹ See Annex III, page 111.

Figure 47: COCA over time.



Source: Own elaboration, 2015.

The graph shows how the COCA steadily decreases over the years. In our case, the investment to be made to acquire new customers will be reasonable, since the resources we need for our business do not require high costs.

We will create a website that will provide comprehensive information on our Coffee Shop, the products it offers, and the way it will work to carry out our English conversation lessons.

Social networking sites are a very useful source of information, so that users can get to know the products and services a business provides.

10.4. Marketing Plan

The first step to be taken to make a marketing plan for our business is to have well-defined, specific objectives that can be realistically assessed and gauged on a timeline.

The second step is an internal and external SWOT business analysis to get a clear picture of strengths, weaknesses, threats, and opportunities as previously described in Step 4.

Finally, we have to carry out a study of target users. Their profile will determine the areas to be highlighted, and the use our business will make of social networking sites. Step 3 above provides a well-detailed description of our target users.

10.4.1. Objectives

I will now summarize our objectives in view of what we have so far described, using a typological classification.

General objectives

- To satisfy both the professional and the personal needs and goals of our customers, in a practical, efficient way within a comfortable environment that also offers good food and drink.
- To be acknowledged as an innovative, pioneering business, a leader in its field, in our dual capacity as cafe and Language School.
- To attract and retain customers by constantly maintaining high standards of both teaching and service, which is essential to guarantee unfailing customer satisfaction.

Specific objectives

- To make a steady profit on a monthly basis, by regularly increasing the income derived from our sales of food and drink.
- To have sold, at the end of each financial year, the amount of products required to meet our business expectations.
- To make sure English conversation practice runs smoothly and satisfactorily.

Short-term objectives

- To decorate and furnish the premises to make people feel comfortable, and also draw the attention of passers-by.
- To advertise our services by printing brochures, posting adverts in local newspapers, and making good use of social networking sites like Facebook, Twitter, and Instagram (see below).
- To provide good-quality, organic products.
- To employ well-trained, competent staff, and foster good, fluent communication between them.
- To ask for regular customer feedback in order to keep our standards high.

Medium-term objectives

- Once our business is well under way, to vary and widen the choice of the products we offer, in order to keep our customers satisfied and boost sales.
- To be seen as a solid company.
- To retain our staff, by making them feel they are cornerstones of our business, and part of the fabric of our company.
- To sustain a good relationship with our suppliers.

Long-term objectives

- To eventually become a franchise, and export our business model to other towns in the area.
- To be acknowledged as one of the best places to learn English, on a national scale.

Strategic objectives

- To strengthen efficiency, and customer attraction and retention at all times.
- Not to lose sight of our competitors. Even though our business offers a fresh approach to coffee shops and Language Schools, it is still a crowded field.
- To encourage the personal and professional development of our staff so as to keep them motivated.
- To always look after the customer, the *raison d'être* of our business.

10.5. Social Media Plan

Social networking sites are a powerful tool to keep a business present on the web, and publicise its reputation. Most businesses, as well as developing their own websites, make good use of networking sites, so we will now detail in what way we will use them to promote our company.

10.5.1. Facebook

Our Facebook page will encourage our customers to take part periodically in our promotions, such as offering free drinks to those who share their experiences with us with others. In this way our existing customers will actively contribute to advertising and promoting our business.

Figure 48: Coffee Chat Facebook page.



Source: Own elaboration, 2015.

10.5.2. Twitter

Twitter will allow us to reach a potentially higher number of customers who have specific features in common. Tweets will be posted on a daily basis to entice users to follow us.

Figure 49: Coffee Chat Twitter page.

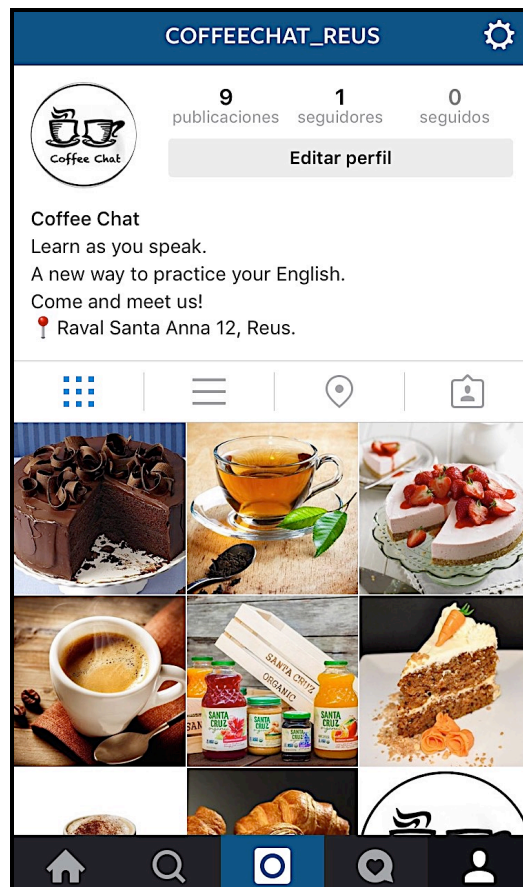


Source: Own elaboration, 2015.

10.5.3. Instagram

Instagram is a visual site that allows companies to retain customers by keeping them interested through photos and videos. We will daily upload pictures of the products we offer, as well as of our English lessons featuring our customers, with their prior consent.

Figure 50: Coffee Chat Instagram page.



Source: Own elaboration, 2015.

STEP – 11: P&L Account

Table 12: Company data.

Company data	
Tables	5
Customers per table	6
Customers per hour	30
Hours per day	8
Customers per day	240
Average spending per customer per day	5 €
Average cost of sales	2,50 €
Total sales per day	1.200 €
Cost of sales per day	600 €
Total sales per month	30.000 €
Cost of sales per month	15.000 €

Source: Own elaboration, 2015.

Table 13: Best-case scenario P&L.

