To Build or Buy

Name: Francois Matje

Class: Busisness: 402

Intitution: Strayer University

Date: April 27th 2016

Professor: Dr Tina Lamb

To Build or Buy

Connie’s Coffee Shop is a pastry and coffee shop. At Connie’s, customers can pop in for a quick cup of coffee or they can enjoy one of the many delicious pastries the location offers. Ever since opening Connie’s coffee has enjoyed great success. The coffee shop is located in a busy downtown area with a good deal of foot traffic. During the day, the coffee shop is visited by customers who work in the downtown area but at night Connie’s has become a favorite of the local for picking up a coffee and enjoying a desert after dinner. The new business is donut shop which would be located two blocks from Connie’s offering hot coffee and donuts.

In order to compete with the new coffee shop with donuts, Connie’s will need to develop effective strategy. The new coffee shop will not offer pastries but they do offer donuts which could cut into the current business of the coffee shop. The new strategy will need to ensure Connie retains her current customers. Customers at Connie’s do not only enjoy the coffees but the business offers a large variety of delicious pastries. This gives Connie’s the competitive edge over the new coffee shop. The new coffee shop is only opened in the morning hours while Connie’s is open from 5am to 9pm Monday through Sunday.

Connie’s Coffee Shop has the competitive advantage n this case because the company has been around for many years and has developed a strong, loyal customer base. In order for the new coffee shop to have a chance at success, they will need to find a way to stand out in the market. This will require the development of an effective strategy.

**Strategy to Compete**

In order for the donut shop to compete with Connie’s coffee Shop, they will need to come up with a creative and effective strategy this will not be easy because Connie’s is very popular with the public and has strong Customer loyalty. One strategy, the new coffee shop can implement is a rewards system for return customers. When customers are rewarded for their loyalty they are far more likely to return. The coffee shop can create a punch card where every 10th donut is free for the customer. The customer must come nine times before getting a free donut but if the customer is loyal to Connie’s, this rewards system could assist in taking away some customers from the competitor.

Secondly, the new coffee shop is only open in the morning hours while Connie is open most of the day and into the night. The downtown area is always busy even late into the night. In order for the new coffee shop to become a success, they must tap into a large portion of the market. Currently, they are only receiving a percentage of the breakfast crowd with a large amount of customers going to Connie’s in the morning times. Customers are attracted to Connie’s because of their extensive pastry choices. Connie’s does not offer gourmet coffees but customer have a choice of different flavored creamers.

Another strategy the new coffee shop can implement is to offer gourmet coffees. There is a large market for customers who enjoy gourmet coffees and specialty coffees, such as lattes or iced coffees. Every business must have something unique or a niche they fill in the market. Simply offering coffee and donuts will not allow the company to remain competitive. In the downtown area, there are workers going back and forward all day long who need coffee. The new coffee shop must find a way to attract these customers in order to become competitive against Connie’s.

Another strategy is to create a delivery service. In the downtown area, there are hundreds of businesses with employees who would enjoy a coffee and a hot donut in the afternoon. Marketing this idea to businesses in the area could result in the competitive advantage for the new coffee shop. Customers will enjoy the time saved by the delivery service and the convenience. This service will automatically provide the coffee shop with a target market consisting of busy workers who do not have the time to leave the office to grab coffee or donut.

**New or Existing Business**

Both Connie’s and the new coffee shop have potential to be profitable businesses but in this case Connie’s would be the best business to purchase. While the coffee shop has potential, it will also take a lot of work and a lot of changes for the coffee shop to become competitive against Connie’s. Currently, they only sell coffee and donuts and they are only open a few hours in the morning. Both are located in the bus downtown area so they both have the same opportunity to attract customers from this area. The new coffee shop currently does not have any factors which would distinguish them in the market from Connie’s.

A start-up business deals with many unknowns, such as whether customers will be motivated to buy the company, products, and services, and whether the company can operate efficiently enough to generate a profit (Hill, 2012). Connie’s is a successful business but profits have been to drop in recent years. This was due to poor management not a lack of customers. Connie’s would be the best choice because they have built up a strong customer base and would have to make few changes to continue to be a success. It would be easy to implement new approaches for increasing profits at Connie’s while at the new coffee shop there will need to be major changes made for the company to enjoy the same success as Connie’s.

**Form of Ownership**

The new business will have be owned by two partners so the best form of ownership would be the limited liability company (LLC). A limited liability company is a hybrid type of legal structure that provides the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership (SBA, 2016). The LLC will also protect the partners from personal liability if the business fails or if the business is sued. The owners will not be responsible for business debts and the company does not have to pay taxes at the business level. LLC ownership will also lend the new business with more credibility.

