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The Green Bean Coffee House: An exploration of the specialty coffee Industry and sustainable business practices

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Recommended Citation

Hunt, Evan, "The Green Bean Coffee House: An exploration of the specialty coffee Industry and sustainable business practices" (2009). *Senior Honors Projects*. Paper 138.

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The Green Bean Coffee House

Executive Summary

The coffeehouse has always been a centre for quality drinks and those who like to socialize, relax and share ideas over a cup of coffee. The Green Bean Coffee House, located in Boston, will bring together a community of students, intellectuals, professionals, and those who enjoy an artful brew, over a cup of coffee and a conscience. The Green Bean will be as dedicated to its sustainable operations as it is to providing the freshest and finest coffee, tea, and baked goods. Not only will all the offerings at the Green Bean be certified as having met a wide range of sustainable production and trade standards, all business operations will be zero waste and eco-conscious at all times.

1.1 Objectives

- 1.) Sales of \$165k in the first year and more than \$170k in the second.
- 2.) Maintain personnel costs less than \$120k in the first two years.
- 3.) Become profitable in the beginning of the second year of operations.
- 4.) Maintain sustainable operations at all costs. This mean practicing direct-trade while sourcing all products, minimizing our eco-footprint, operating a frugal and efficient business at all times, and match all growth with the appropriate amount of “greening” necessary.
- 5.) Integrate ourselves into the community as a retailer of fine specialty coffee, as well as a model, educator, and consultant of green business in the area.
- 6.) Make the Green Bean Coffee House an establishment known for its connection to local arts, recreation, academia and the green-business movement.

1.2 Mission

Many Americans are getting sick of the way things have become and the way things are, from the government to the quality of food we put into our bodies. We are upon a new frontier, people are changing the way they live and consume. The days of quantity over quality are fading. Many consumers are making purchases and consumption decisions based on more than a simple cost analysis. How and where a given product was produced, whether or not the trade involved of a given product was truly ethical, and what are the environmental implications of getting that product to the final consumer, are all, or should be, just as important factors as cost when making consumer decisions.

In the case for coffee, the time for an artisan intervention has arrived. No longer are the days when the masses knew coffee as dry brown grindings that provide a bitter caffeine jolt. With communication technology today and the means available to a small group of Westerners, it is now possible to source the best tasting raw coffees directly from the growers and cooperatives themselves. This model of “direct trade” enables the buyer to establish close relationships with producers to further influence and enhance the quality of the coffee grown, as well as enables the buyer and producer, as business partners, to set the price and production standards.

The Green Bean will Offer the finest specialty coffee and tea from around the World, within a relaxed, classic coffeehouse atmosphere. Each drink on the menu will be certified either organic,

fair trade, rainforest alliance or a combination of these and other certifications; to ensure that all products have been produced and traded in the most environmentally and socially sustainable ways. All coffee will be roasted onsite to ensure that all coffee served per cup and in bulk has been artfully roasted in small batches, using a wide variety of green coffee beans. All baked goods will be purchased from local bakers that use only the best local and organic ingredients. The Green Bean and its entire staff will be dedicated to minimizing its carbon footprint by practicing zero waste, environmentally sustainable business operations. The Green Bean Coffee House will be completely dedicated to promoting sustainable growth, both home and abroad, in the regions where our products originate. Although at face value the Green Bean Coffee House is retail business, the heart of operations is based on an alternative approach to the for-profit venture. An approach that uses the for-profit venture as a vehicle to promote sustainable international development, protect mother nature, and views coffee as an intriguing and dynamic product, not simply a commodity.

Company Summary

The Green Bean Coffeehouse LLC will be an independently owned café in the heart of Boston. The main focus of the Green Bean will be to serve a wide selection drinks using the finest sustainable coffee, roasted onsite, while operating the most environmentally and socially responsible business possible. The Green Bean will be active within the community, working towards furthering the green movement. The key to The Green Bean's financial success will be based upon the aforementioned offerings and practices.

2.1 Company Ownership

The Green Bean Coffeehouse will be owned by Jeffery and Evan Hunt, equal partners in ownership, and operate as a Limited Liability Corporation.

2.2 Start-up Summary

The founders of the company are Evan and Jeffery Hunt. Both partners will share mutual responsibilities in making decisions regarding operations, growth, marketing, and finances. Both founders will use past experience in management and customer service, along with the combined knowledge of business practices and sustainability to run a modern coffee house that operates ethically, efficiently, and is as environmentally sustainable as possible.