BEST-CASE SCENARIO	JAN	FEB	MAR	APR	MAY	JUN	JUL
Sales							
Subscriptions	300	312	324	337	351	365	380
Price per subscription	25 €	25 €	25 €	25 €	25 €	25 €	25 €
Total subscriptions	7.500,00 €	7.800,00 €	8.112,00 €	8.436,48 €	8.773,94 €	9.124,90 €	9.489,89 €
Drinks and food	36.000 €	36.720,00 €	37.454,40 €	38.203,49 €	38.967,56 €	39.746,91 €	40.541,85 €
TOTAL SALES	43.500,00 €	44.520,00 €	45.566,40 €	46.639,97 €	47.741,50 €	48.871,81 €	50.031,74 €
Other Direct Costs							
Average cost of sales	18.000 €	18.360 €	18.727 €	19.102 €	19.484 €	19.873 €	20.271 €
GROSS PROFIT	25.500,00 €	26.160,00 €	26.839,20 €	27.538,22 €	28.257,72 €	28.998,35 €	29.760,82 €
Overheads and Expenses							
Rent	2.500 €	2.500 €	2.500 €	2.500 €	2.500 €	2.500 €	2.500 €
Supplies	200 €	200 €	200 €	200 €	200 €	200 €	200 €
Personnel costs	13.500 €	13.500 €	13.500 €	13.500 €	13.500 €	13.500 €	13.500 €
Mobile phones	70 €	70 €	70 €	70 €	70 €	70 €	70 €
Office Equipment	500 €	- €	- €	- €	- €	- €	- €
Computers	2.000 €	- €	- €	- €	- €	- €	- €
Advertising	150 €	- €	- €	- €	- €	- €	- €
City permits / Licences / Fees	6.000 €	- €	- €	- €	- €	- €	- €
Security Alarm	450 €	30 €	30 €	30 €	30 €	30 €	30 €
Insurance	389 €	- €	- €	- €	- €	- €	- €
External services	90 €	90 €	90 €	90 €	90 €	90 €	90 €
TOTAL EXPENSES	25.849 €	16.390 €	16.390 €	16.390 €	16.390 €	16.390 €	16.390 €
Operating Profit	- 349,00 €	9.770,00 €	10.449,20 €	11.148,22 €	11.867,72 €	12.608,35 €	13.370,82 €
Interest charges	- 10,47 €	293,10 €	313,48 €	334,45 €	356,03 €	378,25 €	401,12 €
NET PROFIT	- 338,53 €	9.476,90 €	10.135,72 €	10.813,78 €	11.511,69 €	12.230,10 €	12.969,69 €
Taxes	- 101,56 €	2.843,07 €	3.040,72 €	3.244,13 €	3.453,51 €	3.669,03 €	3.890,91 €
PROFIT AFTER TAX	- 236,97 €	6.633,83 €	7.095,01 €	7.569,64 €	8.058,18 €	8.561,07 €	9.078,78 €

BEST-CASE SCENARIO	AUG	SEP	OCT	NOV	DEC	TOTAL YEAR
Sales						
Subscriptions	395	411	427	444	462	4.508
Price per subscription	25 €	25 €	25 €	25 €	25 €	
Total subscriptions	9.869,49 €	10.264,27 €	10.674,84 €	11.101,83 €	11.545,91 €	112.693,54 €
Drinks and food	41.352,68 €	42.179,74 €	43.023,33 €	43.883,80 €	44.761,48 €	482.835,23 €
TOTAL SALES	51.222,17 €	52.444,01 €	53.698,17 €	54.985,63 €	56.307,38 €	595.528,77 €
Other Direct Costs						
Average cost of sales	20.676 €	21.090 €	21.512 €	21.942 €	22.381 €	241.417,62 €
GROSS PROFIT	30.545,83 €	31.354,14 €	32.186,50 €	33.043,73 €	33.926,64 €	354.111,16 €
Overheads and Expenses						
Rent	2.500 €	2.500 €	2.500 €	2.500 €	2.500 €	30.000 €
Supplies	200 €	200 €	200 €	200 €	200 €	2.400 €
Personnel costs	13.500 €	13.500 €	13.500 €	13.500 €	13.500 €	162.000 €
Mobile phones	70 €	70 €	70 €	70 €	70 €	840 €
Office Equipment	- €	- €	- €	- €	- €	500 €
Computers	- €	- €	- €	- €	- €	2.000 €
Advertising	- €	- €	- €	- €	- €	150 €
City permits / Licences / Fees	- €	- €	- €	- €	- €	6.000 €
Security Alarm	30 €	30 €	30 €	30 €	30 €	780 €
Insurance	- €	- €	- €	- €	- €	389 €
External services	90 €	90 €	90 €	90 €	90 €	1.080 €
TOTAL EXPENSES	16.390 €	16.390 €	16.390 €	16.390 €	16.390 €	206.139,00 €
Operating Profit	14.155,83 €	14.964,14 €	15.796,50 €	16.653,73 €	17.536,64 €	147.972,16 €
Interest charges	424,67 €	448,92 €	473,90 €	499,61 €	526,10 €	4.439,16 €
NET PROFIT	13.731,16 €	14.515,21 €	15.322,61 €	16.154,12 €	17.010,54 €	143.532,99 €
Taxes	4.119,35 €	4.354,56 €	4.596,78 €	4.846,24 €	5.103,16 €	43.059,90 €
PROFIT AFTER TAX	9.611,81 €	10.160,65 €	10.725,83 €	11.307,88 €	11.907,38 €	100.473,09 €

Source: Own elaboration, 2015.

Table 14: Middle-of-the-road scenario P&L.

MIDDLE-OF-THE-ROAD SCENARIO	JAN	FEB	MAR	APR	MAY	JUN	JUL
Sales							
Subscriptions	300	309	318	318	328	328	328
Price per subscription	25 €	25 €	25 €	25 €	25 €	25 €	25 €
Total subscriptions	7.500,00 €	7.725,00 €	7.956,75 €	7.956,75 €	8.195,45 €	8.195,45 €	8.195,45 €
Drinks and food	30.000,00 €	30.600,00 €	31.212,00 €	31.836,24 €	32.472,96 €	33.122,42 €	33.784,87 €
TOTAL SALES	37.500,00 €	38.325,00 €	39.168,75 €	39.792,99 €	40.668,42 €	41.317,88 €	41.980,33 €
Other Direct Costs							
Average cost of sales	15.000 €	15.300 €	15.606 €	15.918 €	16.236 €	16.561 €	16.892 €
GROSS PROFIT	22.500,00 €	23.025,00 €	23.562,75 €	23.874,87 €	24.431,93 €	24.756,66 €	25.087,89 €
Overheads and Expenses							
Rent	3.000 €	3.000 €	3.000 €	3.000 €	3.000 €	3.000 €	3.000 €
Supplies	260 €	260 €	260 €	260 €	260 €	260 €	260 €
Personnel costs	13.800 €	13.800 €	13.800 €	13.800 €	13.800 €	13.800 €	13.800 €
Mobile phones	72,10 €	72,10 €	72,10 €	72,10 €	72,10 €	72,10 €	72,10 €
Office Equipment	500 €	- €	- €	- €	- €	- €	- €
Computers	1.000 €	- €	- €	- €	- €	- €	- €
Advertising	155 €	- €	- €	- €	- €	- €	- €
City permits / Licences / Fees	6.500 €	- €	- €	- €	- €	- €	- €
Security Alarm	30 €	30 €	30 €	30 €	30 €	30 €	30 €
Insurance	389 €	- €	- €	- €	- €	- €	- €
External services	100 €	100 €	100 €	100 €	100 €	100 €	100 €
TOTAL EXPENSES	25.806,10 €	17.262,10 €	17.262,10 €	17.262,10 €	17.262,10 €	17.262,10 €	17.262,10 €
Operating Profit	- 3.306,10 €	5.762,90 €	6.300,65 €	6.612,77 €	7.169,83 €	7.494,56 €	7.825,79 €
Interest charges	- 99,18 €	172,89 €	189,02 €	198,38 €	215,10 €	224,84 €	234,77 €
NET PROFIT	- 3.206,92 €	5.590,01 €	6.111,63 €	6.414,39 €	6.954,74 €	7.269,73 €	7.591,02 €
Taxes	- 962,08 €	1.677,00 €	1.833,49 €	1.924,32 €	2.086,42 €	2.180,92 €	2.277,30 €
PROFIT AFTER TAX	- 2.244,84 €	3.913,01 €	4.278,14 €	4.490,07 €	4.868,32 €	5.088,81 €	5.313,71 €

