



University of Tennessee, Knoxville
**Trace: Tennessee Research and Creative
Exchange**

University of Tennessee Honors Thesis Projects

University of Tennessee Honors Program

5-2017

The Business Grind: Business Plan

William Gass
wgass@vols.utk.edu

Follow this and additional works at: https://trace.tennessee.edu/utk_chanhonoproj



Part of the [Business Administration, Management, and Operations Commons](#)

Recommended Citation

Gass, William, "The Business Grind: Business Plan" (2017). *University of Tennessee Honors Thesis Projects*.
https://trace.tennessee.edu/utk_chanhonoproj/2099

This Dissertation/Thesis is brought to you for free and open access by the University of Tennessee Honors Program at Trace: Tennessee Research and Creative Exchange. It has been accepted for inclusion in University of Tennessee Honors Thesis Projects by an authorized administrator of Trace: Tennessee Research and Creative Exchange. For more information, please contact trace@utk.edu.



APRIL 21, 2017

THE BUSINESS GRIND, LLC
BUSINESS PLAN

WILLIAM GASS
FACULTY ADVISOR: DR. JOHN BELL



Executive Summary

Ownership

The company will be structured as a Limited Liability Company and registered for business in the state of Georgia.

Management

The management will be composed of a single member for the time being, and the entity will be treated as a sole proprietorship under federal taxation.

Goals and Objectives

The Business Grind, LLC is a coffee distributor offering green and roasted coffee to clients and customers in the Southeast. Focusing on high-quality, organic, and fair-trade green coffee, The Business Grind works to ensure the best coffee reaches the cups of consumers. We provide a platform for smaller roasting operations to be able to afford a constant flow of beans by being able to negotiate fair prices and provide coffee to roasters with contracts for deferred payment or contract roasting. By contract roasting, The Business Grind will sell coffee roasted by the same experts to which we are selling our green coffee. Our use of small scale contract roasting agreements helps us appeal to a wide variety of consumers all while keeping cost of such an operation minimal. The benefits will not only extend to us. We will position our distribution centers to help decrease lead times for the roasters and allow them to move capital out of inventory and decrease their need for space by buying green coffee from us as needed. We hope to make it easier for established small scale roasters to grow. By assisting in negotiating lower prices and helping to advertise for them. Coffee is something that should be shared, and if a business can support roasters, importers, and farmers that agree with the mission of sustainability, then it makes sense for us to support them.

Our objective is to be competitive in our marketplace and lean on negotiations and partnerships that typically take place farther up the coffee supply chain.

The Product

We buy and sell coffee that is Fair Trade and Organic certified and, if neither is possible, traceable. We strive to provide specialty coffees with high cupping ratings to ensure the final consumer receives the best possible cup.

The Target Market

The target market is composed of two segments. The first is made up of businesses and roasters looking to purchase high quality green coffee beans. The second is focused on selling contract roasted coffee to cafes, restaurants, and directly to people who drink coffee. We will focus on businesses that look to sell to clientele that are mainly Millennials, because we see the highest future growth in this segment.

Pricing Strategy

Our strategy is to use cost based pricing for our green coffee. We will use value based pricing for our roasted coffee to the extent that the product is a higher quality and certified, so people can feel good about the product and enjoy the best coffee possible. This means that the amount we can charge for our product is based up on the perceived benefits, but it will be slightly constricted by the customers' understanding of the relative increase in product quality or other attributes.

Competitors

The competitors in the market of roasted coffee are larger coffee roasters selling gourmet coffee through premium brands and small roasters not supported by our business. Our competitors in the green coffee market are other distributors, importers, and wholesale

operations. Established coffee distributors will be our largest competitor, but through connections to importers and targeted branding, we can become the distributor that is trusted and valued by “third wave” coffee roasters. We will be committed to small roaster growth and quality, sustainable green coffee. The quality of our beans will differentiate us.

Funding Request

We would need funding totaling \$489,265 to cover the startup costs of The Business Grind LLC. These funds would cover the fixed costs and relative variable costs that would be present at the start of business. The funds would also be used to support operations by covering six months of inventory up front and fix costs for the same period. While this number is high, we believe it will help to insulate us from the possible difficulty of developing relationships.

Business Summary

Industry Overview

The coffee industry is a dynamic and immersive industry dealing with the cutting edge of green initiatives. It has many facets, and with a supply chain spanning the world, it is no wonder it is the subject of many conversations and studies. It is a commodity market as well as a specialty market offering a range of gourmet, artisanal coffees under any number of certifications and labels. Coffee is a global product that affects farmers in Brazil to business men in New York, and the market is sizable. Coffee retail sales amounted to about \$36.4 billion in the United States alone (Palmer, 2017). With the average person in the United States consuming 1.64 cups of coffee a day, coffee is poised to stay as one of the beverages of choice (National Coffee Association, 2016). US Coffee consumption is expected to grow by 200,000 bags for the 2016/17 year with each bag weighing 60 kilograms or roughly 132 pounds. Total consumption for the year is expected to be 25.3 million bags (USDA, 2016).

