Coffee House Creation

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To live in America is to believe in freedom, opportunity, and the American dream. The American dream can be described as "the idea that every US citizen should have an equal opportunity to achieve success and prosperity through hard work, determination, and initiative." (Dictionary 2017) When discussing the American dream, the first thing that comes to most people's mind is small businesses. A small business is an independently owned and operated company that is limited in size and in revenue depending on the industry. However, a better definition is a company that is started by someone who is trying to achieve a dream. This small business can serve the community and not always have the goal of becoming huge and making a profit. Small business owners will be the first to tell you, they care more about the people and product they are serving, than the money they are earning.

Small Business in America

To see how popular, the idea of a small business is "a 2012 poll conducted on behalf of the Public Affairs Council" showed, "88 percent of Americans view small business favorably." (Shane 2013) That is the highest rated business model in all of America. This popularity comes from many different reasons. Small businesses have been a staple of the United States of America since the first settlers arrived in the early 17th Century. When the settlers first arrived, they had to survive the unknown of their new land and make a way for themselves. Many of them became small farmers and hunters that sold fur, which is where we see our first traces of the small business in America. After many years of these simpler types of small business, the 19th century America began to develop more complex forms of small business. The 19th century

was known for other specialty businesses being started such as small merchants, independent craftsmen, and self-reliant professionals. The citizens started to, “embodied many of the ideals of the economic individualist.” (Moffatt 2017) This gave them a sense to dream more about what they could do and how they could each serve a certain type of unique product for the people of their communities. As technology rapidly begin to grow with the start of the 20th century, the small business dream began to decline due to bigger industries taking over. These big companies needed thousands to work for them, and offered better pay, better benefits, and a better opportunity for a lot of people. Small businesses started having trouble raising the funds that were needed in order to compete with these larger companies and became more of a risk to open. One thing is sure though, the country has never completely lost their small business values. These values such as the creativity, passion, and the fulfillment of dreams are values almost everyone can get behind. In present day, small businesses are being more supported by the government and communities than ever before. Today, “68 percent of us would rather pay more to do business with a small business than a big one.” (Shane 2013) This pertains to the values and community involvement you feel associated tom when you do business with a small business. Although big business and money reign today, there is always a special place in the hearts of Americans and this will always represent the American dream.

My Experience

I am currently a senior in the College of Business at Iowa Sate studying accounting. As part of the curriculum of the College of Business, every student is required to take an entry level class in every different major in Iowa State’s College of Business. The majors offered are: Accounting, Finance, Management, Marketing, Management Information Systems, and Supply Chain Management. All of these give students a diverse perspective on the different aspects of

business. I also have been fortunate to have two different internships in accounting. Both of these experiences have been very unique. The first was at West Liberty Foods, which is a turkey processing plant that gave me a look into the food processing industry. The second was at BKD LLP, a public accounting firm. During my time with BKD, I got to audit many different types of companies, including one that was a small business. For my honors product, I wanted to take the knowledge learned from the introduction classes at Iowa State's College of Business and my internships and create a business plan to create a coffee house. The overall goal of this paper is to see if what I have learned in all my introductory major classes at the College of Business could help me build a small business. During my time at Iowa State I have spent many hours in coffee shops and have fell in love with coffee and the coffee house atmosphere. That is why using my love for coffee shops, and the knowledge learned from the College of Business sets me up for success when creating this business plan.

History of Coffee

Coffee by definition is, "a beverage consisting of a decoction or infusion of the roasted ground or crushed seeds (coffee beans) of the two-seeded fruit (coffee berry) of certain coffee trees. (Dictionary 2017) Coffee in more broad terms embodies so much more than a drink. The history of coffee starts in the early 1000s in Ethiopia. The coffee plant was discovered and at first was used by having it "boiled in water and the resulting concoction was thought to have medicinal properties." (Turkish Coffee World 2017) When we jump forward around 500 years we find ourselves in 1555 "during the reign of Sultan Suleiman the Magnificent by Özdemir Pasha, the Ottoman Governor of Yemen, who had grown to love the drink while stationed in that country." (Turkish Coffee World 2017) A new way to use coffee plants was discovered by roasting the beans over a fire and cooked in water. This new way of using the coffee plant spread

all over the world. It reached Europe in the 1600s and became “spread from the palace to grand mansions, and from grand mansions to the homes of the public.” This resulted in the first coffee shop being opened in Italy in 1645. In this century, the popularity spread about this mystery dark drink throughout most of Europe. Still, tea remained the most popular drink of the world until around 1773. At that time in present day America, “the colonists revolted against a heavy tax on tea imposed by King George III.” (The History of Coffee 2017) After that coffee shops around the world started popping up and eventually became known as the drink of the western culture future. Over the next hundreds of years, coffee continued to develop and become more and more popular.