MIDDLE-OF-THE-ROAD SCENARIO	AUG	SEP	OCT	NOV	DEC	TOTAL YEAR
Sales						
Subscriptions	328	338	338	338	338	3.907
Price per subscription	25 €	25 €	25 €	25 €	25 €	
Total subscriptions	8.195,45 €	8.441,32 €	8.441,32 €	8.441,32 €	8.441,32 €	97.685,57 €
Drinks and food	34.460,57 €	35.149,78 €	35.852,78 €	36.569,83 €	37.301,23 €	402.362,69 €
TOTAL SALES	42.656,02 €	43.591,10 €	44.294,09 €	45.011,15 €	45.742,55 €	500.048,27 €
Other Direct Costs						
Average cost of sales	17.230 €	17.575 €	17.926 €	18.285 €	18.651 €	201.181,35 €
GROSS PROFIT	25.425,74 €	26.016,21 €	26.367,70 €	26.726,23 €	27.091,93 €	298.866,92 €
Overheads and Expenses						
Rent	3.000 €	3.000 €	3.000 €	3.000 €	3.000 €	36.000 €
Supplies	260 €	260 €	260 €	260 €	260 €	3.120 €
Personnel costs	13.800 €	13.800 €	13.800 €	13.800 €	13.800 €	165.600 €
Mobile phones	72,10 €	72,10 €	72,10 €	72,10 €	72,10 €	865 €
Office Equipment	- €	- €	- €	- €	- €	500 €
Computers	- €	- €	- €	- €	- €	1.000 €
Advertising	- €	- €	- €	- €	- €	155 €
City permits / Licences / Fees	- €	- €	- €	- €	- €	6.500 €
Security Alarm	30 €	30 €	30 €	30 €	30 €	360 €
Insurance	- €	- €	- €	- €	- €	389 €
External services	100 €	100 €	100 €	100 €	100 €	1.200 €
TOTAL EXPENSES	17.262,10 €	17.262,10 €	17.262,10 €	17.262,10 €	17.262,10 €	215.689,20 €
Operating Profit	8.163,64 €	8.754,11 €	9.105,60 €	9.464,13 €	9.829,83 €	83.177,72 €
Interest charges	244,91 €	262,62 €	273,17 €	283,92 €	294,89 €	2.495,33 €
NET PROFIT	7.918,73 €	8.491,48 €	8.832,44 €	9.180,21 €	9.534,94 €	80.682,39 €
Taxes	2.375,62 €	2.547,45 €	2.649,73 €	2.754,06 €	2.860,48 €	24.204,72 €
PROFIT AFTER TAX	5.543,11 €	5.944,04 €	6.182,71 €	6.426,15 €	6.674,46 €	56.477,67 €

Source: Own elaboration, 2015.

Table 15: Worst-case scenario P&L.

WORST-CASE SCENARIO	JAN	FEB	MAR	APR	MAY	JUN	JUL
Sales							
Subscriptions	200	206	212	219	225	232	239
Price per subscription	25 €	25 €	25 €	25 €	25 €	25 €	25 €
Total subscriptions	5.000,00 €	5.150,00 €	5.304,50 €	5.463,64 €	5.627,54 €	5.796,37 €	5.970,26 €
Drinks and food	25.000,00 €	25.500,00 €	26.010,00 €	26.530,20 €	27.060,80 €	27.602,02 €	28.154,06 €
TOTAL SALES	30.000,00 €	30.650,00 €	31.314,50 €	31.993,84 €	32.688,35 €	33.398,39 €	34.124,32 €
Other Direct Costs							
Average cost of sales	12.500 €	12.750 €	13.005 €	13.265 €	13.530 €	13.801 €	14.077 €
GROSS PROFIT	17.500,00 €	17.900,00 €	18.309,50 €	18.728,74 €	19.157,95 €	19.597,38 €	20.047,29 €
Overheads and Expenses							
Rent	3.600 €	3.600 €	3.600 €	3.600 €	3.600 €	3.600 €	3.600 €
Supplies	340 €	340 €	340 €	340 €	340 €	340 €	340 €
Personnel costs	14.000 €	14.000 €	14.000 €	14.000 €	14.000 €	14.000 €	14.000 €
Mobile phones	74,26 €	74,26 €	74,26 €	74,26 €	74,26 €	74,26 €	74,26 €
Office Equipment	500 €	- €	- €	- €	- €	- €	- €
Computers	1.000 €	- €	- €	- €	- €	- €	- €
Advertising	159,14 €	- €	- €	- €	- €	- €	- €
City permits / Licences / Fees	7.000 €	- €	- €	- €	- €	- €	- €
Security Alarm	30 €	30 €	30 €	30 €	30 €	30 €	30 €
Insurance	389 €	- €	- €	- €	- €	- €	- €
External services	120 €	120 €	120 €	120 €	120 €	120 €	120 €
TOTAL EXPENSES	27.212,40 €	18.164,26 €	18.164,26 €	18.164,26 €	18.164,26 €	18.164,26 €	18.164,26 €
Operating Profit	- 9.712,40 €	- 264,26 €	145,24 €	564,47 €	993,68 €	1.433,12 €	1.883,03 €
Interest charges	- 291,37 €	- 7,93 €	4,36 €	16,93 €	29,81 €	42,99 €	56,49 €
NET PROFIT	- 9.421,03 €	- 256,34 €	140,88 €	547,54 €	963,87 €	1.390,12 €	1.826,54 €
Taxes	- 2.826,31 €	- 76,90 €	42,26 €	164,26 €	289,16 €	417,04 €	547,96 €
PROFIT AFTER TAX	- 6.594,72 €	- 179,43 €	98,62 €	383,28 €	674,71 €	973,09 €	1.278,58 €