The market is divided into the different forms through which coffee is sold. The industry's product and service segmentation is broken down into six parts: single cup, roast and ground coffee, premium coffee, instant coffee, whole bean, and ready to drink. The whole bean and ready to drink segment only composes 6.4% of the market and instant coffee only 6.9%. Premium coffee (eg. Espresso) makes up 9.3% and single cup coffee, such as Keurig brand K-cups, make up 37.4%. Ground coffee holds the largest part of the market at 41.8% (Stivaros, 2017). Single cup coffee saw an increase of retail sales from the 2015 financial year to 2016 of 15.1%. Whole bean sales grew 3.9% and ground (both premium and not) 1.9%. The other forms of coffee saw a decrease in retail sales (Progressive Grocer, 2016).

Per capita consumption of coffee is expected to fall in the US and continue to decrease in the near future. However, there are trends emerging that point toward the movement of consumption to specialty coffee. Specialty coffee is coffee with few defects that would affect the flavor and roasting of the coffee. The coffee has distinct notes and flavors that appear in the cupping process (SCAA, 2009). These types of coffee are sold in smaller amounts and carry a premium price. The revenue in the industry is expected to grow 0.4% per year because of this switch. (Stivaros, 2017)

The coffee industry has reached maturity. Revenue growth in the industry follows growth at about the same pace as the economy. Barriers to entry are high since the larger companies in this industry have had time to develop their brands and have the funds to acquire the best shelf space. They also can better compete based on economies of scale. (Stivaros, 2017)

The future of the industry seems to rest on sustainably sourced high quality coffee to bolster revenues with lower per capita consumption. While there is a place for the typical ground roast coffee, trends toward convenient methods of delivery (eg. single cup coffee) have changed the landscape for all participants. The coffeehouse experience in home is what many companies are looking to provide. To keep growing, companies must keep in mind the customers' move to a higher quality, convenient product (Stivaros, 2017).

Following the trend, coffee shops are expected to have industry growth of 2.2% in 2017 (Alvarez, 2017). The growth is attributed to consumers change in taste and expectation of the experience when drinking coffee. This is called "Third Wave Coffee" and it presents coffee as an artisanal product. The trend started in Australia, the United Kingdom, and Scandinavia and it considers coffee as an experience. The source and qualities of coffee are highlighted rather than

The Business Grind, LLC

the cost and uniformity. These shops have done well and are influencing the typical commercial coffee shops, eg. Starbucks (Alvarez, 2017).

The largest companies in the coffee production sector are Green Mountain Coffee Roaster Inc (24.4%), Kraft Foods Inc (17.0%), JM Smucker Company (16.6%), Nestle SA (9.6%), and the remainder of the market falls under brands like Starbucks or smaller production facilities. These percentages of market share are solely directed at the sale of processed and roasted green coffee (Stivaros, 2017).

Seasonal Factors

Retail coffee sales are seasonal with the winter months containing the highest sales. Sales by volume are typically 10% to 15% higher in November and December than the following months, and it is typically 10% lower from May to September (Leibtag, Nakamura, Nakamura, and Zerom, 2007). This is most likely attributed to the weather.

Position in the Industry

The Business Grind looks to operate as a coffee distributor between the importers and the small roasters. The business will be a seller of green unroasted beans to small and medium sized roasting operations that alone do not have economies of size. By working closely with these roasters, we can purchase the goods they need and better understand their demand. We will be able to make larger orders and receive the power in negotiation with importers by group purchasing and utilizing close relationships with roasters. Acting like a cooperative, we can also pool smaller roasters in the Southeast to help them, and us, get a better price from importers.

We will also sell roasted coffee to cafes, restaurants, and individuals. The primary focus will be on selling roasted coffee that is made from our green coffee. We will help local roasters get more exposure by giving them green coffee to contract roast. It will then be drop shipped to

businesses. This minimizes the exposure of the roaster and increases the profit margin for us. Contracts will help us maintain either a non-competition agreement with the roaster, or we will negotiate contracts to be a supplier to their business with stipulations. The Business Grind is uniquely positioned to help newer or small local roasters gain market share while growing our distribution network in the process. The goal is to be able to directly source product for our customers while maintaining strict guidelines for quality. With an increase in market share, we will develop a network of trust with importers, cooperatives, and farmers to grow to become an importer as well.

Industry Attractiveness

The industry is mature, and barriers to entry are high. The larger companies have established brands that occupy grocers' shelf space. They can use economies of size to reduce many costs. Also, coffee shops are expanding to carry different products and moving to new locations including overseas.