This brings us to present day time. Coffee again is on rise and this time with the millennial generation. The millennial generation is constantly defined in different ways. One of the most popular outlooks on the millennial generation is that they are extremely individualistic. This is a” social theory favoring freedom of action for individuals over collective or state control.” (Oxford Dictionary 2017) In other words, they value pleasing themselves by doing what is best for them at the time they want it. When it comes to spending money, they are found to be spending more money on themselves than saving it. This leads them to be splurging more and more on unique products such as coffee. Coffee is something that might not have been something other generations would want to spend a lot of money on. Studies have been showing that “a staggering 44 percent of female Millennial aged 18-35 spent more on their morning fix than they did putting money aside this year.” (Lindsey 2017) When you add in the males in that age group the study “evens out to about 41 percent of all users surveyed." (Lindsey 2017) This is why I mentioned before that coffee is much more than a drink, and for this generation it gives them a thing to bond over. Coffee shops are all over universities and big cities. These shops offer

a nice relaxing place to study, read, and sip on a delicious coffee. We have at least 5 coffee shops in Ames, where Iowa State University is located, which is a town of approximately 50,000. These five coffee shops have all been around during my time at Iowa State and from my experience seem to be all have a successful business and loyal customers. This may seem like enough coffee shops, but overall the United States is way behind European counties in the number of coffee shops. Another statistic about the consumption of coffee is that "Daily consumption among 18- to 24-years-olds rose to 48 percent from 34 percent, while it climbed to 60 percent from 51 percent among those aged 25 to 39, according to the National Coffee Association in New York." (Heath 2016) These statistics and history of coffee and small business only make me more excited to get into this industry right now.

Management

The first step in creating a small business is deciding how to manage and start that small business. The major is defined on Iowa State's College of Business website as "creating and maintaining a competitive advantage that produces winning customers, motivating employees, and managing organizations in new and unique ways. Effective management of human potential and creativity is the foundation of a successful business strategy." (Iowa State 2017)

Basic Steps

When learning about small or large businesses during my time at Iowa State I have learned they all need a vision, a mission statement, and goals. These fall under the management portion because all of these are designed by the owner before the company even begins. These three articles make up the unique blueprint that gives each company their own identity. For my new coffee house to get started, it seems fitting to address all of these. A vision statement "describes the organization as it would appear in a future successful state." (Society for Human Resource

Management 2017) Another way to look at a vision is where do I want to see my coffee house in five, ten, or 25 years from now. The four core values that will represent the foundation of my coffee house are listening, community, dedication, and enjoyment. These are the core values our vision will be built upon. Listening is the key to learning and without it a business can never begin to grow. Listening can be in different areas, anywhere from an employee to management level or a customer to business. Community is the need to create a home away from home in our coffee house. This also pertains to the aspect of giving back to the community we are apart of. Dedication is becoming an expert at our craft of brewing delicious coffee. Enjoyment is the ability to love and be happy with what we are doing while we are working. Using these four values the vision of my coffee house is that we are a community first driven atmosphere, dedicated to our craft and deliverance of products, that is enjoyable to be around and feels like a second home.

The next step in the development of our business would be to share our mission statement. "A mission statement defines what an organization is, why it exists, its reason for being." (Entrepreneur 2017) Mission statements should "define who your primary customers are, identify the products and services you produce, and describe the geographical location in which you operate." The mission statement of my coffee house creation is the following: A homely, warm environment that bring people and the community together by serving good coffee and snacks. As I hinted at with the vision above, the whole purpose of my coffee house is to bring people into relation with each other while serving coffee to these people. My mission statement clearly shows that our community is more important than the coffee we are serving.

