



THE BREAK
BUSINESS PLAN

A BIS CREATIVE CAPSTONE PROJECT

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Breaking Waves

As an ocean wave moves into increasingly shallow water, the bottom of the wave decreases speed. There comes a point where the top of the wave overtakes it and starts to spill forward and the wave starts to break. “The Break” coffee bar/bistro plans to do just that and overtake and spill forward to the masses.

Coffee is not a novelty and it is certainly not a fad. Having been a staple for many Americans, the one thing that is certain is that people love their coffee. People also love to enjoy an atmosphere that lets them feel at ease yet excited to be where they have decided to be.

The idea of opening a coffee bar/bistro brings about the ideal of community and a gathering of people. It’s a place for students and businessmen alike to become repeat customers and spend good amount of their time. This scenario in essence, builds that community of individuals who would rather choose to enjoy their locally grown Maui coffee, with others who are doing the same thing, here at “The Break” coffee bar/bistro.

In addition, the opportunity to purchase coffee that best serves The Break customers and those who actually grow and produce the coffee is of high social amicableness. An option The Break would exercise is to purchase fair trade coffee. This is a certification that means the coffee was purchased from a smaller farming operation, giving the farmers a fair wage and a chance to compete on a global scale. Another option is to purchase organic coffee that better serves the environment.

The Break coffee bar/bistro believes in quality, community, passion and integrity. This will be seen through offering the best tasting locally grown cup of coffee/espresso drinks, while supporting local community groups and programs, and presenting a refreshingly spirited environment focused around building highly personable experiences compared to that of the stale cup of corporate coffee.

Executive Summary

The Break coffee bar/bistro will be the place Maui residents, local artists, and visitors alike, will daydream of as they try to escape the daily stresses of regular island life or a place to relax and unwind after a long day in the sun, sand, and surf and enjoy their favorite coffee drink while visiting Maui. Overall, it will be a comfortable place to meet friends, read a book, or conceptualize your new artwork masterpiece all in one.

With the ever increasing demand for high-quality gourmet coffee and great service, The Break will capitalize on its proximity to large local business complexes and nearby world-renowned beaches to help build a core group of repeat customers. The Break will offer its customers the best prepared coffee on the island and will be complimented with pastries and other such edibles, as well as free books and magazines to read, along with artwork from local artists to gaze upon as well as purchase. The Break is determined to become a daily necessity for the island's local coffee addicts.

1.1 Objectives

The Break's objectives for the first year of operations are:

- Become selected as the "Best New Coffee Bar in the area" by the local restaurant guide and Pride of Maui publication.
- Be profitable outside of regular monthly expenses within the first few months of operation.
- Maintain a 50% gross margin.

1.2 Keys to Success

The keys to success will be:

- Store design that will be both visually attractive to customers, and designed for fast and efficient operations.
- Marketing strategies aimed to build a solid base of loyal customers, as well as maximizing the sales of high margin products, such as espresso drinks.
- Employee education implemented to insure the best coffee preparation techniques are used while providing impeccable customer service.

1.3 The Mission

The Break will make its best effort to create a unique place where customers can socialize with each other in a comfortable and relaxing atmosphere while enjoying the best-brewed coffee or espresso and pastries on the island. We will be in the business of helping our customers to relieve their daily stresses by providing piece of mind through great ambience, convenient location, extraordinary customer service, and products of consistently high quality. The Break will invest its profits back into the company to increase the employee satisfaction while providing stable return to its “Board” members.

Company Summary

The Break, as a Hawaii limited liability company, sells coffee, other beverages and snacks in its 1500 square feet premium coffee bar located centrally in Kihei. The Break’s major investors are Jesse and Jennifer Millgate. The start-up expense of the company is assumed in the amount of \$242,650. The total start-up loss is assumed in the amount of \$47,050.