However, the movement to higher quality coffee and ethical sourcing and production has led to more entrants into the market. The number of coffee retail establishments is expected to increase by 2.7%. The third wave trend in coffee has spurred this part of the industry to grow. Also, the margin on those products are high, so the ability for those types of companies to withstand shocks to the prices of inputs is beneficial for longevity. Coffee and snack shops have been enjoying a rebound in consumer spending that is projected to increase 2.1% a year (Alvarez, 2017). The greater disposable income, after the economic downturn, has translated to a higher probability of consumers purchasing the food and coffee provided at coffee shops.

Target Market Overview

Our target market is composed of cafes, restaurants, and individuals desiring high quality roasted coffee. The green coffee target market is composed of roasters that are running smaller operations and businesses that want to sell green coffee. Our target roaster will sell to shops using between 30 and 100 pounds of coffee a week. The roasters will need to be skilled in roasting, or the increased quality of bean will likely be of little importance to the roaster.

For roasted coffee, the businesses we serve will likely focus on serving mainly Millennials. This generation has been shown to respond to green products well. With Millennials, there is a positive correlation between purchase intent and products that are environmentally friendly in production or disposal (Lu, Bock, Joseph 2013). The beans we anticipate to source will be organic, fair trade, or traceable; we will appeal to these consumers.

Millennials are now a larger generation than the Babyboomer Generation (United States Census Bureau, 2015). They are also the largest segment in the work force (Pew Research, 2015). While their earnings have not risen as quickly as past generations, they do have different trends in purchasing behavior. People in the Millennial generation are getting married and having children later in life, so they may spend disposable income on more things like coffee (Alvarez, 2017).

The retail locations we will sell to, like coffee shops, will be desiring access to artisan coffee to sell at a premium price and be looking to capitalize on the third wave coffee trend. If they roast at their location, the supplement of other artisan coffee can help boost revenues by offering variety to keep returning customers. The coffee may be used to supplement non-organic or fair trade coffees on the menu. Our coffee will come from the roaster packaged and be ready for resale. The coffee will be under the label of the roaster or can be specially labeled to reflect

the Business Grind's brand, but the focus on selling an already established brand would take precedence.

The roasters will be looking for similar qualities in their coffee to appeal to their customers. Since they operate in a market selling premium goods, they will be looking for inputs that can be paired with their expertise to give them a competitive advantage. While large batch roasters facilitate the fulfillment of large orders, inability to finely control the roast can cause the quality of the cup to suffer. The smaller roasters focus on the individual types of beans and the type of roast that can best fit the notes of the specialty coffee.

Literature Review

Before tackling the financials of the business, it was important to determine if the demand would be present for these types of goods, and it was also important to gain a significant understanding on how the coffee industry worked. Through reading Danny Pimentel Claro's and Priscila Borin de Oliviera Claro's article titled "Coordinating B2B Cross-Border Supply Chains: The Case of the Organic Coffee Industry," it became clear that The Business Grind would need to develop relationships and trust in its supply chain up stream to most effectively operate.

Successful operation of a supply chain across multiple countries is based on both contracts and informal methods of safeguarding the company. These appear as joint planning for the future and joint problem solving. While The Business Grind will not be working directly with foreign entities (co-operatives or farmers) for the time being, it is important to keep the ideas of symbiotic, mutual trust in the forefront as we look to reduce costs and expand our business (Claro and Claro, 2004). We will also consider using these principles in our partnerships with roasters.

It was also clear that the business would need to be certified in order to use the organic label. The organic certification process would take place in certifying that the growers and processors in the country of origin are following guidelines for producing an organic product. Further downstream, the product must be certified to assure there is no contamination to the product, especially in the case where the crops are being repackaged in smaller quantities out of their original packaging (7 CFR§ 205.201). The Business Grind would need to gain certification from an entity that the USDA has granted power to certify other organizations and issue the correct paper work to be able to claim our product as being consistent with United States Department of Agriculture organic standards. The business that we would use is Georgia Crop Improvement Association, Inc.

When researching purchase intent with regard to environmentally friendly products, there were articles that were relevant to Millennials. This tied directly into our target market. The article “Green Marketing: What the Millennials buy” by Lu, Bock, and Joseph was published in the Journal of Business Strategy and considered the purchase intent of Millennials based on product attributes. The study found that while cost was important, the relationships between Millennials’ budgets and price with purchase intent was not statistically significant. The other attributes carried more weight in determining purchase intent. Recyclable products and products made with non-polluting, ecofriendly production methods were shown to have a positive relationship with intent to purchase. The study also found that the reason respondents did not purchase green products was their high perceived expense. The second most common reason indicated by those not purchasing green products was the inability to differentiate between green and non-green products. Distrust of the manufactures’ claims were also cited as a reason to not purchase green (Lu, Bock, and Joseph 2013).