WORST-CASE SCENARIO	AUG	SEP	OCT	NOV	DEC	TOTAL YEAR
Sales						
Subscriptions	246	253	261	269	277	2.838
Price per subscription	25 €	25 €	25 €	25 €	25 €	
Total subscriptions	6.149,37 €	6.333,85 €	6.523,87 €	6.719,58 €	6.921,17 €	70.960,15 €
Drinks and food	28.717,14 €	29.291,48 €	29.877,31 €	30.474,86 €	31.084,36 €	335.302,24 €
TOTAL SALES	34.866,51 €	35.625,33 €	36.401,18 €	37.194,44 €	38.005,53 €	406.262,39 €
Other Direct Costs						
Average cost of sales	14.359 €	14.646 €	14.939 €	15.237 €	15.542 €	167.651,12 €
GROSS PROFIT	20.507,94 €	20.979,59 €	21.462,52 €	21.957,01 €	22.463,35 €	238.611,27 €
Overheads and Expenses						
Rent	3.600 €	3.600 €	3.600 €	3.600 €	3.600 €	43.200 €
Supplies	340 €	340 €	340 €	340 €	340 €	4.080 €
Personnel costs	14.000 €	14.000 €	14.000 €	14.000 €	14.000 €	168.000 €
Mobile phones	74,26 €	74,26 €	74,26 €	74,26 €	74,26 €	891,16 €
Office Equipment	- €	- €	- €	- €	- €	500 €
Computers	- €	- €	- €	- €	- €	1.000 €
Advertising	- €	- €	- €	- €	- €	159 €
City permits / Licences / Fees	- €	- €	- €	- €	- €	7.000 €
Security Alarm	30 €	30 €	30 €	30 €	30 €	360 €
Insurance	- €	- €	- €	- €	- €	389 €
External services	120 €	120 €	120 €	120 €	120 €	1.440 €
TOTAL EXPENSES	18.164,26 €	18.164,26 €	18.164,26 €	18.164,26 €	18.164,26 €	227.019,30 €
Operating Profit	2.343,68 €	2.815,33 €	3.298,26 €	3.792,75 €	4.299,09 €	11.591,97 €
Interest charges	70,31 €	84,46 €	98,95 €	113,78 €	128,97 €	347,76 €
NET PROFIT	2.273,37 €	2.730,87 €	3.199,31 €	3.678,97 €	4.170,11 €	11.244,21 €
Taxes	682,01 €	819,26 €	959,79 €	1.103,69 €	1.251,03 €	3.373,26 €
PROFIT AFTER TAX	1.591,36 €	1.911,61 €	2.239,52 €	2.575,28 €	2.919,08 €	7.870,95 €

Source: Own elaboration, 2015.

STEP – 12: Risk Assessment

Every entrepreneur managing a company inevitably faces risks, which are part and parcel of any business activity. This is why risk analysis is essential prior to starting our business. It should be borne in mind that some solid, well-established companies have been closing down due to inadequate risk assessment within today's business environment.

12.1. Risk Assessment Matrix

In order to assess risks, we will elaborate a matrix that shows possible risk situations, on a scale of 1 to 5, measuring both likelihood and impact, 1 being unlikely and with little impact, and 5 being quite likely and with a high impact.

Table 16: Risk Assessment Matrix.

Risk Event	Likelihood (1 to 5)	Impact (1 to 5)
Customer dissatisfaction	2	5
Losing staff	3	2
Suppliers fail to deliver	3	1
Rival imitators	4	5
Unexpected breakdowns	2	4
Fires and flooding	2	5
Internet-related issues	3	4
Running out of ideas	2	3
Burglary	1	4
Not making ends meet	3	5
Customer needs remain unmet	2	5

Source: Own elaboration, 2015.

12.2. Developing strategies for each specific event

Once the risk assessment matrix has been elaborated, we will develop suitable strategies for each specific event.

- **Customer dissatisfaction:** Losing customers progressively is a real risk which can be due to a variety of reasons: either they have decided they do not actually like our services, or have been losing interest little by little because what we offer does not meet their expectations. To prevent this, we will constantly monitor our staff, and make sure the quality of our food and drinks remains of the highest standards. Faith and confidence in our business vision is not enough: we must continuously check on the quality of our products and services.
- **Losing staff:** Some members of our staff might decide at some point, for whatever the reason, to leave the company. It is therefore important to keep the application forms we had not initially considered, so that we can have a pool of potential workers that we may need to replace some of our existing staff.
- **Suppliers fail to deliver:** Any supplier may fail to deliver their products to us at a given time. To counteract this, and since it is important not to run out of stock of any products, we should not stick to only one supplier per range of products, but have a list of alternative suppliers so as not to disappoint our customers.
- **Rival imitators:** A business like Coffee Chat, with a low barrier to entry, is relatively easy to replicate. If someone else realizes our idea has caught on, they may decide to start a rival business. This cannot be prevented, but what we can do is always keep several steps ahead of competition, by constantly innovating and finding novel aspects our competitors have not so far thought of. Keeping alert, and never resting on our laurels is the key to staying at the forefront of our type of business.
- **Unexpected breakdowns:** Unlikely as it may seem, our espresso machine might break down, or our Wi-Fi system fail. Regular maintenance service is, therefore, required to avoid breakdowns that would be an embarrassment to

us, and cause disruption to our customers. Smoothly-running services guarantee customer satisfaction.

- **Fires and flooding:** Torrential rain, which happens every now and again in our country, can cause severe flooding, and there is always a risk of an electrical fire. Such unpredictable events cannot usually be foreseen, therefore an insurance policy against them is mandatory, as the effects can be potentially devastating.
- **Internet-related issues:** The importance of the Internet cannot be overestimated. Like the vast majority of businesses we will be heavily dependent on it, therefore every precaution as to viruses and security must definitely be taken.
- **Running out of ideas:** Unlike the traditional language school system, our business aims at being original and creative in its approach to teaching English, one of the main assets that will keep us ahead of our competitors and imitators. Running out of fresh ideas, and consequently the danger of innovation running out of steam, is a risk to be seriously taken into account. The solution lies in holding frequent staff meetings, so that all members can contribute ideas to stay innovative, surprise our customers, keep them satisfied, and make them feel they will not get what we offer anywhere else.
- **Burglary:** The profile of our customers, and the way our premises will be taken care of during opening hours, make pickpocketing an unlikely risk. Nonetheless all premises are vulnerable to burglary, so a good alarm system, and comprehensive insurance, are necessary requirements.
- **Not making ends meet:** Not making enough of a profit, or indeed making a loss even in the short term goes against the interests of a small business like ours. Fixed and variable costs have to be carefully calculated, and sales expectations, in the broadest sense, estimated. The key element here is being able to foresee events, and be well prepared in advance to meet the unexpected.