2.1 Company Ownership

The Break will be registered as a Limited Liability Corporation in the state of Hawaii. Jesse Millgate and Jennifer Millgate will own 66.7% of the company. Lilly Jenesse, Moki Josephine, along with Hawaii USA Federal Credit Union will all hold minority stakes in The Break, LLC.

2.2 Start-up Summary (Based off Hawaii Business averages/research)

The start-up expenses of \$47,050 include:

- Marketing promotion expenses for the grand opening of The Break in the amount of \$5,000 and as well as flyer printing (2,000 flyers at \$0.05 per copy) for the total amount of \$6,000.
- Consultant fees of \$3,500
- Legal expenses for obtaining licenses and permits and accounting services totaling \$5,300.
- Premises remodeling (inside and outside) in the amount of \$20,000.
- Insurance (general liability, workers' compensation and property casualty) coverage at a total premium of \$5,400.
- Pre-paid rent expenses for one month at \$2.48 per square feet in the total amount of \$3,720.
- Other start-up expenses including stationery (\$530) and phone and utility deposits (\$2,600)

The required start-up assets of \$195,600 include:

- Operating capital in the total amount of \$120,750, which includes employees and owner's salaries of \$25,750 for the first 3 months and cash reserves for the first three months of operation (approximately \$14,500 per month).
- Start-up inventory of \$14,300, which includes: Coffee beans (10 regular brands and 3 decaffeinated brands) - \$6,000 / Coffee filters, baked goods, salads, sandwiches, tea, beverages, etc. - \$8,000 / Retail supplies (napkins, coffee bags, cleaning, etc.) - \$2,000 / Office supplies - \$300

Equipment for the total amount of \$60,550:

Espresso machine - \$6,900

Coffee maker - \$1,100

Coffee grinder - \$200

Counter area equipment (counter top, sink, ice machine, etc.) - \$9,500

Food service equipment (microwave, toasters, dishwasher, refrigerator, blender, etc.) - \$18,000

Serving area equipment (plates, glasses, flatware) - \$3,000

Storage hardware (bins, utensil rack, shelves, food case) - \$4,000

Store equipment (cash register, security, ventilation, signage) - \$13,750

Office equipment (PC, fax/printer, phone, furniture, file cabinets) - \$3,600

Other miscellaneous expenses - \$500

Funding for The Break comes from: Jesse and Jennifer Millgate, Lilly Jenesse, Moki Josephine, and credit union loans. The two majority owners, Jesse and Jennifer Millgate have contributed \$161,847.55 respectively. All other investors have contributed \$60,662.50, which brings the total investments to \$222,510.05. The remaining \$20,139.95 needed to cover the start-up expenses and assets will be secured through a five-year loan from Hawaii USA Federal Credit Union.

The following chart and tables summarize the start-up costs:



START-UP REQUIREMENTS	
Start-up Expenses	
Legal	\$5,300
Promotion	\$6,000
Consultants	\$3,500
Insurance	\$5,400
Rent	\$3,720
Remodeling	\$20,000
Other	\$3,130
TOTAL START-UP EXPENSES	\$47,050
Start-up Assets	
Cash Required	\$120,750
Start-up Inventory	\$14,300
Other Current Assets	\$0
Long-term Assets	\$60,550
TOTAL ASSETS	\$195,600
Total Requirements	\$242,650

START-UP FUNDING	
Start-up Expenses to Fund	\$47,050
Start-up Assets to Fund	\$195,600
TOTAL FUNDING REQUIRED	\$242,650
Assets	
Non-Cash Assets from Start-up	\$74,850
Cash requirements from Start-up	\$120,750
Additional cash Raised	\$0
Cash Balance on Starting Date	\$120,750
TOTAL ASSETS	\$195,600

Liabilities and Capital	
Liabilities	
Long-term Liabilities	\$20,139.95
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (Interest-free)	\$0
TOTAL LIABILITIES	\$20,139.95
Capital	
Planned Investment	
Jesse Millgate	\$80,923.78
Jennifer Millgate	\$80,923.77
All other investors	\$60,662.50
Additional Investment Requirement	\$0
TOTAL PLANNED INVESTMENT	\$222,510.05
Loss at Start-up	(\$47,050)
TOTAL CAPITAL	\$175,460.05
TOTAL CAPITAL AND LIABILITIES	\$195,600
Total Funding	\$242,650

2.3 Company Location and Facilities

The company plan is to secure a one-year lease on a 1,500 square foot location previously occupied by a recreational equipment rental company. The lease contract has an option of renewal for three years at a fixed rate that The Break will execute depending on the financial strength of its business.