Using this information, The Business Grind should realize that if the attributes of the products are communicated well, the consumer will be more likely to choose our product over a non-green version. We should work to maintain trust with our consumer base and market to differentiate our product. By communicating the benefits and keeping prices at a level that can be competitive, we should be able to attract many of the Millennials that have misgivings about purchasing green products.

Primary Research

Based on a survey conducted on the University of Tennessee campus, information was collected and analyzed pertaining to the purchasing and consumption patterns of Millennials. They compose a significant portion of the market to which we will be selling our green and roasted coffee.

A survey was distributed through Qualtrics to students at the University of Tennessee, Knoxville, and 184 students responded to the questions about their coffee consumption and purchase behavior. Of those, 179 self-identified as Millennials or indicated that they would have fallen into our definition of the Millennial generation. Most respondents (73.3%) indicated that they drank coffee (Survey Question 2). Of all respondents, 59% were male and 41% were female, and the majority indicated that they associated themselves as part of the millennial generation (Survey Question 21). Around one half of the respondents answered that they placed additional flavorings in their coffee, and this was important because the specialty coffee trend relies on the quality of the coffee cup and the additives may detract from that type of coffee (Survey Question 4).

In the survey, all respondents were asked to indicate the qualities that they look for in coffee. Options were provided and the majority said that they either had no preference or did not

drink coffee (63.39%). Organic (18.03%) and fair trade (11.48%) were the next largest categories (Survey Question 5). Millennials indicated their main reason for drinking coffee was energy with 65% of the respondents answering as such (Table 4). This may be why the other qualities were not as important.

To determine if cafés were a popular location to consume coffee, the survey asked all respondents to identify where they drank coffee. We found that at home (64.41%) and at school (66.67%) were the two largest categories. Cafés (33.90%) were third (Survey Question 8).

However, when asked about where they purchased their ground or whole bean coffee cafes were chosen as the second most popular location to buy coffee (32.79%) behind larger stores (Survey Question 13).

After seeing the high percentage of respondents reportedly buying coffee at cafes, we looked into the amount spent by Millennials per drink. The largest respondent group indicated that they spend two to three dollars on coffee per drink (27.3%), and the second was four to five dollars (19.7%). It was interesting to see that 67.4% of coffee-drinking Millennials surveyed the responded that they paid more than \$2 per drink, and Only 13.6% indicated that they paid less than \$1 per drink (Table 7). This could indicate that the majority of coffee, consumed by those taking the survey, is either high quality, specialty drinks, or sold as a single cup.

To see if there is any consistency with purchase intent for products that have sustainable attributes, the survey included questions pertaining to the qualities of goods and, more specifically when indicated, coffee that may drive increased demand or positive brand perception. When asked if the respondents bought “products that are environmentally friendly,” the answers showed that this was not a large concern for many people. Forty-seven percent of all

the responses neither agreed nor disagreed with the statement. However, 41.3% of those surveyed either agreed or strongly agreed (Survey Question 14).

Next, we wanted to determine if the consumers of coffee were aware of or placed importance on the source from where their coffee originated. Of the self-identified coffee drinking Millennials, 34.1% said that the source was important or probably important (Table 6). When asked if the respondent enjoyed drinking coffee from a sustainable source, they responded that the majority either was indifferent or agreed. When controlled for the coffee drinkers, 53.8% stated that they enjoyed drinking from a sustainable source (Table 8).

This trend continued when asking about the social aspect of sustainability. Overwhelmingly the responses indicated that people are more willing to purchase products where fair wages are paid and investments in the community are made. This was expected based on the wording of the question. The real indicator was that most of the answers (42%) indicated they would probably buy from these sources (Survey Question 18). This is most likely because of the costs generally associated with these practices.

The costs of sustainable products seem to be the real determinant of why someone would purchase a product that has the positive attributes of sustainability. When asked if the respondents would pay more for a product from a sustainable source, the Millennial responses were also consistent with the previous answers. The 63% indicated that they would either probably or definitely pay more for a product that is sustainable (Table 10). However, the cost is still the main determinant of purchasing or not based on the free response replies to why people would not buy the sustainable products.

To utilize what has been learned through the surveys, The Business Grind will likely have to focus on taste and quality of products. The sustainable aspect of the business can be

helpful, but if the cost of sourcing from sustainable businesses becomes too high, it appears that most millennial respondents would not purchase the product based on our survey. This could be skewed based on the current economic situation of those answering the survey since paying for classes could be the main budgetary stress placed on them. Since the survey indicated that many of these people would likely purchase sustainable products, it may be necessary for the customer segment to develop. Once they are out of college and have increased spending power, it is my opinion that they will be more likely to purchase the products we sell.