Lastly another key component to a successful small business is to set attainable goals to reach each year. "Goals are used to help a business grow and achieve its objectives. They can be

used to foster teamwork and help the business describe what it wants to accomplish. Setting goals is an important part of any business plan." (Study 2017) The goals that I have set for my coffee house creation are three main ones for the first year of business. The first goal is to serve over 500 different customers. This is an important goal because it shows that we are reaching a lot of different people and getting to connect with these people, and hopefully inviting them to be a part of our coffee house family. The second goal is to host one event for the community per month. Whether this be an open mic night, a live band, or a silent auction. We feel that just bringing the community together in our coffee house is the whole purpose of our coffee house. Lastly the goal is to make a positive impact on each of our employees lives. The employees are the heart and soul of a business. We need to make sure we are investing into them and the way we will measure this is asking them questions once a month. The questions will be, how did the coffee house challenge you this month? How did it grow you as a person? What can the coffee house family do better at to support your growth?

Leadership Details

After designing what your business will be about, next is the need to decide how it'll be ran. When owning a small business one of the most important aspects that leads to success is knowing the culture of the company starts at the executive or management level and works its way down. If the owners and mangers of the company act with a certain attitude, then the employees and company will portray the same attitude while working with customers and interacting with each other. This truth was taught repeatedly in the introduction to management class at Iowa State University. The culture that the coffee house creation is striving for, is a mirror of the mission statement our coffee house holds. The family environment we want our customers to feel is the same that we want our employees to feel, which is why them growing as

people is part of the coffee houses goals. The employees we want to hire should have a passion for coffee and be ready to be a part of a community of friends at work. We want our culture to be a family that loves serving our product to the community, but also loves being a family.

Leadership

"The leader's job is to create a vision." (Robert L. Swiggett 1984) The leader is one who influences others to attain goals without having to use extreme force. The leaders in our coffee house creation will be myself as the owner and the manager that we hire. There are many different leadership styles that the company owners and managers can choose from. In my management classes at Iowa State University I learned about three different leadership styles people bring into the work place. The three styles are autocratic, democratic, and laissez faire leadership. The leadership that the owner will have is autocratic leadership. This form of leadership is where the leader makes decisions on his or her own and then announces those decisions to the group. This is important for the owner to have this style of leadership because they are responsible for the company. The owner needs to set the example of this is how we are going to do things and this is why. The company is the owner's creation and the owner needs to show that by leading this way. A more specific and more inclusive way of achieving this is choosing to be a charismatic leader. A charismatic leader is defined as someone whom is dominant, self-confident, convinced of the moral righteousness of his beliefs, and able to arouse a sense of excitement and adventure in followers. Mixing the autocratic leadership with this charismatic personality will be a key for success. The manger of the coffee house will have a democratic leadership. The democratic leadership is defined as a form of leadership in which the leader listens to input from the employees that report to them. This is important to the coffee house because our employees need to be able to express feedback to our management. The

employees are the people that are interacting day to day with customers and our products. This gives them the ability to give feedback. We need a manager that is going to lead by following the examples and directions of the owner, while also giving the employees time to express their opinions. These two management styles of the owner and manager will work well together because of the different levels of authority each position has.

Company Details

As a management staff there are a lot of details that effect our company we need to set. The first details that our company needs to set is the hours that we will be open. The hours we are going to set are Monday-Friday 6:00 AM–10:00 PM, Saturday 6:00 AM–8:00 PM, and Sunday 11:00 AM- 6:00 PM. The reason that we are going to open at 6:00 AM every day is to get the customers that have to go in to work in the morning and would rather drink a coffee from us, than the coffee they serve at work. It is equally important to stay open till 10:00 PM due to the crowds of people that enjoy doing the activities of life at our coffee house. We want to be able to cater to the young individuals that want to get their homework done or just hang out with friends for a few hours. A unique thing of the hours that we are choosing is the decision to not open till 11:00 AM on Sunday mornings. We believe that giving our customers and our employees time to rest and enjoy their Sunday mornings with their family. We also will close on 8:00PM on Saturday nights because this will allow us to hold events where we charge admission for after those hours. These events could be what we mentioned later on in our marketing strategy such as open mic nights, concert, and activities similar to this.