This property is located at 1913 S. Kihei Dr. in Kihei - Maui, Hi. This location is a commercial area within walking distance from the beach and on the corner of a major thoroughfare connecting an affluent neighborhood with the busy downtown commercial area. The commercially zoned premises will have the necessary water and electricity hookups and will require only minor remodeling to accommodate the floor plan.



The floor plan will include a 100 square foot back office and a 1400 square foot coffee bar, which will include a seating area with 15 tables, a kitchen, storage area and two bathrooms. The space in the coffee bar will be approximately distributed the following way: 800 square feet for the seating area, along with a 250 square foot separate room that will be coined “ The Board Room.” This room will be complemented with artistically designed surfboards along with local artwork where such local artistic minds will be able to hold meetings and conceptualize their next masterpieces as well as display their work. The remaining 450 square feet will be allocated with 250 square feet for the production area, and the 200 square feet for the men and women’s bathrooms.

An additional outdoor 500 square foot Lanai off the back of the coffee bar will allow for further enjoyment and relaxation and will be furnished with outdoor patio furniture including 5 additional tables. The Lanai will be surrounded with mature native Hawaiian foliage with a partial view of the Pacific Ocean.

The coffee bar's open and clean interior design with modern reclaimed wooden decor will express the quality of the served drinks and fresh island edibles, and will be in-line with The Break’s positioning as an unique and comfortable place where all walks of life can relax and enjoy their cup of coffee. The front facing windows will make it to where people passing by will be able to see customers enjoying their beverages, and some of the artwork that will be displayed. Additionally, the exterior signage and décor will be aimed towards bringing in more customers.

Products

The Break will offer its customers the best tasting coffee beverages in Kihei and quite possibly on the whole island. This will be achieved by utilizing locally/regionally grown gourmet Arabica coffee beans, high-quality ingredients and strictly following preparation guidelines. The store layout, menu listings and marketing activities will be focused on maximizing the sales of higher margin espresso drinks. Along with the espresso drinks, brewed coffee and teas, as well as other refreshing beverages, will be sold in the coffee bar. The Break will also offer its clients pastries, small salads and sandwiches. For the gourmet clientele that prefers to prepare coffee at home, The Break will also be selling top-shelf roasted coffee beans. Free books and magazines along with local artists pieces that customers can enjoy and purchase inside the coffee bar will complement The Break’s goods.

3.1 Product Description

The Break coffee bar/bistro menu will be built around espresso-based hot and cold coffee drinks such as lattes, cappuccinos, frappes, etc. Each of the espresso-based drinks will be offered with whole, skim, or soy milk. Each of these coffee beverages is based on a 'shot' of espresso, which is prepared in the espresso machine by forcing heated water through ground coffee/espresso at high pressure. These espresso shots are then combined with steamed milk and/or other additives like cocoa, caramel, cinnamon, etc., to prepare the espresso-based beverages. Proper preparation techniques are of paramount importance for these drinks. A minor deviation from the amount of coffee in the shot, the size of the coffee particles, the temperature of milk, etc., can negatively affect the quality of the prepared drink.

3.2 Sales Literature

In order to reach out to the local clientele, The Break will distribute two thousand flyers in surrounding neighborhoods, at nearby businesses, beach-parking areas, and local farmers markets within two weeks prior to the opening of The Break. The break also intends to mail its menu of drinks and foods to local businesses and to our segmented market audience that is seen in the market segmentation below. Afterwards, free postcards with The Break endorsement will be printed and available in the coffee bar to increase the company visibility among the patrons.