There are several potential locations we have found that are within the perfect market and cost around \$5,000 to secure the lease. We plan have the store up and running in a short amount of time and will be profitable half way through the second fiscal year. Renovating, equipping, and operating the store will be done as cost effective and efficiently as possible. We plan to come up with a total of \$40,000 in capital, plus a \$50,000 SBA-guaranteed loan, to start up the company.

Start Up Requirements

Lease Down Payment	\$ 5,000.00
Leasehold Improvements	\$ 10,000.00
Retail Equipment	\$ 30,000.00
Fixtures	\$ 10,000.00
Pre-Opening	\$ 10,000.00
Inventory	\$ 5,000.00
Total Initial Costs	\$ 70,000.00
Working Capital Required	\$ 20,000.00
Total Capital Required	\$ 90,000.00

Capitalization of Start Up Funding

Cash Investment	\$ 20,000.00
Cash for Working Capital	\$ 20,000.00
Total Cash Required	\$ 40,000.00
Loan Proceeds	\$ 50,000.00
Total Capital Required	\$ 90,000.00

Services

The Green Bean Coffee House will offer a large menu of specialty coffee drinks, a simple menu of local baked good, as well as large selection of coffee by the pound. They will come for the drinks and stay for the atmosphere as they say. Customers will also have the chance to go on-line and purchase our coffee via mail-order. Any patron looking for home brewing equipment, or more information on coffee or sustainability, will find it in our coffee house. Along with the coffee selection, our efforts toward making sustainable business, business as usual can be view as an alternative service.

3.1 Service Description

- 1.) Drink Menu- the Green Bean Coffee House will offer a wide range of different coffee and tea drinks. Different roasts will include American, Full City, Vienna, French, and Espresso. Everything from a simple cup of black coffee or tea, to an Espresso Mocha Latte or café Americano can be found on our menu.
- 2.) Bulk Coffee Selection – This is our 20+ varieties of different coffee roasts that will be offered by the pound, in store. Each roast will be unique and contain distinct flavor characteristics.
- 3.) Premium sustainable coffee roasted on site- Coffee beans will be imported fresh from places such as, Costa Rica, Brazil, Colombia, Peru, Mexico, Ethiopia, Kenya, Sumatra, Nicaragua, and Guatemala, so to always offer the widest variety and best tasting coffee in Boston. Roasting the beans onsite will allow for the artful crafting

- and attention to detail necessary to producing the perfect Dark, Medium, and light roasts and blends. On site roasting will also allow the Green Bean to further reduce its carbon-footprint by eliminating emission associated with shipping and transportation of roasted coffee beans.
- 4.) Online Coffee Sales- Along with selling drinks and coffee by the pound from the coffee house, The Green Bean will operate a mail order business from the company website, allowing our coffee to be sold nationwide.
 - 5.) Local Baked goods- The Green Bean will offer baked goods such as biscotti and other Italian cookies from the best bakeries around Boston and providence. Each desert will be fresh and the perfect accompaniment to a cup of coffee.
 - 6.) Community Development- the Green Bean will be active within the community promoting the green lifestyle by example. All operations will be as environmentally and socially sustainable as possible. The Green Bean will strive to work with local businesses, bringing together those interested in greening operations. The Green Bean will host short, yet engaging monthly lectures on the topic of green living (personal waste reduction, social and environmental issues/activism, healthy living, etc). For Patrons interested in learning more about how their purchases benefit the environment and the local economies of where our coffee is produced, and what they can do to further make a difference, educational material will be available. The Green Bean will support local arts and recreation, by featuring local art in the café, hosting live music, and holding weekly gatherings for those interesting in activities such as cycling, climbing, hiking, and more.
 - 7.) Coffee Accessories- the Green Bean will offer a small line of coffee, grinding, brewing, drinking, and travel accessories. A small selection of second hand books will also be offered.
 - 8.) Atmosphere/Interior Accoutrements- Inside, customers will be able to relax and enjoy a more genuine coffeehouse experience. The clean, modern décor will be accented by Beautiful art and music filling the shop. Not to mention the smell of roasting coffee is one of the most pleasant, intriguing aromas known to man. Our coffee house will have a certain warmth and soul to it. The fixtures, furniture, and china will be hand selected from antique and second hand shops so to give the coffee house a bohemian style. And of course, free wi-fi will be available to all customers.