The next decision that we need to make is how many employees our business is going to hire. We will hire one full time manager, who will be able to come in when needed and will work just under 40 hours a week. The manager will be work most of their hours during the

middle of the morning till late afternoon time shift. The coffee house will then look to hire two to three employees that will be able to work near 40 hours a week and are looking to only work for us. These staffers will be important to keeping consistency in the work place. Having a manager and two or three employees that are around the coffee house a lot, will be beneficial to whoever else they are working with. To add to this, at the coffee house creation we believe in raising up the next baristas and will do an extensive job of searching for part time employees whom are looking for their first job or working while going to college. Overall we will try to hire around 12-15 employees that will make up our team.

Lastly, our company's management needs to set a standard of listening to constructive criticism. Pride is a very dangerous thing that can creep into businesses and people. Being prideful and not listening to feedback can be detrimental to a company's health. The owner is not always going to be right. The employees are not always going to be right. The customers will not always be right. Being able to talk about hard issues and listen to feedback makes these issues have solutions, rather than cause bitterness in the workplace. Having an owner who values the opinions of the manager, who values the opinions of the employees, who value the opinions of the customers, is key to having success in the coffee house. Without constant feedback, listening, and improvement using the feedback, the coffee house will never improve.

Marketing

The background of Marketing from the Iowa State perspective is "Marketing decisions are made in every area of a company and can include aspects such as product design, pricing, promotion, personal selling, and facilities location. A Marketing degree will prepare you for careers in product management, public relations, advertising and sales promotion, marketing research, sales, and sales management. You'll put theory into practice via case studies, computer

simulations, and field work with real companies, owners, and managers. Working with your team, you'll resolve challenges and seize opportunities. You'll compete! You'll develop your marketing skills while learning how to manage the entire marketing process – from research and market segmentation to product design, pricing, promotion, personal selling, and distribution." (Iowa State 2017) I have only taken one class at Iowa State that has a marketing focus, however I learned many different marketing strategies. The main thing the class taught was that marketing is a never ending field. What a never ending field is, is one that will never fully be known. Since marketing is trying to understand the human mind it'll never be perfected.

Porters 5 Forces

One of those was a tool that is very interesting to use to assess a specific industry market. This tool that is more under market research side of marketing that I learned and has been beneficial in my time in the business world is known as the Porters five forces analysis. "Porter's Five Forces is a model of analysis that helps to explain why different industries are able to sustain different levels of profitability." (Staff 2016) Porter lists five different variables that effect an industry at a specific time. The five forces are the following: Threat of new entrants, threat of substitutes, bargaining power of customers, bargaining power of suppliers, and degree of rivalry. We will use this model to look at the coffee shop industry in it's present state and see if it is an inviting market to become a part of.

Threat of New Entrants

The threat of new entrants is entry barriers that are obstacles that determine how easily a firm can enter an industry. The threat of new entrants to the coffee shop industry is relatively high. There are no government regulations that prohibit the start up of these and they require little capital to start with compared to other businesses. The technology needed to start a coffee

shop is also not overly pricey and can be accessed easily. The biggest barrier to entry in this market is the risk that comes with small businesses. If you strategize well in this area though, you will find some sort of success. Lastly, the ability to surround yourself with people who know how to make great coffee is important to the product of your customers. Overall the threat to new entrants is high, because consumers are always looking for new places to try things and coffee, and it is not hard to get in this industry.

Threat of Substitutes

The threat of substitutes is the idea that products or services available from outside the given industry will come close to meeting the needs of current customers. The threat of substitutes for the coffee shop industry is moderate. Coffee shops offer a caffeinated drink that a lot of the majority of people drink to get a boost of energy, especially in the mornings. The sudden growth of caffeinated soda, tea, and energy drinks provide a very accessible alternative to having to go into a coffee shop to get this product. Another substitute that makes this high is the advancement of home coffee brewing technology. An example of this would be a Kurrieg, which is easy to use and allows you to make coffee in your house for cheaper than you could buy it at a coffee shop. However, the coffee shop atmosphere is really irreplaceable when it comes to substitute products. If the customer is just going for a product, then the threat of substitutes is extremely high. However, overall the type of coffee that customers get from coffee shops is not comparable to coffee that most can brew themselves. If the customer is looking for a coffee shop environment along with that product, the threat level of substation is fairly low. These reasons are why the overall threat of substitutes is moderate.