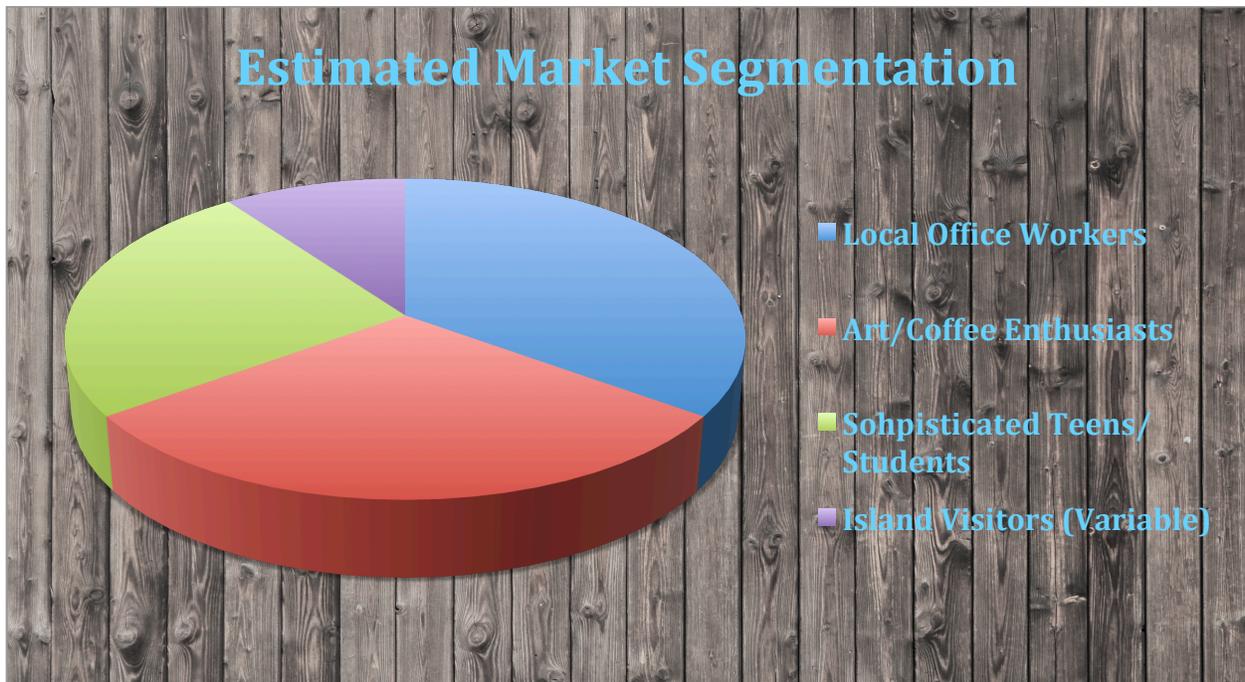
Market Analysis Summary

U.S. coffee consumption has shown steady growth, with gourmet coffee having the strongest growth. Coffee drinkers in the Pacific region are among the most demanding ones. They favor well-brewed gourmet coffee drinks and demand great service. Maui with its liberal and outgoing population and amazing locally grown coffee beans has been a great place for coffee establishments. The Break will strive to build a loyal customer base by offering a great tasting coffee in a relaxing environment of its coffee bar located centrally in Kihei just a block from the beach.