Target Market Attractiveness

The target market of coffee and snack shops is expected to grow 2% annually (Alvarez, 2017). With increased spending power, consumers are expected to use disposable income to purchase convenient and quality coffee. In urban areas, third wave coffee has been growing among high income earners. With coffee retail sales, it is expected that there will be yearly revenue growth of 3% for the next five years (Stivaros, 2017). There is a good amount of growth in the industry and much of it can be traced to bean prices and the movement to premium coffee products. These forecasts can be linked to the expectation that wages will not be depressed.

We will sell to shops and consumers that are Millennials. They are the largest generation in the workforce (Pew Research, 2015). People aged 24 years old and younger make up 11% of the retail coffee market revenue and are the most likely to drink gourmet coffee beverages (Palmer, 2017). However, per a National Coffee Association survey in 2016, the age range 25 to 39 drinks the most gourmet coffee with 41% reporting having it in the past day. The second largest segment was 18 to 24 year olds with 36% reporting consuming it in the past day (National Coffee Association, 2016). As these younger people age and the Millennials continue

to enter the work force, it is expected that the market share of this type of coffee will continue to increase.

Product/ Service Feasibility

Overview of Product

Our products are made up of two segments one is green coffee and the other is roasted coffee. The roasted coffee would be composed of coffee with a Specialty Coffee Association of America green Arabica coffee classification of specialty and a SCAA cupping quality score over 80 which will be roasted at small roasting operations. These smaller locations roast in smaller batches than most commercial roasters allowing for a more tailored and precise roast according the type of beans used. These sustainably sourced beans coupled with expert roasting allow for a unique experience. Partner the product with the centralized distribution center and you enable a quality product to reach a larger audience than if the roaster was paying for the distribution themselves. By actively marketing the coffee in different geographic areas than they originally appeared, the coffee that is celebrated locally can have the opportunity to be enjoyed by those in other markets. This also allows for the roasters to get exposure and increase the possibility of expansion in the future.

The green coffee side of the business will focus on the sale of beans that match our cupping rating standards and have organic or fair trade certification. If they cannot be organic or Fairtrade, they must at least be traceable and be sourced sustainably. The green coffee will be bought in group purchasing agreements at the start of operations where the roasters we partner with can gain an advantage when negotiating prices by increasing the total order size. The coffee not sent to the roasters will be stored in the warehouse in Atlanta, Georgia to quickly respond to our roasting partners' needs.

Desirability

Our product will be desirable because it assists smaller roasting operations expand their client base and enables these roasters to make money on their unused capacity. By roasting for The Business Grind when not fulfilling other contracts, the roasters their capacity maximize and can cover some of their fixed costs with our arrangement. This benefits the company by reducing the amount lost to idle equipment and serves my business by providing premium roasting to our beans.

The green beans will be desired by companies wishing to offer premium coffee to their customers. The purchasing arrangement between us and the roasters will help to reduce costs for all parties. It will also allow the roasters to know what the product in stock will be like and ensures that the roasters understand that inventory is near at hand. Since we hold the beans, we reduce the amount of space needed at the roasting operations for storage. This can help the roasters save money on fixed costs. This also defers the cost of goods since the goods are held by us and can be delivered at the time when supply is running low at the roaster. The Business Grind would be preparing to hold beans to 1) capitalize on pricing when purchasing 2) to insure plenty of stock of quality beans if shortages at ports occur 3) to insulate the business from price hikes. The amount held would depend on demand forecasting to not over commit capital to inventory.

Our location in the supply chain also helps us to be able to deliver fresher beans to the consumer whether that be the roasted or green coffee. The decreased lead time by moving the distributorship near the market means that the beans can be sitting for less amount of time. While green coffee can have a long shelf life, the different processing methods of coffee determine how long it will take for the coffee to become stale. Our company will try and keep the green coffee

in the warehouse no longer than six months, but the beans should retain their quality for up to a year.

Depending on roasters' proximity, we would be able to have coffee contract roasted and then shipped back to us so that we can send out the coffee with our green coffee shipments. This would help reduce the shipping cost for the customer and allows them to get what they want in a timely manner.

Demand

Demand for the coffee is related to per capita coffee consumption. Generally, coffee sales fall into a commodity market where the cheapest, acceptable quality product will succeed. The price is highly related to the demand of the product since there are many substitutes.

Seeing as our products are premium products, we are afforded some leeway on the pricing which is important to consumers. Demand will also follow per capita coffee consumption, but the trend of high quality, specialty coffee helps us our product remain relevant and in demand. It is expected that the demand will increase in the future. Per a National Coffee Association survey in 2016, 36% of 18 to 24 year olds consumed gourmet coffee beverages in the past day. The past day consumption was higher with 25 to 39 year olds; the NCA reported it was 41%. Their definition of gourmet coffee included traditional coffee and espresso based beverages, and the demand for these products should be here to stay unless consumer taste changes significantly (National Coffee Association, 2016).