Market Analysis Summary

Boston is the perfect area for a coffee house such as the Green Bean. Because of Boston's university based, intellectual culture, the customer base will be vast and ever-expanding. It is undeniable that there is a strong correlation between intellectualism and the willingness of a customer to support green and/or local business, making Boston a hotspot for potential Green

Bean patrons. The Green Bean will be the perfect compliment for Boston's many arts, recreation, culinary, and extracurricular happenings. Coffee Tastings, Art showings, Live Music, and Guest lectures on various sustainability topics offered by the Green Bean will provide ample reason for customers fall in love with our coffee house. Another key component to the Green Bean's success in Boston is the fact the younger generations living in Boston, namely students and professionals ages 18 to 30, have been developing a more mature pallet and are looking to discover the gourmet side of food and drink. The Green Bean will be an extremely unique, yet well-round coffee house experience- enjoyable for everyone from the young college student to the seasoned Bostonian professional.

4.1 Market Segmentation

Although each segment of the market is distinctively different, they all hold many of the same attributes regarding coffee consumption, overall consciousness of sustainability issues and personal lifestyle.

- 1.) Student Population- The students of Boston's many colleges and universities will be the primary customer. This segment, mainly between the ages of 18-30, is comprised of undergraduate, graduate and doctoral students, intellectuals, artists and musicians. Many of these students already possess a knowledge of sustainability issues and how their consumption choices effect the environment and society. Many of these students are aware of the potential health benefits of coffee and live an active lifestyle. Customers from this segment will likely attend the various lectures, art exhibitions, and musical performances held at the Green Bean. While the entire segment is looking for a place with a comfortable, open environment to relax, converse and get some work done. Support for the Green Bean will be rooted in this segment's globalized, more progressive ideals and tastes.
- 2.) Progressive Young Professionals- This segment, which encompasses Boston's work force, ages 24-44. These customers are Education and health professionals, as well as business and finance professionals. Whether they are on a date, looking for a quick morning jolt, or looking for somewhere to enjoy dessert and conversation after dinner and a visit to the MFA, this segment will enjoy what the Green Bean Has to offer.
- 3.) Coffee Connoisseurs- This segment knows good coffee, has a developed an experienced taste for the drink and knows where to find it. You will never find them in a Dunkin Donuts or even a Starbucks.
- 4.) Other- This segment includes all other students and professional looking to try something new. Tourists are also included in this segment.

4.2 Market Needs

As fitting a culture and market Boston is for a business such as ours, there is no coffeehouse that offers artfully roasted coffee on-site and operates with a social and environmentally based conscious. The Green Bean Coffeehouse will be the most unique coffeehouse and sustainable

business in Boston. Not only will the Green Bean fulfill the needs of those looking for an artisan coffee experience but it will raise the standards of the everyday coffee drinker in Boston.

4.3 Market Trends

The demand for specialty coffee in general has been growing in New England and all over the country. Current research on National Coffee Drinking trends suggest that there is a growing population of those drinking gourmet coffee on a daily basis- this growth being led by consumers 25-59. The same research also suggests that most coffee drinking 18-59 have been developing a more refined, mature taste in coffee. Consumers are becoming more educated and aware of the health and mental benefits of coffee. More and more people, young and old, are becoming more environmentally and socially responsible when it comes to consumption, and therefore are more likely to support a local green business rather than a chain.

4.4 Industry Analysis

The food service and eating and drinking establishment industry in Boston has been growing consistently over the last 20 years. Currently the food and drink industry in Boston is experiencing a lull in growth, but on the contrary, this makes for the perfect time to start a business selling the 2nd most traded commodity in the world. Although consumption may be low in the first year, so will be the price of rent, green coffee beans, supplies and salaries. If a business can sustain healthy operations in bad economic times, it will thrive in good.

Strategy and Implementation Summary

5.0 Strategy and Implementation Summary

The Green Bean Coffee House will be filling holes in the market by providing artfully roasted sustainable coffee, drinks, local baked goods, and an atmosphere that will attract a diverse group of coffee drinkers and coffee house goers. By integrating ourselves into the community as a retailer of fine specialty coffee, as well as a model, educator, and consultant of green business in the area, we plan to create a cult following based around our coffee and alternative way of conducting business. The Green Bean Coffee House will penetrate the market through a variety of marketing methods including viral, coffee tasting event promotions, art and music event promotions, public relations and customer loyalty discount programs. Through the use of these advertising mediums and marketing strategies the company will be able to reach its target market from every angle.