- **Customer needs remain unmet:** This, along with customer dissatisfaction (see above), is the main risk we face in our business. The solution, apart from listening to customers' complaints if any, is conducting surveys. Our customers will be asked to give us regular feedback on the quality of our teaching staff, whether they feel they are making the progress they were hoping for, and suggestions on what could be changed, improved upon, or introduced to make their experience more rewarding. This also applies to the food and drinks we offer. Comprehensive customer satisfaction surveys will thus help us eliminate this risk.

Conclusions

When I started my Business Management studies at *Universitat Abat Oliba CEU* in September 2011, I knew I had chosen the degree that best suited my personality, my needs, and my way of thinking. When I graduated in May 2015 I was able to make a global, retrospective analysis of my four years spent at university, and the conclusion was they had been worth my while. The present project is based on most of the subjects I covered during that time, since they are to a greater or lesser degree necessary to carry out a Business Plan.

For as long as I can remember, I have been keen to explore new avenues, learn new things, and venture into the unknown. The vast majority of Spanish people seek employment in someone else's company or in the civil service, so it is quite unusual for a young person like me to want to become an entrepreneur, and start a new business in an unfamiliar market segment.

As for my Business Plan, I am aware a new business is an adventure full of risks, but also full of potential. Most risks can be avoided by implementing Blue Ocean Strategy, but for this strategy to work there must be an innovative idea behind the new venture. A Start-up business must offer something unheard of, or alternatively give an unexpected twist to an existing idea. Coffee Chat goes beyond the traditional boundaries of Language Schools and cafes, and by virtue of being unique avoids "red ocean" competition.

Coffee Chat combines two existing business ideas into a new whole, and targets dissatisfied customers by offering them what they may find missing in traditional coffee shops and Schools of English. Coffee Chat also keeps constantly fresh, without falling into self-complacency or taking customer retention for granted.

A good entrepreneurial mind is always on its toes, and uses customer feedback to keep improving, and stay well ahead of competition, which is always kept in view even though they do not fight over the same market segment.

An initially small business has advantages, as it is more easily manageable, and can also implement one of the main principles put forward by BOS, that is, cutting unnecessary costs, even those which may not appear to be so at first sight, in order to prove that certainly "less is more" if the essential elements for good quality customer service are properly enhanced, and the superfluous disposed of.

English is a language whose importance is still on the increase, therefore the need for it grows all the time. Furthermore, practising and perfecting spoken English at a high level is a service that is much in demand, but seldom offered. Coffee Chat meets this need.

Our end users are of varying ages and backgrounds, but they share a common profile: the desire to improve their English so that they can aim at a better, more satisfactory lifestyle. Coffee Chat will bring them together, and help them fulfil their dreams. It will give them a sense of achievement, and the certainty they are making good progress while also having a good time. Native English teachers will make sure they overcome their initial hesitations, and feel confident enough to use the language with increasing proficiency.

As to the products available at Coffee Chat, we will rely on trusted suppliers, who will provide organic products that effectively contribute to our customers' well-being. Quality is of paramount importance, but our beverages and snacks will also be different from the great majority of products that can be found in other cafes. Many will be quite exclusive, and not easily available anywhere else, at least in Reus.

Social networking sites will be a key element for our business to grow, as it is nowadays hard to find anyone without a Facebook, Twitter, or Instagram profile. We will use them to achieve a domino effect, an indirect marketing strategy based on word-of-mouth recommendations.

As regards our Business Plan, a sales forecast and a cost estimate will allow us to know to what extent our idea is viable. Our P&L shows that Coffee Chat can indeed be a profitable business.

All in all, we can safely say Coffee Chat is a business with a future, and highly likely to be successful. This is why I would like to develop the idea, and see how something that was not there becomes, one day, a reality.

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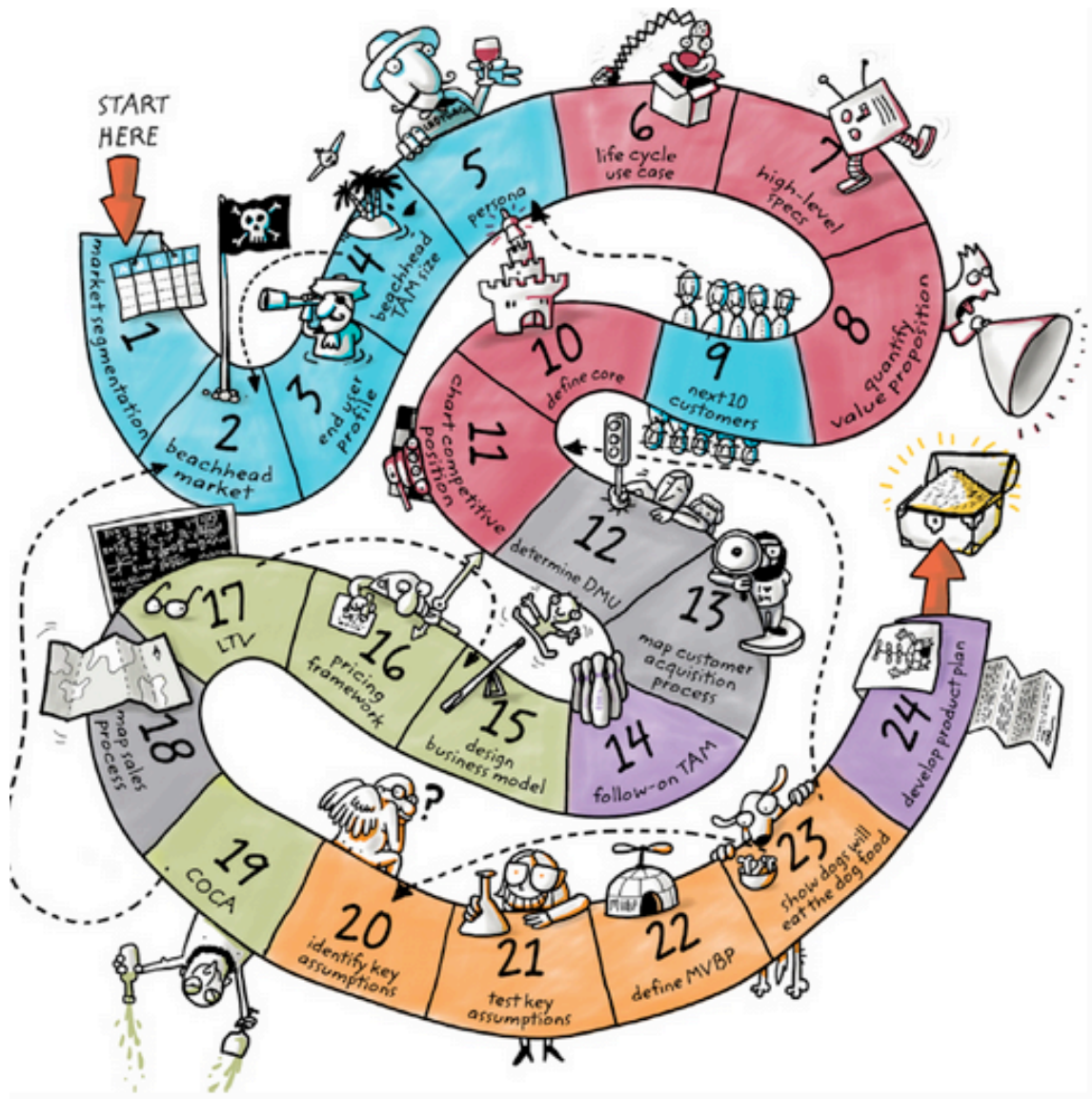
<https://es.shopify.com>