Organization Feasibility

Resource Requirements

In our business, we will require staff that is knowledgeable about coffee and enthusiastic. To ensure quality product, we will need to either develop relationships or hire staff that can taste

special notes in coffee we are buying. Since we are focused on quality of product instead of quantity we must be selective in the coffee we purchase. This isn't to say that we ignore turnover. Coffee has a relatively low margin, and since we are a middleman, we must have high turnover. We will need large amounts of different types of green coffee. We will also need staff that is licensed to drive a forklift to move the weight of our inbound shipments.

We will likely have to partner with a firm to help us with branding for business to business sales. The Business Grind will need to have a positive image to be able to make new relationships and grow current ones. We expect to hire someone to be able to help us with that after the first year of operations.

We will need the proper equipment such as scales and containers to keep the coffee separated once out of the original bags to comply with organic certification. We will need to have a vehicle to respond to orders where we cannot use less than truckload shipping. We will be able to combine the shipments to the warehouse from the ports, but shipping to individual locations will require more flexibility.

We will be in a warehouse outside of Atlanta that has total area of 5000sqft. The location offers connection to most major interstates in the Southeast and reasonable distances to the ports where coffee will be purchased. The lease for the building space will be a modified gross lease where the insurance and utilities are paid by us but the property taxes are covered by the lessor

Financial Feasibility

Total Startup Cash Needed

Based on demand projection and the expectation to outperform the current coffee production growth expectations, we expect to grow at 25% a year for the first two year. To be able to meet this demand and to have the facilities, staff, and equipment necessary to operate, we

will need an initial capital investment of \$539,265. This will be facilitated through loans and an initial capital investment of \$50,000 from the owner. The startup capital will be used to purchase equipment, pay relevant expenses for the first six months of operation, and purchase inventory that is necessary to operate as a distributor. The main cost incurred by the business is that of inventory.

We are operating under the expectation that we will be able to partner with small and large roasters at the beginning of operation. These partnerships will allow us to have consistent sales of coffee and will help us grow as our brand becomes well known. The expectation is to enter the market having already made partnerships that started at least six months prior to start of operations. The current projections that we are using have based the expected sales on selling to 27 mediums sized, busy cafes. This number would be lower if focused on roasters, because the sales amount is coming out to be about 21 bags of coffee sold a week. This is assuming 132 pounds per bag. Based on demand and the size of the south-eastern market, we believe that number to be reasonable and attainable especially if the roasters or cafes rely on our warehousing for their business.

Revenue Drivers

Our revenue drivers are the amount and type of coffee we sell. We are dependent on the continued sale of large amounts of green and roasted coffee. We see that the sale of green coffee makes up a large portion of our sales, but that the roasted coffee has a higher margin. Therefore, this is our primary focus, because otherwise we may not be able to make the sales that we need. The margin on the product is much better, and the consumer, depending on the roaster, is getting a product with which they are familiar. For green coffee to be our number one revenue driver, we

would need to be selling almost 17% more green coffee to match the breakeven point of our current ratio of about 60-40 green to roasted sales.

However, with our expected growth, there will become a point where the accounts' demand will be limited for roasted coffee. When demand wanes, we will transition to focus more on the sales of green coffee. The connections and accounts we will gain as we grow are the main reason for selling the roasted coffee. As we sell a higher volume, our margins will increase with our green coffee so that we will be less reliant on our roasted coffee sales.

Overall Financial Attractiveness of Proposed

Based on the proposed growth and accounts, we calculate that the breakeven point of pounds of green coffee and roasted coffee sold will need to total 11,210 pounds of coffee a month at the current ratio of 58.8% green to 41.2% roasted coffee. This is a sizeable amount of coffee. To be able to sell this amount in the beginning months, we will need to have relationships and account ready to sell to at the time of operation. This will require prior planning.

The expected growth for sales and net income is reasonable in our opinion. We understand that we will not be able to sell large quantities of a single type of single origin coffee to each account, but we believe that our sales would reflect a competitive amount of sales to around 10 roasters. This is based on them servicing shops equaling three hundred pounds of coffee purchased a week.

If this amount of sales is not reachable in the first few months of operation, then it would be better for The Business Grind and its employees to look for other opportunities. The majority of the costs associated with this type of business are those attributable to inventory like cost of goods sold. The inventory needed on hand is large and to have the amount needed to respond to client demand requires a significant investment of money. The most reasonable way to recover

The Business Grind, LLC

from the lack of relationships or missed projections in demand is to switch our target audience.

The margins for selling to home roasters or micro-roasters are attractive, and selling to them could be an option if the large-scale distributorship is not successful.