4.1 Market Segmentation

By investigating consumers' values, attitudes, and lifestyles, or VALS research, The Break has identified those that are most likely to contribute to its success. These key consumers for The Break will be predominantly the "Experiencers," who are those who see themselves as very social and believe friends are very important. They are spontaneous and have a heightened sense of visual stimulation and are the innovators and early adopters of the hottest trends. Therefore, The Break will focus its marketing activities on reaching these "Experiencers" and will reach out to office workers located nearby the coffee bar, local art and coffee enthusiasts within Maui art associations, sophisticated teenagers/students, and

Market, research shows that %83 of Maui’s population drinks coffee. This calculates out to approximately 112,000 residents on Maui who drink coffee and the above mentioned individuals are the consumer groups that are most likely to buy gourmet coffee products in the area. The goal is to acquire approximately 1/3 of the coffee bar market on the island of Maui within the first four years. The chart and table below outline the total market potential (in number of customers) of gourmet coffee drinkers in Maui, HI



MARKET ANALYSIS		YEAR 1	YEAR 2	YEAR 3	YEAR 4
Potential Customers	Growth				
Local Office Workers	2%	17,000	17,340	17,687	18,041
Art/Coffee Enthusiasts	2%	8,000	8,160	8,323	8,490
Sophisticated Teens/Students	1%	5,000	5,050	5,101	5,152
Island Visitors	1%	4,000	4,040	4,080	4,121
Total	1.5%	34,000	34,510	35,028	35,553

4.2 Target Market Segment Strategy

The Break will cater to people who want to get their daily cup of great-tasting coffee in a relaxing atmosphere. The Break's customers will vary in age, although due to our location, our market research shows that these segments are selective customers that gravitate towards better tasting coffee. Furthermore, a lot of office workers and teenagers/students consider coffee bars to be a convenient meeting location, where they can read or meet with peers without the necessity to pay cover charges. For us, this will provide a unique possibility for building a loyal client base and overall increasing The Break's exposure.

4.2.1 Market Needs

The general trend toward the desire for quality coffee among U.S. consumers definitely plays an important role in the recent growth in gourmet coffee production and consumption. Additionally, factors such as the craving for something different than the generic cup of coffee and the desire for something unique and gratifying provide a good selling opportunity for coffee bars.

4.3 Industry Analysis

The coffeehouse industry throughout the United States was forecasted to generate more than 31 billion U.S. dollars in revenue in 2015. On average, consumers pay \$3.25 for a cup of coffee, which is a noticeable increase from \$3.00 in 2014 and then \$2.85 in 2013. During the past five years, the Coffee Production industry fared well, showing strong revenue growth due to increases in prices. Moreover, in the next five years, the industry will benefit from the consumer demand for premium-coffee products. As the world price of coffee is expected to grow, so will the benefit for coffee producers, as input commodity pricing will not be as aggressive compared to previous periods. As a result, coffee producers will be able to efficiently reflect input commodity pricing in their coffee prices, which will benefit industry revenue. Overall the industry is expected to remain steady over the next few years as long as its discerning consumers favor well-prepared, strong coffee-based beverages, which they can consume in a relaxing environment.

4.3.1 Competition and Buying Patterns

The Break's direct competitors will be other coffee bars located near the center of Kiehe. These include Maui Coffee Roasters, Memphis Bell Coffee House, Lava Java Coffee Roasters, Starbucks and other Food service establishments that offer coffee. Starbucks will definitely be one of the major competitors because of its strong financial position and established marketing and operational practices. However, despite Starbucks' embedded market position, many customers favor smaller, independent establishments that offer cozy atmosphere and good coffee at affordable prices. Memphis Belle Coffee House is an example of such competition.

The Break will position itself as the locally unique coffee bar that not only offers the best tasting coffee and pastries, but also provides a cozy and comfortable atmosphere, which established corporate coffee houses lack. We will cater to customers' bodies and minds, which will help grow our market share in this condensed and competitive market. The major reasons for customers to return to a specific coffee bar are great tasting coffee, quick service and pleasant atmosphere. Although coffee consumption is uniform across different income segments, The Break will price its product offerings competitively. We strongly believe that offering coffee beverages with extraordinary service in an incredible setting will build a strong base of loyal clientele.