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Annex I

24 steps to a successful Start-up:



Six questions that relate to the 24 steps:

1. Who is your customer?
2. What can you do for your customer?
3. How does your customer acquire your product?
4. How do you make money off your product?
5. How do you design and build your product?
6. How do you scale your business?

Annex II

Question – 1: What is your age group?

- 18 – 35
- 36 – 50
- 51 – 64
- 65 +

Question – 2: Are you currently:

- Studying
- Working
- Studying and working
- Unemployed

Question – 3: Where do you live?

- Reus
- Village in the Baix Camp area
- Other

Question – 4: Are you studying English or have you studied it in the past?

- Yes
- No

Question – 5: Which of the following areas do you consider the most important for learning English?

- Grammar
- Writing
- Reading
- Speaking
- Other

Question – 6: Please choose the statement that best fits your opinion of Language Schools.

- I think that I have learnt a lot of English and I will continue going there.
- I go to a Language School because there is no other way to learn English.
- I think that Language Schools are very expensive in comparison to what you learn.
- I don't like Language Schools, I prefer learning by reading books or watching films.
- Other

Question – 7: Would you consider going to a coffee shop which offers English Speaking practice, with native teachers, for €25 a year?

- Yes
- No
- Don't know

Question – 8: If so, would you be willing to pay a little extra for good quality, organic products to complement the lessons?

- Yes
- No
- Don't know

Question – 9: How often would you come on a weekly basis, Monday to Saturday?

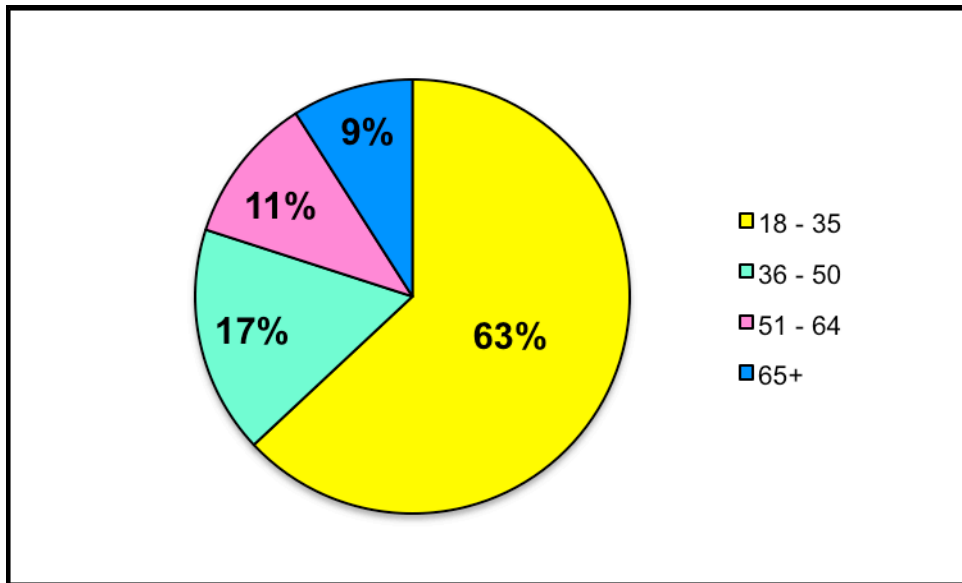
- Once
- Twice
- Three times
- More than three times

Question – 10: Do you think this kind of business is an innovative way to learn English, outside the traditional language-school system?