Conclusion

We believe that this business venture can be successful with long term viability even amongst decreasing per capita demand. The demand for high quality coffee appears to be the new normal for the coffee industry, and it would be advantageous to be close to the front end of this trend in the south east.

References

Alvarez, A. (2017). *Coffee & Snack Shops in the US* (Rep. No. IBISWorld Industry Report 72221b). IBISworld. doi:
<http://clients1.ibisworld.com/reports/us/industry/default.aspx?entid=1973>

Assessing and Managing Environmental and Social Risks in an Agro-Commodity Supply Chain . (2013). International Financial Corporation. World Bank Group. Retrieved November 11, 2016, from
http://www.ifc.org/wps/wcm/connect/138bd80041bb99d6846e8400caa2aa08/IFC_Handbook_AgroSupplyChains.pdf?MOD=AJPER

Bestbuy.com. (2017, April 4). Microsoft Surface Tablets. (n.d.). Retrieved from
<http://www.bestbuy.com/site/microsoft/microsoft-surface-tablets/pcmcat374700050016.c?id=pcmcat374700050016>

Coffee Guide: QA 142 (QA 142). (2007, March 23). Retrieved April 20, 2017, from International Trade Centre website: <http://www.thecoffeeguide.org/QA-142/>

Coffee: World Markets and Trade. United States Department of Agriculture. (2016, December). Retrieved November 11, 2016, from <https://apps.fas.usda.gov/psdonline/circulars/coffee.pdf>

Commercialtrucktrader.com. (2017, April 4). 2012 ISUZU NPR HD BOX TRUCK - STRAIGHT TRUCK in Greenville, SC. (n.d.). Retrieved from
<http://www.commercialtrucktrader.com/listing/2012-Isuzu-Npr-Hd--120109895>

Contract Terms and Conditions (Issue brief). (2010, April 22). Retrieved
http://greencoffeeassociation.org/images/uploads/resources/PROFESSIONAL_RESOURCES_-_Contract_Terms_Conditions.pdf

Disappearance (consumption). (2016). International Coffee Organization, Retrieved
<http://www.ico.org/historical/1990%20onwards/PDF/4b-disappearance.pdf>

Equipmenttrader.com. (2017, April 4). 1999 CATERPILLAR NOR30P FORKLIFTS in ROCK HILL, SC. (n.d.). Retrieved from <http://www.equipmenttrader.com/Lifting-Equipment/listing/1999-Caterpillar-NOR30P-120221292>

Fitter, R. and Kaplinksy*, R. (2001), Who Gains from Product Rents as the Coffee Market Becomes More Differentiated? A Value-chain Analysis. *IDS Bulletin*, 32: 69–82. doi: <http://onlinelibrary.wiley.com/doi/10.1111/j.1759-5436.2001.mp32003008.x/abstract>

Floorscalesonline.com. (2017, April 4). 5' x 5' Floor Scale - 10,000lbs. (n.d.). Retrieved from <http://www.floorscalesonline.com/5-x-5-floor-scale-10-000lbs/?gclid=CMqO2-LQhtMCFYEZgQod3AMMmw>

Fry, R. (2015, May 11). Millennials surpass Gen Xers as the largest generation in U.S. labor force. Retrieved from <http://www.pewresearch.org/fact-tank/2015/05/11/millennials-surpass-gen-xers-as-the-largest-generation-in-u-s-labor-force/>

Fry, R. (2016, April 25). Millennials overtake Baby Boomers as America's largest generation. Retrieved from <http://www.pewresearch.org/fact-tank/2016/04/25/millennials-overtake-baby-boomers/>

Grocery Headquarters. (n.d.). Leading vendors of regular ground coffee in the United States in 2016, based on sales (in million U.S. dollars). In Statista - The Statistics Portal. Retrieved March 23, 2017, from <https://www.statista.com/statistics/188313/leading-regular-ground-coffee-vendors-in-the-united-states-in-2011/>.

Katherine Taken Smith & Tracy R. Brower (2012) Longitudinal study of green marketing strategies that influence Millennials, *Journal of Strategic Marketing*, 20:6, 535-551, DOI: 10.1080/0965254X.2012.711345

Hartford, M. (2015, March 31). One Coffee's Transit Story. Retrieved from <http://www.sustainableharvest.com/one-coffees-transit-story/>

Hill, M. (2015, September 15). The Cost of a Cup of Coffee: Where Does the Money go? [Web log post]. Retrieved from <http://scaa.org/chronicle/2014/09/15/the-cost-of-a-cup-of-coffee-where-does-the-money-go-2/>

ICO. (n.d.). Coffee consumption worldwide from 2012/13 to 2015/16 (in million 60kg bags). In Statista - The Statistics Portal. Retrieved March 23, 2017, from <https://www.statista.com/statistics/292595/global-coffee-consumption/>.