**Business Plan**

*Executive Summary*

The business plan will involve purchasing the existing business. Connie’s is a well-established, popular coffee and pastry shop with a large customer base. The plan will consist of continuing to offer the current coffee and pastries but adding additional gourmet and specialty coffees and a delivery service. Connie’s is currently missing a large part of the market during the daytime hours. The business will continue to operate between the hours of 5am and 9pm and will continue to offer the same delicious pastries. The name will stay the same and the same pastry chef currently working at the business has agreed to stay. This will ensure continued quality for the pastries. The management in the coffee shop will change which will address the current problems with a decrease in profits.

*Mission Statement and Vision*

The mission of Connie’s is to continue to provide loyal customers with delicious coffee and yummy pastries. The vision of the company is to expand the business opportunities in the area by recognizing and addressing customer’s needs. Customers who come to Connie’s will be greeted by friendly, helpful staff and will receive great service. Connie’s is ell loved by people in the community especially in the downtown area.

*Target Market and Marketing Plan*

The target audience will continue to be the large population of customers in the downtown area. In the downtown area alone there are 725 businesses and over 750,000 residents. Connie’s will continue to target customers in the area. This will include targeting the employees in businesses who do not have time to go to Connie’s by offering a delivery service. The delivery service will bring hot coffee and delicious pastries directly to the customer. This will open the market giving the company a larger customer base.

*Marketing Plan*

Connie’s is already a very popular downtown location but there is still a large percentage of the population in the downtown market which could potentially result in more loyal customers. Connie’s will place five large billboards around the downtown area to ensure the proper amount of saturation. Next the company will run radio ads alerting old customers and new customer to the new delivery option. Connie’s will pass the word about the new delivery system through word of mouth and social media including Facebook, LinkedIn, and Instagram. The goal of the marketing plan will to be to attract new customers and alert old customer of the new delivery option.

*Products and Services*

Connie’s will continue to offer a wide variety of delicious pastries including but not limited to bear claws, donuts, cookies, pies, etc. Connie’s will also be offering some new products. The company will continue to offer fresh, hot coffee but now customers will have an opportunity to try many different types of gourmet and specialty coffees. Customers can enjoy a latte or they can order an iced coffee. Customers will have 12 different choices of gourmet and specialty coffees to choose from. Connie’s will also offer a new delivery service which will deliver coffees and pastries to businesses in the downtown area from 7am to 3pm daily. Customers can call Connie’s and make a delivery order or they can simply make their order through the company’s website.

*Industry Information*

Specialty coffees has been a popular trend in America in the 21st Century. There is a large market of the population who enjoy coffee. Coffee is a 30 billion dollar a year industry (Fernau, 2013). Coffees has always enjoyed a large portion of the market but in recent years the number of people drinking coffee has risen. Currently, 83 percent of adults drink coffee and ranges across many different consumer market (Fernau, 2013). The young and the old drink coffee and there are many different coffees to choose form. Some people enjoy a traditional cup of coffee without any bells and whistles while other consumers enjoy specialty coffees.

*Competition and Barriers*

Connie’s has been located in the downtown for many years establishing a strong customer base but if a new shop opens there is a threat, they could lose business. In order to remain competitive Connie’s must be able to retain old customers as well as attract new customers. If Connie’s continues to provide high quality pastries and provides high quality coffees, they will be able to continue to enjoy financial success. The potential barriers would include the costs of adding the specially coffees and implementing the new delivery service. Another potential barrier is the high cost of rent in the downtown area. The rent will only continue to go up slowly as the area becomes more popular during the evening hours.

*Resources*

The company will need to finance the purchase of the new specialty coffees and will need to purchase the machines needed to produce these coffees. The initial costs for this equipment will be $15,000. Starting up the delivery option will require making changes to the company website so that the business can be alerted when delivery orders are placed on the webpage. This will include acquiring the technology required to implement this service as well as hiring the necessary staff to manage the delivery service and manage the delivery of pastries and coffees. The cost to start up the delivery aspect and implement the new technology will be $25,000. The total investment for the needed changes will be $40,000.

References

Hill, B. (2012). Buying an Existing Business versus Starting a Business. Retrieved April 29,

2015 from http://smallbusiness.chron.com/buying-existing-business-versus-starting-

business-2477.html

Fernau, K. (2013). Coffee is a $30 billion-a-year U.S. industry - and it's growing. Retrieved April

29, 2016 from http://archive.azcentral.com/business/consumer/articles/20130410coffee-

is-a-billionayear-us-industry-and-its-growing.html

Small Business Association. (2016). Limited Liability company (LLC). Retrieved April 29, 2016

from https://www.sba.gov/starting-business/choose-your-business-structure/limited-

liability-company