Marketing Strategy and Implementation Summary

The Break's marketing strategy will be focused at getting new customers, retaining the existing customers, getting customers to spend more and come back more often. Establishing a loyal customer base is of the highest importance since such a customer core will not only be generating most of the sales, but also will provide favorable referrals.

In order to put the spotlight on The Break and keep itself in the public's mind, a strong social media and content marketing campaign will be executed throughout Facebook, Instagram, and Twitter daily. To get the best exposure possible on each platform, our accounts in each will be optimized by utilizing a combination of coffee specific verbiage, photographs, links to the company website, etc., along with making sure our accounts match the company's website and brand name. To be more aggressive, The Break will also add Google's Markup Code onto its website, which will improve the public's view of the platforms The Break is involved in which will also aid in ramping its exposure.

The Break will also take action to become a part of the social media community. The community of comments and likes around Facebook, Instagram, and Twitter content is hugely important. By scheduling time to like and comment on posts, seek out key influencers, and check for any brand mentions will be a part of efficiently generating publicity. To add to this, The Break will include a call to action with the majority of all posts or entries to each platform engaging the public to share our posts and or share their pictures with a related hash-tag to The Break.

Not only will The Break be involved in the social media community, it will also position itself to be widely known among the physical community by partnering with the local chamber of commerce and being actively engaged to help further the interests of The Break as a business as well as other local businesses.

In effort to build up its client base, The Break will use banners, fliers, and utilize customer referrals and cross-promotions with other businesses and local coffee growers on the island. The break will also hold monthly “Open Mic” nights and “Art Showings.”

In positioning itself among the local communities, The Break will strive to be known as a place to come see and hear local musical talents while enjoying a refreshing coffee beverage. In order to reach out to the local “Breakers,” The Break will team up with Maui’s island music radio station, Native92.5, to help promote “Open Mic” nights along with upcoming “Art Showings” that The Break will help sponsor alongside local art associations.

As a business that appreciates the ideals of artistic expression and what it adds to our world, The Break will be committed to joining with local art associations to help inspire creative minds to become active in the Maui art culture and add valuable impressions and artwork to help illuminate the interior of The Break and top art galleries in Maui. All the while, with high aspirations to attract Maui art enthusiasts to surf their way on into The Break.

5.1 Competitive Break

The Break will position itself as unique coffee bar where its patrons can not only enjoy a cup of perfectly brewed coffee but also spend their time in an enjoyable environment. Comfortable sofas and chairs, dimmed natural light, live music, and incredible artwork, will help the customers to relax from the daily stresses of island life and will differentiate The Break from present competitors.

5.2 Sales Strategy

First and foremost, The Break will cater to its defined target markets as stated earlier and will execute promotions geared around each market segment with goals for each promotion clearly established based on market segment size and activity.

Following each promotion or event, an evaluation will be held to measure how it went, what worked, what didn’t work, and if the sales goal was met.

Local businesses are another strong form of pulling in revenue for The Break as well. These businesses foster hives of employees, many of which like to drink coffee or espresso drinks and enjoy an alternative choice for breakfast and lunch. In light of this, The Break will frequent local offices with menus and samples of drinks offering 10% discount cards for employees from that business to come and take a “Break.”

Amongst these 10% discount cards, The Break will create priority coupons called the “Double Break” that will be available and redeemable to those who attend open mic nights and art events at The Break. “Double Break” coupons will also be mailed and emailed out to those who sign up for our mailing list and email list located inside the coffee bar/bistro or on The Break’s website.

With The Break’s effort to drive artistic expression and be active in the Maui art scene, The Break will have a program called “The Artists Break.” This is an opportunity for local artists to show off their work and have the chance to be showcased on The Break’s “Boardroom” walls for review and purchase from locals and art patrons from all over the world. Any individual that becomes involved with this program and is selected to be showcased on The Break’s “Boardroom” walls will receive their favorite drink on The Break’s dime, each day for the month that this artist is showcased. For all that participate with “The Artists Break,” each individual will be able to sell their artwork at The Break with The Break retaining 15% of the profit.

