

Entrepreneurship Participating Event

Franchise Business



UTS DECA Chapter
University of Toronto Schools
371 Bloor St West
Toronto, ON, M5S 2R7

Kristen Gracie

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I. EXECUTIVE SUMMARY

Description of Franchise

Founded in 1975, The Second Cup Ltd. is Canada's largest specialty coffee franchisor with over 360 locations across Canada. Although it has many competitors, including Starbucks, Tim Hortons and McDonalds, it offers a growing number of consumers the fine quality of coffee they are looking for. Second Cup provides a wide variety of fairly traded coffees, with Rainforest Alliance certifications guaranteeing ecological and sociological sustainability.

Overview of Industry

1. Over 65% of adult Canadians drink coffee leading to a thriving market that is continuing to expand
2. The market penetration of specialty coffee increased from 32% to 36% between 2009 and 2010
3. Consumers are supporting sustainable initiatives cafés and brands are adopting concerning the sourcing of coffee

Business Situation

With no existing Second Cup locations in Kingston, Ontario, the city of 123,000 is an ideal location to open my franchised business. Including the vibrant downtown, the Sydenham neighborhood features the target market my business needs: a young and relatively wealthy population.

Proposed Promotion Plan

- Baristas:
 - Well trained to ensure excellent quality products
 - Good interpersonal skills for customer interaction
- Café:
 - Relaxing and comfortable décor
 - Efficient, clear layout
- Media:
 - Local newspaper and radio advertisements to gain opening attention
 - Use social media platforms to interact with the community and loyal customers
 - Sponsorship of community events and local sport teams

Proposed Financing Plan

The proposed business will require start-up capital of \$370,000 to cover the \$40,000 franchise fee, \$30,000 of working capital and the \$300,000 that will be required to renovate the café and buy equipment. \$170,000 of my personal assets will be contributed, covering the franchise fee, the working capital as well as \$100,000 of the construction costs. The rest of the funds will be acquired through a loan from an investor. The \$200,000 loan will be paid back over a 10-year period with a 7% interest rate.

II. DESCRIPTION AND ANALYSIS OF THE BUSINESS SITUATION

A. Rationale and Marketing research

Over half of the adult population in Canada drinks coffee. According to the Coffee Association of Canada the number of adult coffee drinkers in Canada rose from 62% to 65% (2009 to 2010). In 2012 coffee remained the fastest growing category in Canada's hot beverage market. Though this is mainly due to the rising success of single cup pod systems for at home consumption, there is very good forecasted growth overall in hot beverages in foodservice sales:17% between 2012 and 2017. Not only is the coffee market thriving but the penetration of specialty coffee increased from 32% to 36% (2009 to 2010). This trend has continued as Canadians are willing to pay more for finer quality coffee and are apt to try the new flavours and blends flooding the market. As well, consumers are becoming more knowledgeable about where their coffee is coming from and are supporting sustainable initiatives cafés and brands are starting to adopt.

The Second Cup Ltd. is Canada's largest specialty coffee franchisor with over 360 locations across the country. Although it faces fierce competition from companies such as Starbucks, Tim Hortons and even McDonalds, it offers the fine quality coffee a growing number of consumers are looking for. With a Fair Trade Certification, Rainforest Alliance certified and certified organic coffee beans, Second Cup is committed to being responsible for where its coffees come from and how they are grown.



Figure 1: The different certifications Second Cup features on their coffees (from left to right Rainforest Alliance, Fair Trade Certification and Certified Organic).

B. Introduction

Second Cup started in 1975 as a shopping mall kiosk that sold only whole bean coffee. It changed hands many times until 2009 when the trade mark rights were split between Canadian operations (The Second Cup Ltd.) and international operations (The Second Cup Coffee Company Inc.). It offers a wide range of coffees, lattes, teas, baked goods and other specialty drinks. The cafés are comfortable and inviting with leather armchairs, fireplaces and free wifi to create the best environment for meeting friends or just enjoying a quiet cup of coffee. Second Cup is similar to Starbucks Coffee as they have similar high quality products and prices. However there are some important differences between the two companies, for example Starbucks is a corporate-run American company while Second Cup is a Canadian based franchise. In addition Second Cup cafés are typically warmer and more welcoming as Starbucks cafés have pretense due to features such as differently named sizes.

C. Self- Analysis: Personal Experience and Training

I am an entrepreneur with a wide skill set that will allow me to succeed as a franchisee. I attended Queen's University in Kingston, Ontario. There I completed one of the top business programs in the country, earning a Bachelor of Commerce as well as a Master's of Business Administration in the five years I studied there. These programs fostered my talent and passion for business as well as allowing me to make Kingston my second hometown. This will greatly help me to open my café as I am extremely familiar with the area and the student population. I then interned and subsequently worked at Cara Operations Limited. Cara is a Canadian company that owns several very successful restaurant franchises, including Second Cup from 2002 to 2006. This experience allowed me to gain considerable knowledge and understanding of the franchise industry especially restaurant franchises. Combined this knowledge and experience gives me a solid foundation to build my business on.