Bargaining Power of Customers

The bargaining power of customers is the ability for a customer to be able to put pressure on the margins of producers in the industry, by demanding a lower price or higher product quality. The bargaining power for customers is moderate. The ability to switch products, and in this industry, coffee shops, is fairly easy. The costs to switch to a buy and visit a different coffee shop is low, which gives the customers some power to go where they want too. There are many different coffee shop options around for most customers, which again leads to higher level of bargaining power for the customers. Overall this threat is moderate and not high because it doesn't effect the industry as much as it would for others.

Bargaining Power of Suppliers

The bargaining power of suppliers captures the pressures that industry suppliers can exert an industry's, and therefore a company's, profitability. Currently in the coffee shop industry the main supply that you have to buy from suppliers is the coffee beans. Unfortunately, none of these are grown any where in the United States, besides Hawaii. However, the coffee supply industry is huge and is very easily accessible to the industry. There also are many suppliers that a coffee shop can choose from which makes this force a weak force on the industry. In the coffee shop industry, this force has the lowest level of concern for the industry.

Degree of Rivalry

The degree of rivalry describes the intensity between existing customers in which companies in an industry jockey for market share and profitability. The degree of rivalry in this industry is extremely high. In most cities worldwide, there are a multitude of coffee shops to choose from for the customers. That already means you are in competition with each other because most of the coffee shop industry is targeting the same target market. (In Ames alone, there are over five different coffee shops) Besides just coffee shops, there are many national

brands such as Starbucks or McDonalds, that are also competing for some of that coffee market share. Overall the level on rivalry in the coffee shop industry is extremely high.

Products

Advertising the products that you sell is what most people associate with marketing. When thinking about the products the the coffee house will be serving, the most important one is coffee. Coffee is going to be our main cash earner and it is important we dedicate ourselves to serving good coffee. That is why seeking the best coffee we can find will be important too us. The first thing the coffee house will do is stick to the classics by serving a normal black and light roast coffee every day. We will also have the basic other types of coffee we can serve that fall more under the espresso made coffee drinks. These are drinks such as Lattes, Cappuccinos, and Mochas. All of these are fairly popular drinks in all coffee markets and we will be able to serve them hot, iced, or blended. Sticking to the classics is going to be the important thing that we can constantly do at the coffee shop.

The other products we will serve are foods that go along with coffee, such as muffins and bagels. These products give the coffee shop customer a quick bite to eat if they wanted and allows them to get something other than coffee. Many coffee shops now a days have full service food, however this could be waste of money and is a bit ambitious when starting a new coffee shop. That is why our coffee shop will stick to more snacks and deserts than meals.

Product Differentiation

After reading the product selection it sounds like our coffee is exactly like any other coffee house than people have been to before. The coffee at different coffee shops is more comparable than most would think and a lot of the time people care more about the coffee shop, than the coffee. When thinking about product differentiation, it is important to focus more on the

coffee shop portion than the coffee and snacks you can purchase. The product quality is important and we will differentiate by different seasonally flavors and many syrups to choose from to use in your coffee. However, I think the setting to coffee shop is the real product that needs differentiated.

I have been lucky to be able to have experience over 25 different coffee shops so far in my life. Around ten in the United States and around 15 in Europe. Experiencing these means drinking some sort of product and sitting in the coffee shop for hours while studying or just taking in the environment. It is important to realized the reasons I go back to the ones I do and why I don't go back to others. It is not the product that I am being served to drink, unless the taste is not great at all. The reason I and others go back to these coffee shops is the atmosphere they have. When thinking about how to make the coffee shop different than other shops, three main topics come into play.

The Look:

Ultimately designing the coffee shop will not be an area I learned in the College of Business. It is the most important thing of the coffee shop though. The shop has to feel welcoming and homely and if it does not, we will not get the returning customers that our coffee shop needs. To set us apart when it comes to the look, the first thing we will have to do is compare ourselves to other coffee shops in the area. For this paper, we will assume we are building in Ames, Iowa. Doing a lot of research on different furniture, paintings, etc., will take some time. However, the most important thing for a coffee house is picking an identity, or look, and sticking to it by being true to what you offer. For this design, our coffee house creation will ne a rustic industrial themed coffee shop. Our tables will be a rustic wood, while we will have metal chairs to go along with them. We will still have at least one or two sofas in the shop as well. This will be popular with