On a day-to-day basis in the coffee bar, The Break baristas will handle each sales transaction with the spirit of aloha. This spirit of aloha is what will be injected into the company culture and is expected that all employees follow and radiate. Aloha is a Hawaiian symbol that has a meaning of love and affection. Its meaning goes beyond any definition you can find about it in the dictionaries. In Hawaii, you hear aloha all the time and you are treated with aloha everywhere especially including the experience one will have at The Break. Aloha, in The Break’s terms will be going above and beyond and showing love and appreciation for each client. This includes offering other items that the client may or may not be aware of. This is not only to take care of each client, but to also upsell and bring in the most revenue possible in each sale. This spirit of aloha will be a paramount part of each employee’s education that will empower and foster suggestive sellers.

The P.O.S or point-of-sale system will also help track employee’s performance in each shift by recording what was sold along with any upgraded or added items. All sales data logged on the computerized point-of-sale terminal will be later analyzed for marketing purposes and employee reviews. Competitions will be held between employees throughout each month to see who can sell the most of certain items and have the most suggestive items sold. The employee who performs the best will have different incentives awarded to them based on items sold and competition held.

To help with upselling, easy to grab and go product offerings will be available to see and touch at the POS including chocolate covered espresso beans, fresh fruit, biscotti, magnets, coffee mugs, tea strainers, surfboard wax, sunscreen, and other novelty and impulse items. However, only a limited amount of these styles of products will be available at the coffee bar/bistro as The Break is not a positioning itself as a convenience store.

Each employee will also be trained on knowing and understanding the artwork that will be displayed throughout the coffee bar/bistro. It will be an added incentive for an employee to upsell a piece of art to a client. The Break will already earn 15% of total price of the profit from each piece sold. If an employee takes the time to walk a client over to a piece of art and strike up a conversation about the art work and then upsell the client with that piece of art, then the employee will receive 5% commission out of the 15% The Break requires.

In effort to speed up service, even though island life is lived at a much slower and at a relaxed pace, the experience for the client is paramount, and The Break wants to exceed all expectations by having at least two employees servicing the clients at all times. One employee will be preparing the customer's order and the other one will be handling the sales transaction and building a warm and accepting relationship with the customer by complimenting them and talking with the clients as if they were long time friends through sharing of stories and suggesting other items that may go well with each order. In doing this, the employees will be adhering to the spirit of aloha that is expected of them and will create the opportunity for the employee building the relationship to upsell and create an extraordinary experience for the client and transform the client into one of our loyal customers.

In light of loyal customers, The Break will also be extending customer retention programs such as a “Frequent Breaker Program,” which will assist in not only rewarding customers for their patronage, but to also encourage the customers to come back and spend more at the coffee bar.

The Break Management Summary

The Break will be majority-owned by Jesse and Jennifer Millgate. Jesse holds a Bachelor of Integrated Studies Degree from Weber State University where his three areas of emphasis are: communications, professional sales and arts. He's worked for several years in the outdoor action sports industry as a district and regional manager where he had successfully increased sales while maintaining a lower than average level of operating expenses.

A professional manager (\$35,000/yr) will be hired who will oversee all the coffee bar operations. Two full-time baristas (\$25,000/yr each) will be in charge of coffee preparation. Four more part-time employees will be hired to fulfill the staffing needs. In the second and third year of operation one more part-time employee will be hired to handle the increased sales volume.

6.1 The Break Management Team

A full-time manager will be hired to oversee the daily operations at The Break. The candidate has had five years of managerial experience in the Maui region. This person's responsibilities will include managing the staff, ordering inventory, dealing with suppliers, assistance with developing an ever-evolving marketing strategy, and perform other daily managerial duties as needed. We believe that our candidate has the right experience and following for this role and will help grow The Break's clientele base. A profit-sharing arrangement for the manager may be considered based on the results of the first year of business at The Break coffee bar/bistro.