Study on the Business Plan for a Venture Cafe by Employing Several Models and Statistic Data from the Internet

Dawn Cheng

Harbin Engineering University A-level course centre
Harbin, Heilongjiang, 150000, China

ABSTRACT: The business plan presents an overall idea and operation of a venture cafe by employing several models and statistic data from the internet. It shows the feasibility of this business idea and could be used to figure out drawbacks lying in this idea in order to refine the business.

KEYWORDS: Business, plan, Service Description, force model, SWOT analysis, Production manufacturing, Risk Control

Section One : Basic information of company

My business is a venture cafe that provides services including drink and food, independent areas, low-budget advertisement and venue rental for not only entrepreneurs but also normal customers for cafes.

The business is going to be located in Chaoyang District, the industrial base of Beijing. This is because Beijing has most entrepreneurs in China and is most suitable for entrepreneurship due to research, which means my business is able to attract most customers in Beijing. Meanwhile, as the industrial base, my business and entrepreneurs in my cafe have access to various raw materials nearby, reducing costs for my and entrepreneurs’ businesses.

A venue of 200 to 300 m$^2$ on commercial streets is required to provide independent space for entrepreneurs to work in the shop and guarantee stable pedestrian volume.

About time, the cafe is temporarily decided to open in June or July of 2021. Owning to the recent COVID-19, it will be hard for my business to open now and attract customers. According to Doctor Nanshan Zhong’s prediction1, the epidemic
will finish earliest in autumn. So the graduating season next year is chosen, since there would be most graduates and potential customers in a year. However, since there won’t be accurate time when the epidemic will end, the time to open would be revised.

Section Two: The Main People in the Company

My business is going to have three employees including a waiter, a coffee maker and a cook. The waiter costs ¥4829 per month on average in Beijing\(^2\) and is responsible for ordering and passing food and drinks. The coffee maker costs ¥3842 per month on average in Beijing\(^3\) and is responsible for the production of coffees and other drinks. The cook costs ¥10933 per month on average in Beijing\(^4\) and is responsible for production of food.

Section three: Service Description

For all customers, my business is providing food and drink with good environment in shop. For entrepreneurs, information about their businesses would be collected, independent working area, free printing and internet would be provided. Also, my employees would look for information online which are needed by entrepreneurs for free. For example, if an entrepreneurs is looking for labour, we will help searching for workers who are qualified for the entrepreneurs’ requirement, saving time for him. Meanwhile, my business sell low-budget advertisement on

\(^2\) https://www.360kuai.com/pc/9a43267cb0c8c3374?cota=3&kuai_so=1&sign=360_57c3bbd1

\(^3\) https://www.360kuai.com/pc/9a43267cb0c8c3374?cota=3&kuai_so=1&sign=360_57c3bbd1

\(^4\) https://www.360kuai.com/pc/9a43267cb0c8c3374?cota=3&kuai_so=1&sign=360_57c3bbd1
coffee cups sold every day. Finally, for businesses, the shop would be rented when it is not in use, collecting venue rental from businesses that need space to hold activities.

Section Four: Industry and Market

There are three groups of consumers including entrepreneurs, normal customers and businesses.

Entrepreneurs: The proportion of graduates in China who want to start their own businesses has been increasing from 1.6% in 2011 to 3% in 2017 which means there were already 238,500 potential entrepreneurs in 2017, and researches have shown that the number is still growing. Therefore, there will be rising number of entrepreneurs who need working space to start up a business. However, the rentals are fairly expensive for new firms, causing huge cost for start-up businesses. Thus, a working place with cost of only a cup of coffee would be demanded.

Normal customers: The scale of coffee market was continuously rising from 2014 to 2018, and is predicted to reach RMB 330billion in 2024, showing more and more demand for coffee. Therefore, there will be more and more demand for coffee sold in my shop.

Business: Businesses sometimes need venue to hold activities, because it is difficult to manage the activities in their own place and clean up after activities. Therefore, businesses will choose to rent places to hold activities, and my shop will be rented when it is not in use.

Advertisement: Entrepreneurs lack funding, whilst advertisement is indispensable for their businesses. Therefore, my business will print advertisement for entrepreneurs with low-budget advertisement fee. Since the shop is located on commercial streets, many customers and managers in other firms buying our coffees will notice the advertisement, which is strongly supporting entrepreneurs and attractive to them.

All these four groups combine and become a huge potential market for my business to grow and survive in the market. And later, five competitive force model, competitive advantage and SWOT would be used to analyse the business.