the next generation crowd that our coffee shop will be trying to attract. Along with our mission statement about fostering community, the layout will be an open themed one with a lot of larger tables for groups of people to hold weekly meetings at. Our store will also boast some smaller tables for the individuals who want to come to the shop. The biggest thing that will set us apart will be the stage that we have in the corner of our shop. This stage will be used for the activities that we will get into shortly. Another important thing we will have in our store is outlets. The next generation is constantly going to coffee shops on their laptops, tablets, and phones. It takes away from business when these people have no place to charge them. We will not have an outlet at every table because still want our coffee shop to be more than electronics, but having a few is important to us. Making sure the customers needs are met is just as much important in the layout and look of our store as the coffee we provide.

The Activities:

To reflect our mission statement our coffee shop will be set apart with all the different events we host. We will host an open mic night at least once or twice a month. This gives local artists a chance to come enjoy coffee while showing off their talents and pursuing their careers. We will also allow the coffee shop to be rented out to perform different shows such as small concerts. Besides the live entertainment field, we will have board games for people to play and a book shelf for people to skim through books. Another cool thing that we will offer is classes to teach people how their coffee made and really just give the customer an experience that they do not get at any other coffee shop. They will get to become a barista for an hour or so, and learn more about why we love coffee and why we love serving the customers. Lastly, allowing classes from the local community to use our space to teach and get away from the classroom is something our coffee house would love to do. All of these reflect who we are and that identify we set up to have

in our management section. We feel that allowing the customers into our family by holding these events for the community and showing them who are coffee house is the reason we exist.

The Freedom:

At our coffee shop we will not be afraid to try anything for a customer. If a customer wants to try different syrups in their coffee, we will be the first to let them try it out. We will never just stick to the traditional menu if our customer is asking for more. We feel the freedom the customer will get from being able to add certain things to their coffee will make them fall in love with coffee more. The customer might not like what they try or they might have just found out a new drink that we could offer others. Giving the customers the freedom to make the coffee they want is going to be what we are all about. However, we will be realistic that there are certain things that we are not going to be able to accomplish for our customers. This freedom is more about the fact that we will always try to go above and beyond when it comes to searching for new and delicious coffee. We want our customers to be as much baristas as we are.

Target Audience

When thinking about marketing and all the product differentiation that we just highlighted for our coffee shop, the next step is to focus on our target audience. As seen in our porters five forces and earlier on in the history of coffee, the millennial generation is drinking coffee at a whole new level. Our target audience will be that generation. We still want to serve everyone in the community and that is why we will have live events that draw in the older crowd at times, but our main focus is on getting 18-30 year olds in our coffee shops. The reason we feel targeting the next generation is the most important is branding. “Branding at its most basic level is just the personality of your business.” (Barrett 2015) Our personality at our coffee shop will resemble this generation. The thing that the millennial generation does well at is sharing what they like

and advertising companies without the company even asking them to do so. This group will have grown up on social media and statistics show on coffee as well. “Gen Z may be on every social media site, but they also appreciate human connection. Authenticity won’t be lost on them, and in that sense, they’re the perfect small business customer.” (Barrett 2015) Our coffee shop will give this generation the human connection they are missing. As in the mission statement, we want to bring people together around coffee. We feel there is no better group than bringing the group that is very individualistic and showing them great coffee and what great community looks like.

Supply Chain Management

One of the key restraints when selling coffee is the key fact that growing our own coffee is nearly impossible in our climate. Due to the fact that we live in the United States, which is way above the equator, the coffee plant cannot grow where we live. “The coffee tree is a tropical evergreen shrub (genus Coffea) and grows between the Tropics of Cancer and Capricorn.” (Coffee&Health 2017) This leads to show that the only place in the United States is in Hawaii. We will have to be able to find a supplier that will be able to send coffee to us in a timely manner. Luckily this is an issue for every person selling coffee in the United States.