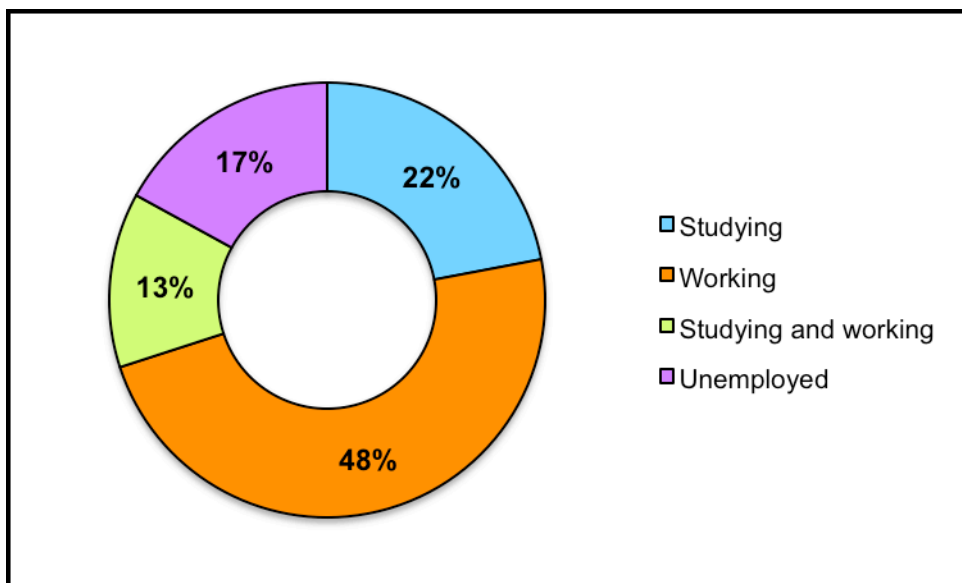
Yes

No

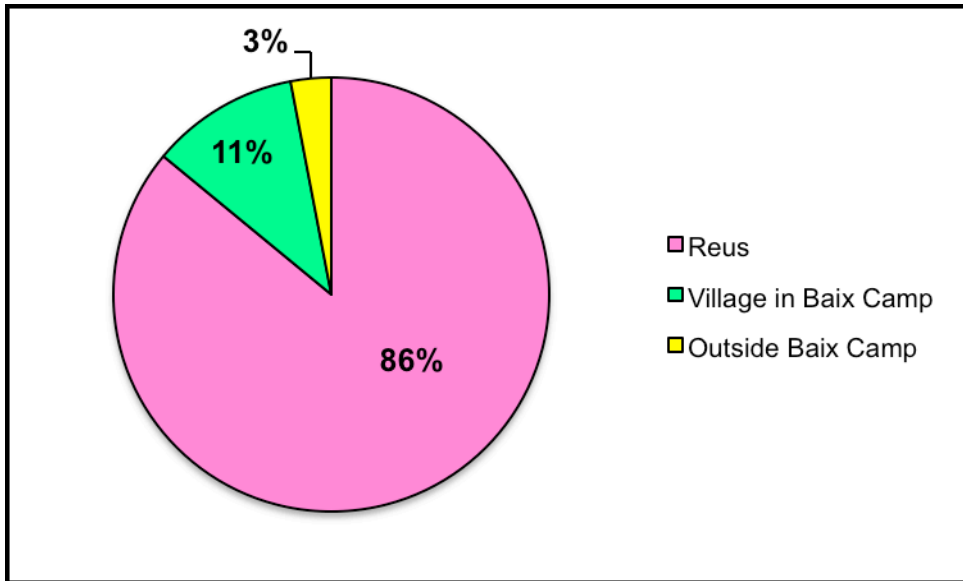
Question – 1: What is your age group?



Question – 2: Are you currently:



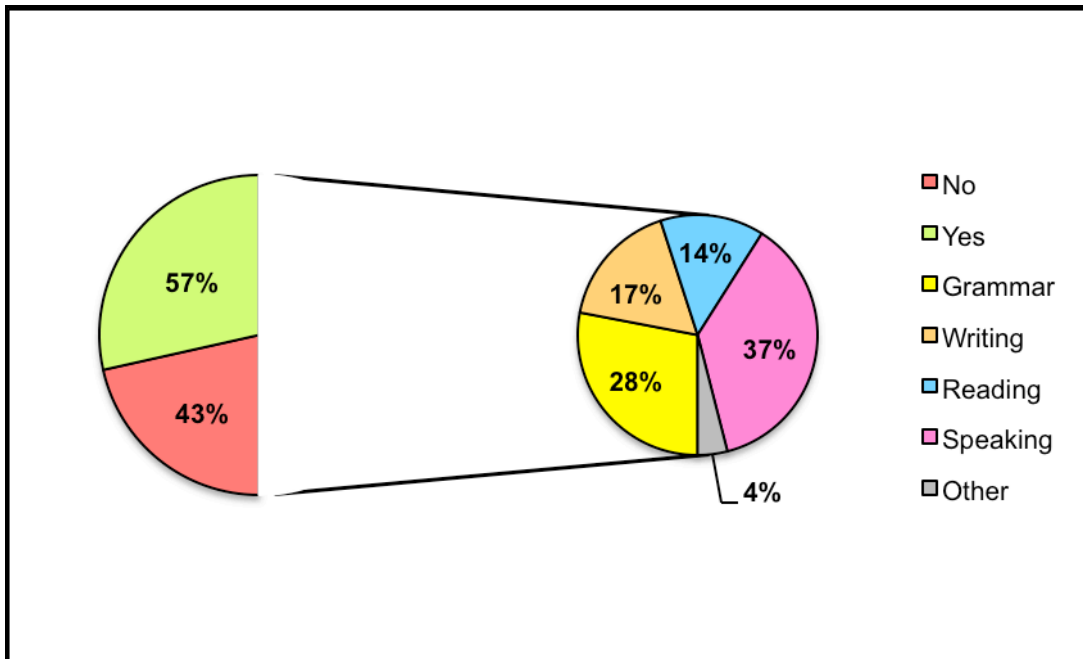
Question – 3: Where do you live?



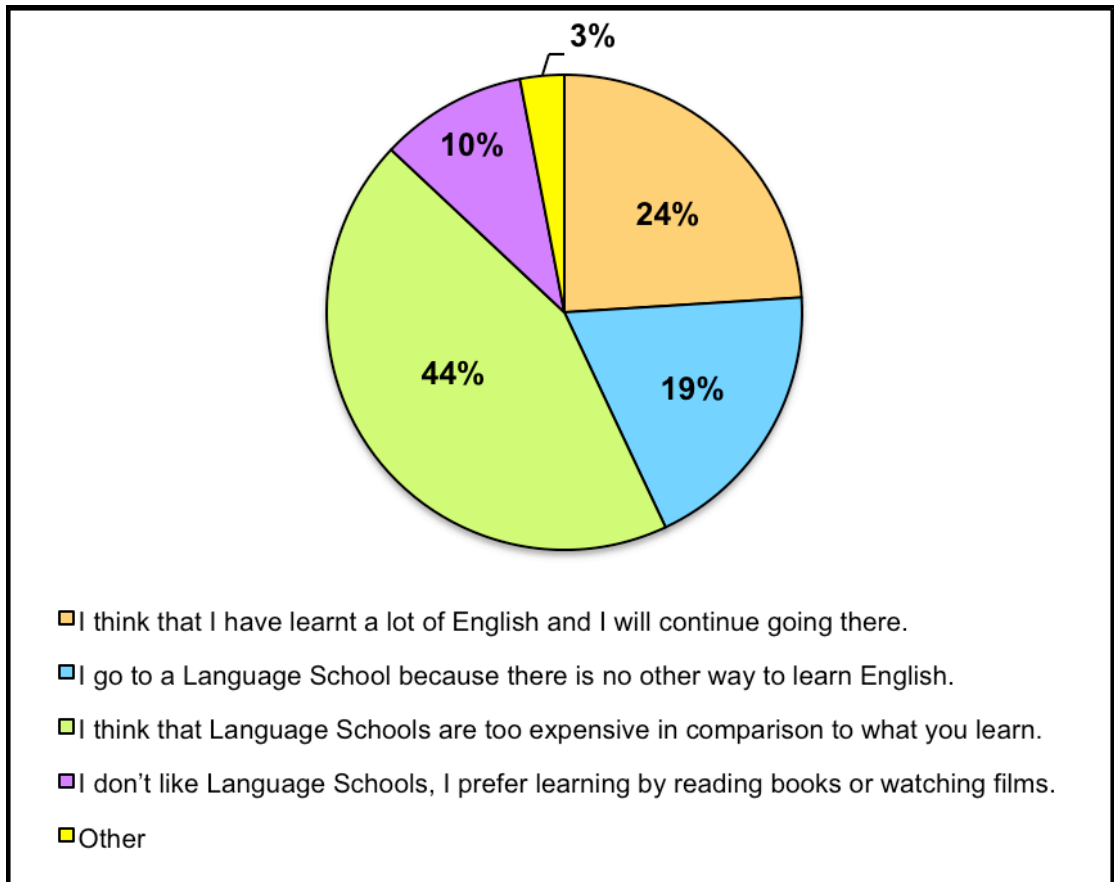
Question – 4: Are you studying English or have you studied it in the past?