---

5 http://www.ce.cn/xwzx/gnsz/gdxw/201710/10/t20171010_26483378.shtml
6 https://www.mrcjcn.com/n/294584.html
7 https://www.qianzhan.com/analyst/detail/220/191111-3b367050.html
Five competitive force model

Substitutes and rivalry: Substitutes are renting plants, apartments. They are costing too much for new entrepreneurs who need a large quantity of money. Rivalry comes from business incubators, maker space and other venture cafes.

As mentioned before, most cafes are operating bad, which is the reason why many of them failed. Also, my business is going to provide free services for entrepreneurs. For example, we will collect information about entrepreneurs’ business, helping them look for useful resources and relevant labour. These services come from online resources which are generally free, accessible to anyone and do not take long time for my business to provide the service. However, these services are not profitable, so other cafes are not likely to provide them. For entrepreneurs, though they are capable to do the job themselves, they are not paying and my business is saving time for them. As a result, both threats from substitutes and rivalry are considered to be low.

Buyers:

Entrepreneurs lack funding, but our products and services are affordable and relatively cheap. So entrepreneurs can accept the price.

Normal customers are generally white-collars who have adequate sources of income, which means they are less sensitive to price as long as the service is outstanding.

Businesses holding activities are usually successful businesses that are not sensitive to price of venue rental. Meanwhile, the price that my business is charging is the average level.

Therefore, for all of my buyers are less likely to argue about the price, and the bargaining power of buyers is also low.

Suppliers:

For the venue, there is vacancy rate of 13.5\%\(^8\), indicating supply exceeding demand. And therefore the price level has fallen by 1.5\%. So suppliers of land are not going to ask for high prices, otherwise, they will have no customers.

For labour, there are plenty of workers for jobs in my cafe, and the average price in Beijing was fairly low and acceptable. My business is going to pay higher than average level to hire high-quality workers and services and prevent them from bargaining, since the salary offered is attractive.

\(^8\) https://m.kanzhun.com/salary/36339/
My business will need equipment that any cafe and restaurant need, and there are various suppliers. So I can switch from one to another if the first supplier tries to charge higher price.

Thus, the bargaining power of suppliers is low.

New entrants:

The threats from new entrants are considered to be strong, because the market has a low barrier to entry. As long as my business is successful, many entrants will emerge and try to simulate my business, increasing competition in the market.

Competitive advantage

My business is not selling a cup of coffee or a dish of food to my customers. Instead, we are selling a place for people to take a break and enjoy the day, an office for entrepreneurs to pursue their dreams and far and near help from who don’t actually know them before they step into my cafe. Thus, no cafe knows our customers as we do.

Then how to sustain the competitive advantage and threats from new entrants?

As soon as my business becomes successful, I will do the business in multiple stores to establish a brand, try to discover new services for entrepreneurs and lower price to increase competitiveness. By doing so, our competitive advantage is continuously enhanced and it would also be more difficult for new entrants to compete with an already existing brand.

SWOT analysis

Strength: as I mentioned, my business is going to pay a lot for employment. In return, we will provide good quality of foods, drinks and other services that normal venture cafes do not provide. Also, the location on commercial streets ensures stable pedestrian volume and convenience for entrepreneurs and my business to access to raw materials. Finally, my business have various sources of income that enhance our ability to stand risks.

Weakness:

Since entrepreneurs are about to order a cup of coffee and stay for most of the day, there will be low turnover rate in the shop. To solve the problem, my business is going to operate as normal cafes at noon and in the evening, providing meals instead of working space. Therefore, we can keep most of eaters in a day and leave rest of the day for entrepreneurs to work. Therefore, the turnover rate is improved.

Meanwhile, my business requires large area and therefore high rental and relatively
higher prices. The prices is about to be less attractive to consumers. Fortunately, good quality of services and additional services are still attractive, offsetting the influence by higher price.

Opportunity:

There are policies that increase loan limit and encourage entrepreneurship. So there will be more new entrepreneurs who are our potential customers and the cost for my business to start is also reduced.

Meanwhile, due to the research, the continuously increasing coffee market is also benefiting my business.

Threats:

There are many substitutes existing in the market, but they are providing less services than we do and relies on only entrepreneurs. By contrast, we have various sources of income, which makes my business easier to survive.

Resulting from the epidemic, it may take years for the economy to recover. But meanwhile, many bankrupt firms and unemployed workers will probably start new businesses, increasing potential customers.