Coffee Supply Chain

When looking at finding a supplier it is important that we understand what the supply chain looks like for coffee. A supply chain is the network of all the individuals, organizations, resources, activities and technology involved in the creation and sale of a product, from the delivery of source materials from the supplier to the manufacturer, through to its eventual delivery to the end user. (What is it?) The coffee supply chain starts off in the agriculture phase. The agriculture phase “includes the cultivation of green coffee with different treatments such as

soil management, fertilization, pest treatment and harvesting." (Emangement of Food 2017) There are two different ways the coffee is processed in the ways listed above. Either the dry method or the wet method can be used depending on where in the world the coffee is being grown at. After this agriculture stage is completed the coffee moves into the production phase of the supply chain. The production phase "includes the coffee processing and packing stage." (Emangement of Food 2017) This productions phase has many different steps that include "storing, cleaning and weighting; roasting; cooling; blending; grinding." (Emangement of Food 2017) After the coffee is processed, it moves into the transportation phase of the supply chain. This phase is usually the most known phase when it comes to analyzing supply chains. "The transport and distribution phase includes all the transport activities, related to raw materials, by-products, wastes depending on production capacity and localization of firms, and distribution of the product in the sell market at a local, regional, national or international level, depending on the strategy and production capacity of the firm." (Emangement of Food 2017) The transportation phase is where all of the coffee shops first come into contact with the product that they sell. Once they get this product, the supply chain finally hits the consumption phase. The consumption phase is when the consumer of the goods gets the good that they have ordered. The consumption phase in the coffee supply chain is unique because the coffee shop has to actually put energy and effort in to making the product even after the transportation phase.

Coffee House Creation Options

The part of the supply chain where my coffee house creation will need to become a part of is in end of the transportation phase. We will have to locate suppliers that transport and sell different coffees near us to get us our materials needed to create the products that we are selling. This should not be difficult because there are even some coffee shops in the towns we could build in

that would sell us the coffee they buy or put us in touch with their supplier. Unfortunetly, I do not think a lot of the other things I learned in my supply chain management class can benefit this business plan. Our coffee house creation will have to reach out to random suppliers and see where the best deal is. Eventually they may be able to The main takeaway from the supply chain and our new coffee house creation is we need to look at what others are doing and duplicate it.

Finance/Accounting

Now getting into the part that I have spent my majority of time at Iowa State University studying, the finance and accounting portion of my coffee house creation. Let us first look at what the difference is between finance and accounting in the business world. The most basic definition of finance "is specifically a subject of study which involves the management of money" (Conway 2015) Looking online at Iowa State's business website it explains the finance major as "a major that teaches students how to make the most of financial markets, successfully raise capital, manage risk, grow assets, and serve the diverse needs of shareholders, partners, and employees." (Iowa State 2017) While at Iowa State I have taken only one finance class but I learned very different stuff than I have in my accounting classes. The class seemed to be more focused on the external environment created by our company compared to the internal transactions going on. We learned things about the stock market, long term growth, and things focused on the future of our company. In contrast, accounting can be defined as, "the recording of financial transactions plus storing, sorting, retrieving, summarizing, and presenting the information in various reports and analyses." (Accounting Coach 2017) Iowa State's website goes more in depth and says "The Accounting major prepares students to analyze, synthesize, and report data so others can use it to make informed decisions. This program allows students to pursue diverse careers in business and accounting including auditing, consulting, public

accounting, budgeting, and forecasting." (Iowa State 2017) During my time at Iowa State I have taken many different accounting classes and have learned things from the basics of book keeping, to the tax code, how to audit companies, and many other interesting topics. Both of these different subjects will help immensely with starting up my new coffee house creation.

Capital Needed

The first thing needed to open any small business is enough capital. We figure that we will need between $100,000 and $200,000 to open our coffee house creation. The "Average cost of a 1,200 sq. ft. coffee bar is between $200,000 to $375,000." (Opening a Coffee Shop 2017) These costs come from many different places, such as the location of coffee house, the equipment and supplies, the employee pay, and many other things. We will look at the most important ones.