ICO Composite & Group Indicator Prices. (2016). International Coffee Organization. Retrieved from <http://www.ico.org/historical/1990%20onwards/PDF/3c-indicator-prices.pdf>

Importing into the United States: A Guide for Commercial Importers (Publication No. CBP Publication No. 0000-0504). (2006). United States Customs and Border Protection. Doi: <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

Leibtag, E., Nakamura, A., Nakamura, E., & Zerom, D. (2007). Cost Pass-Through in the U.S. Coffee Industry (Working paper No. Economic Research Report Number 38). United States Department of Agriculture. March 23, 2017
:https://www.ers.usda.gov/webdocs/publications/err38/11743_err38fm_1_.pdf

Leslie Lu, Dora Bock, Mathew Joseph, (2013) "Green marketing: what the Millennials buy", *Journal of Business Strategy*, Vol. 34 Issue: 6, pp.3-10, doi: 10.1108/JBS-05-2013-0036

Loopnet.com. (2017, April 4). Retrieved from <http://www.loopnet.com/Listing/20059156/4523-Fulton-Industrial-Blvd-Atlanta-GA/>

National Coffee Association. (n.d.). Total coffee per capita consumption in the United States from 2011 to 2016 (in cups per day). In Statista - The Statistics Portal. Retrieved March 23, 2017, from <https://www.statista.com/statistics/456360/total-us-coffee-per-capita-consumption/>.

National Coffee Drinking Trends 2016 (NCA Market Research Series). (2016). NCA.<http://michmerch.com/data/documents/National-Coffee-Drinking-Trends-2016-Market-Research-Reports.pdf>

Palmer, T. (2017, January). *The Retail Market for Coffee in the US* (IBISWorld Industry Report OD6098). doi: <http://clients1.ibisworld.com/reports/us/industry/default.aspx?entid=6098>

Progressive Grocer. (2016). Coffee sales growth in the United States in 2016, by category*. In *Statista - The Statistics Portal*. Retrieved March 23, 2017, from <https://www.statista.com/statistics/543639/us-coffee-retail-sales-category/>.

Richardson, T. (2014, March 31). Coffee beans perk up port business. *The Post and Courier*. Retrieved from http://www.postandcourier.com/business/coffee-beans-perk-up-port-business/article_e04428ad-b56a-5859-a24e-0f3552fb910d.html

Smith, N. (2014, November 5). What Costs Are Involved When Leasing Warehouse Space? [Web log post]. Retrieved from <https://www.austintenantadvisors.com/blog/costs-involved-leasing-warehouse-space/>

Specialty Coffee Association of America. (November, 2009) SCAA Grading Protocols. Retrieved March 23, 2017, from <http://www.scaa.org/PDF/resources/grading-green-coffee.pdf>

Stivaros, C. (2017). Coffee Production in the US (IBISWorld Industry Report 31192a). IBISworld. Retrieved March 22, 2017, from <http://clients1.ibisworld.com/reports/us/industry/default.aspx?entid=272>

Uline.com. (2017, April 4). Plastic Drum - 15 Gallon, Closed Top, Natural. (n.d.). Retrieved from <https://www.uline.com/Product/Detail/S-19418/Drums/Plastic-Drum-15-Gallon-Closed-Top-Natural?pricode=WY582&gadtype=pla&id=S-19418&gclid=CPCegImth9MCFdgYgQodtgcICA&gclsrc=aw.ds>

United States Census Bureau, Public Information Office. (2015, June 25). *Millennials Outnumber Baby Boomers and Are Far More Diverse*, *Census Bureau Reports* [Press release]. Retrieved April 20, 2017, from <https://www.census.gov/newsroom/press-releases/2015/cb15-113.html>

The Business Grind, LLC

United States Department of Agriculture, Agricultural Marketing Service. (2013, September). *New Orleans, LA Port Region*. Retrieved from <https://www.ams.usda.gov/sites/default/files/media/Port%20Profiles%20New%20Orleans%20Region.pdf>

United States Department of Agriculture [National Organic Program 7 CFR 205 Accreditation for Georgia Crop Improvement Association, Inc. (GCIA)]. (2012, May 12). <https://www.ams.usda.gov/sites/default/files/media/NOP%20GCIA.pdf>

Webstaurantstore.com. (2017, April 4). 12" x 10" Standard Weight 1 Gallon Seal Top Bag - 250/Pack. (n.d.). Retrieved from <http://www.webstaurantstore.com/12-x-10-standard-weight-1-gallon-seal-top-bag-250-pack/130F21012G%20%20250.html>

7 CFR 205.201 - § 205.201 Organic production and handling system plan. <https://www.law.cornell.edu/cfr/text/7/205.201>

7 CFR 205.100 , § 205.100 What has to be certified. <https://www.law.cornell.edu/cfr/text/7/205.100>