Section Five: Marketing Strategy

My business would hand out leaflets and free coffees on the streets and in entrepreneurship bases to attract customers and have them try out products. Therefore, as long as our products have high quality, customers would be appealed to my shop.

Also, my business is going to sponsor entrepreneurship clubs in universities which would advertise for my cafe. Then university students who wants to have their own businesses would be recommended to my cafe and be my potential customers.

Section Six: Production manufacturing

Equipment:
Coffee machine & Coffee grinder
Pots & Pans

---

9 http://www.gov.cn/zhengce/2020-04/17/content_5503345.htm
Table & Chairs
Kitchenware....
They are mostly are cheap, ranging from several thousand to 20 thousands, costing about RMB 100k in total.
Special requirements:
Natural gas & water to cook
Be near the street to attract pedestrians
Good ventilation & quiet environment for customers to enjoy
Independent areas for entrepreneurs to work

Materials:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drink: Coffee beans &amp; milk &amp; fruits</td>
<td>¥3/drink</td>
</tr>
<tr>
<td>Food: Meat &amp; vegetables &amp; flavouring</td>
<td>¥10/dish</td>
</tr>
<tr>
<td>Promotion: paper cups</td>
<td>¥0.5/cup</td>
</tr>
</tbody>
</table>

Production:

- drinks--within 5 minutes
- Food--30-60 minutes.

Problem: Sometimes, there are too many orders at the same time and it is difficult for cook and coffee maker to respond to the orders, which is a common problem among food industry.

Solution: Firstly, we will provide fruit plate for customers to eat before having what they have ordered and wait for a while. Also, we will prepare semi-manufactured food in advance to speed up the production of food and drinks, increasing ability to respond to quick orders.

Section Seven: Financial Forecast

Costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>¥100k+/year</td>
</tr>
<tr>
<td>Staff</td>
<td>¥200k/year</td>
</tr>
<tr>
<td>Costs for food &amp; drink</td>
<td>¥220k/year</td>
</tr>
</tbody>
</table>
Among all costs, rental and utilities and costs for food and drink account for the largest proportion.

To reduce rental and utilities, my business will purchase the shop instead of renting at the beginning as soon as my business is making enough profit to purchase. Then there will be no monthly rental for my business.

To reduce costs for food and drink, long-term contracts would be made for cheaper raw material corresponding to large quantity and constant purchase from one supplier.

### Section Eight: Risk Control

This idea is fundamentally an integration of maker space and normal cafes, because there are some limitations of maker space which is about to emerge again as 2015 when maker space and venture cafes were supported by the Chinese government whilst most of them died out in the following months. The distinction of my business is that it avoids mistake made by previous venture cafes--rely heavily
on entrepreneurs and internet services. By contrast, my business discovered various sources of income, increasing the ability to stand risks, survive and succeed in the market.

References

[1] https://www.360kuai.com/pc/9a43267cb0e8c3374?cota=3&kuai_so=1&sign=360_57c3bbd1&refer_scene=so_

[2] https://www.liepin.com/city-bj/zhaopin/?dqs=010&salary=&isAnalysis=true&init=1&searchType=1&fromSearchBtn=1&jobTitles=&industries=&industryType=&d_headId=b5be5b5d79be009f4e968cc6ca0e5c58&d_ckId=b5be5b5d79be009f4e968cc6ca0e5c58&d_sfrom=search_city&d_curPage=0&d_pageSize=40&itag=&key=%E6%9C%8D%E5%8A%A1%E5%91%98

[3] https://www.liepin.com/city-bj/zhaopin/?dqs=010&salary=&isAnalysis=true&init=1&searchType=1&fromSearchBtn=1&jobTitles=&industries=&industryType=&d_headId=b5be5b5d79be009f4e968cc6ca0e5c58&d_ckId=b5be5b5d79be009f4e968cc6ca0e5c58&d_sfrom=search_city&d_curPage=0&d_pageSize=40&itag=&key=%E5%92%9A%E5%B8%88

[4] https://www.liepin.com/city-bj/zhaopin/?dqs=010&salary=&isAnalysis=true&init=1&searchType=1&fromSearchBtn=1&jobTitles=&industries=&industryType=&d_headId=b5be5b5d79be009f4e968cc6ca0e5c58&d_ckId=b5be5b5d79be009f4e968cc6ca0e5c58&d_sfrom=search_city&d_curPage=0&d_pageSize=40&itag=&key=%E5%8E%A8%E5%B8%88


[8] https://m.kanzhun.com/salary/36339/