(Left-hand graph).

Question – 5: Which of the following areas do you consider the most important for learning English? *(Right-hand graph).*

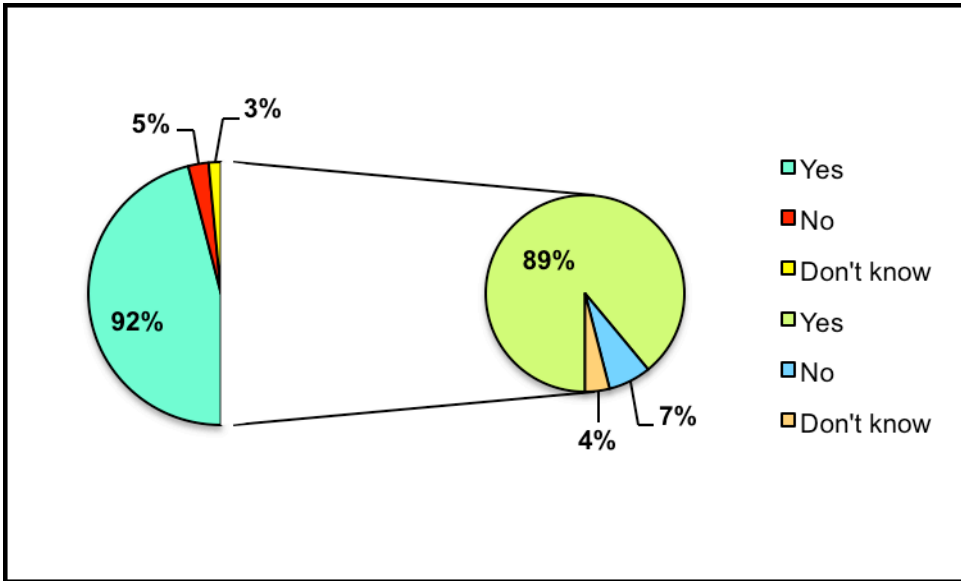


Question – 6: Please choose the statement that best fits your opinion of Language Schools.

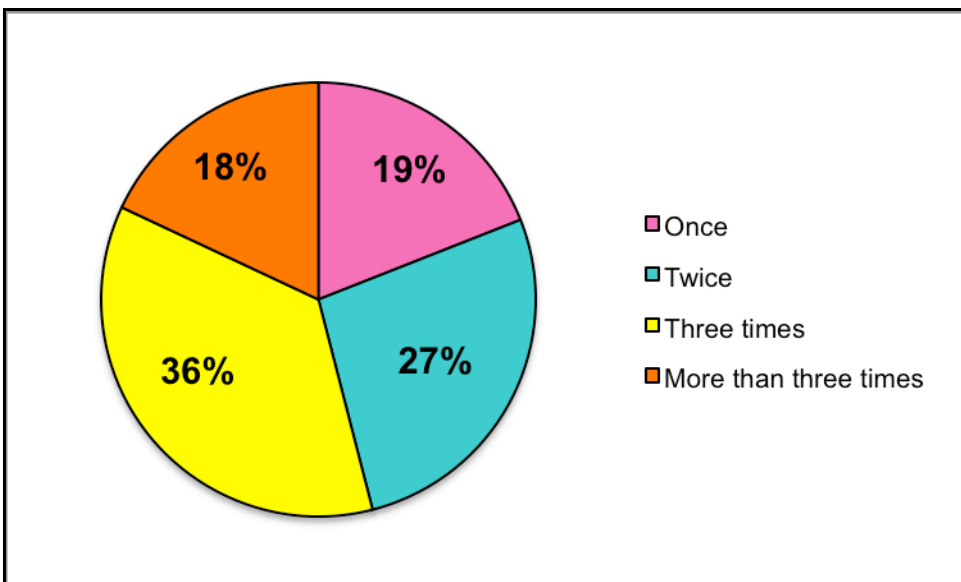


Question – 7: Would you consider going to a coffee shop which offers English Speaking practice, with native teachers, for €25 a year? (*Left-hand graph*).

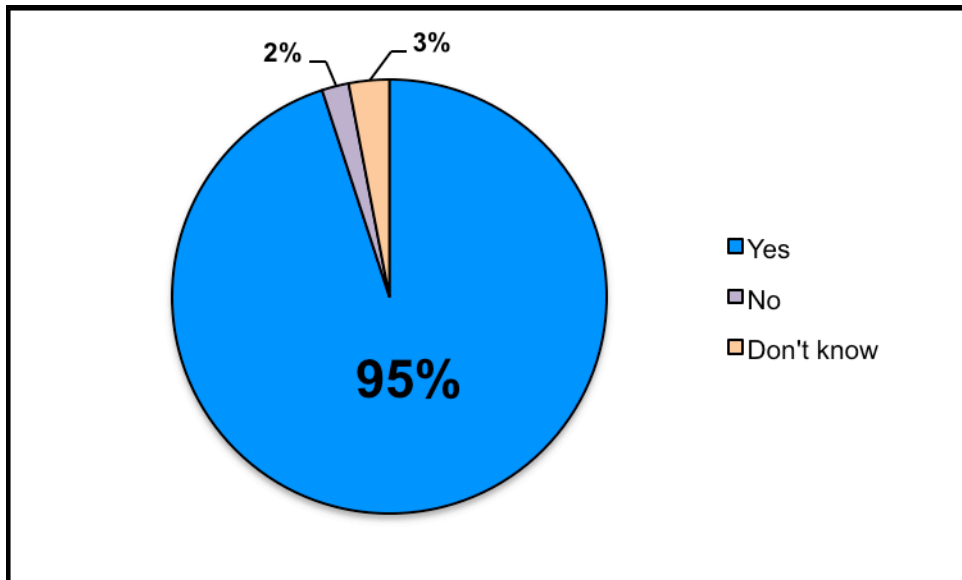
Question – 8: If so, would you be willing to pay a little extra for good quality, organic products to complement the lessons? (*Right-hand graph*).



Question – 9: How often would you come on a weekly basis, Monday to Saturday?



Question – 10: Do you think this kind of business is an innovative way to learn English, outside the traditional language-school system?



Annex III



- A new way to practise and perfect your spoken English.
- An affordable way to attend conversation lessons taught by native teachers.
- Forget about monthly fees, or paying for textbooks.
- A cost-effective way to share and enjoy your free time in Reus.
- Come and have a good time with us!

Raval Santa Anna 12, Reus

Annex IV