Renting a Location

Nothing we have discussed with the coffee house can be created without the proper location of our coffee house. Coffee Maker USA says, "Many people think they can skimp by selecting a slightly cheaper location, or by not spending enough turning the place into a setting where people will feel comfortable and want to return. However, the setting and location of a coffee shop are vital to its success." (Paul 2014) To do this, we will have to find a place that we can rent out monthly and design to be our dream coffee. The perk to going to Iowa State is the fact that for this project we are going to be trying to open our coffee shop in a town around the same size of Ames. We are doing this because it gives us the amount of steady customers we need, but at the same time, isn't overwhelming and overly expensive to rent out a space. When looking back at our marketing section of the paper, we can see that a lot of our marketing needs a certain type of space to rent. The coffee house creation will need to be a medium to larger rental space. This is due to the fact that we are selling some food and will need a kitchen to bake in. The coffee house

also talked about having live events inside of it and this also causes us to have to have a decent amount of area to work in. Overall finding the space will have to be a patient process and the coffee house should not just settle for any available space.

Costs to Open

In order to know we will be able to afford to open this coffee house creation, we need to research how much capital we will need to have. The fixed costs for a coffee shop starts with the equipment. The first equipment that we will need is an expresso machine. An expresso machine is where you put the ground espresso beans and into a filter and the pressurized hot water creates espresso in liquid form. These machines in commercial use can run from around $1,000 to $20,000, but since our coffee house creation is a start up company, we will try to purchase one of these for around $5,000. Next we will need to purchase an espresso grinder and hopper machine. These machines will will usually cost between $500 and $2,500. Again, we will try to purchase near more of the lower end of the cost scale since we are just starting up. We will then need to buy brewing equipment to brew normal coffee beans. These run anywhere between $500 and $2,500 as well. Overall we will see around an $8,000 expense needed to purchase the equipment needed to serve our product. Besides these expense, we will need the daily supplies, such as "drinks (coffee, milk, syrups, teas, and smoothie ingredients), food (any breakfast and lunch items that are going to be offered), and supplies such as cups, napkins, stirrers, ect." (Coffee USA 2017) These expenses will be more in the supply chain part of our business because they are going to be constantly needed and replaced.

Employee Pay

Deciding how much to pay our employees is a large decision because it is one of the most constant expenses we will incur as our company. As I mentioned in the management section, we

wanted enough employees to get through the days, but not too many so we feel overstaffed, crowded, and lose money on paying them. We feel that because we wanted to find a few people to work just under full time, that all of our employee should get paid around $0.50 over the minimum wage. We also believe in incentivizing our employees by over an extra $0.25 an hour if they are opening or closing for our coffee house creation. This should have our employees more determined to want to open and close when sometimes those are the slower shifts and are harder to find people for.

Our Products Pricing

An equally large decision in the finance and accounting section of our business is how to price our products. The products that we are offering like most coffee shops are going to be offered in the basic three different sizes, small, medium, and large. Our prices will be set pretty standard with the environment we are in. When looking at the coffee prices of different coffee shops around Ames these prices fall anywhere from, $1.75 - $2.10 for a small, $2.00 – $3.00 for a medium, and $3.00 – $4.00 for a large. We will set our prices around these for normal black coffee. Specialty drinks using espresso will cost more than these, and on average be anywhere between $3.50 - $6.00, depending on the size. As I have mention in my paper before, the coffee is not going to be what makes a customer keep coming back. I firmly believe the product we serve will be the atmosphere to enjoy good coffee in. This is why I believe setting our prices around the competitions will be the smartest thing to do. One thing that our coffee house creation will do in more specials than other coffee shops. I believe in giving back to the people that come into our coffee shop and that is why the main pricing strategy that will set us apart is deals we make customers. The main deal we will have is any customer that comes into our Coffee House Creation before 8:00 AM will get $1 off their coffee everyday. Other products that we will serve

will be the bakery items that will be priced anywhere between $1.00 – $4.00 and will have special days for those to be on sale as well.

Final Thoughts

There are many reasons to run a business. Some may say it is to serve people while others will say it is to make money. While trying to plan this business I had to use every experience in my life to think about why exactly I wanted to open this coffee shop. The reason that I want to open this coffee shop is for the community. Overall this project challenged me in my creativity and in ways I was not use to with my normal skill set. However, coming into this project I wanted to try to write a business plan using what I had learned from the College of Business classes. I think that the College of Business classes did an average job at preparing me to run my own business. Ultimately this is not the philosophy they have behind making students take these classes, but it was a good way to try to measure what I have learned. To actual know how to run a business and effectively make a business plan would take risk, but that is one thing the College of Business has taught me. They taught me to take risks and grow myself and because of this, if I ever want to open a coffee shop, they have given me a head start.