5.1 Competitive Edge

At The Green Bean Coffee House, the quality and variety of our drink menu, along with the atmosphere will be enough to overcome most of our competition in the area. Our sustainable operations will give us an edge over other local coffee shops because many of the people with knowledge regarding, fair trade, sustainability and environmental issues will be attracted to our shop over others. Many of our roasts will be unique to Boston. Meaning we will offer certain varieties and blends of coffee drinks that can only be found in our shop, making the Green Bean

Coffee House a hot spot for the coffee enthusiasts. And finally, our extensive marketing and promotional strategy will inject our company and its philosophies into the market in unique ways, making us more visible and memorable than our competitors.

5.2 Marketing Strategy

The Green Bean Coffee House will make known the quality of its offerings and how the choice of consuming our coffee benefits society and the environment, and convey the main philosophy of the coffee house through its aggressive marketing strategy. An important factor in the success of The Green Bean Coffee House will be the continuity of brand image and the ethics and principles behind the brand, by using the logo on everything involved with the coffee house and its promotions. Forming a deep seeding connection with the community and culture of the area is crucial to our success.

5.2.1 Promotional Strategy

The Green Bean Coffee House will engage in an aggressive marketing program that will use a combination of the following promotional techniques:

- **Viral internet marketing:** For this type of promotion the company will create a presence in online forums, blogs, and online communities as an average user. Using social networks such as Facebook, Myspace, Twitter and coffee specific forums and communities, The Green Bean will be able to showcase its operations and values to a wide range of internet users. Along with a company website, the Green Bean Will have a blog dedicated to highlighting Green Bean events and efforts, local sustainability issues/initiatives and recreational activities, and finally articles and research that we feel are relevant to coffee and sustainability. Through this online avenue we will be able to turn the Green Bean Coffee House into an establishment known for its connection to local arts, recreation, academia, commerce and the green lifestyle, therefore becoming a meeting place for all those involved.
- **Coffee Tasting Events:** The Green Bean Coffee House will host coffee tasting events for those interested in discovering new coffees from around the world and learning about the production, roasting, brewing, and proper taste analysis of coffee.
- **Art and Music Shows:** The Green Bean Coffee House will host Art showings of local student and professional art, as well as feature local musicians. These types of events could also include poetry and book readings.
- **Monthly Lecture Series:** The Green Bean Coffee House will bring in a speaker every month to discuss various topics- ranging from sustainability and environmental issues, to health and nutrition.
- **Public Relations:** Through this particular medium The Green Bean Coffee House will work with other businesses in the area, the local Chamber of Commerce, and

local media (local news stations, newspapers and magazines) to develop, recognize, and publicize the efforts of green business in Boston. Also a portion of the proceeds from all events will be donated to local charities and organizations involved with public health and education services. All of these tactics will not only attract customers, but will create a positive reputation for The Green Bean Coffee House.

- **Traditional Advertising:** The Company also will use print advertising in magazines and newspapers that focus primarily on food and dining, and the business.
- **Mug Discount Program:** This promotional program is simple, effective, and very important to the sustainability side of operations. Customers who are purchasing coffee to-go and use a travel mug will receive a discount on their drink purchase.
- **Custom Coffee To-Go Program:** This promotional program will allow the area's work force to submit an on-going coffee order which we will have brewed and ready for quick pick-up upon arrival.

5.3 Sales Strategy

Our sales strategy is very simple. As the table below describes, revenue earned in the first year will top 165K and increase steadily into the second year. We believe that the growth of in-store and online sales could reach upwards of 30-40% within the first 5 years of operation.

Sales Forecast

	2010	2011
Unit Sales		
Coffee(lbs.)	3,300.00	3,444.00
Total Unit Sales	3,300.00	3,444.00
Unit Prices		
Per Cup	\$ 2.00	\$ 2.00
Per Pound	\$ 10.00	\$ 10.00
Sales		
Per Cup	\$ 99,000.00	\$ 103,320.00
Per Pound	\$ 66,000.00	\$ 68,880.00
Total Sales	\$ 165,000.00	\$ 172,200.00

Management Summary

Management consists of three individuals, Jeff and Evan Hunt, and Jamie Kalalas. Each member brings to the table experience and vision. Management responsibilities regarding finances, growth and overall operations will be headed up by Evan while Jeff oversees and contributes

equally in the administrative decision making process. Using their vast experience in customer service and the food service industry, Evan and Jamie will be responsible for the management of day-to-day operations.

6.1 Personnel Plan

The personnel plan is simple and efficient. It is very good proportion to the size of the coffee house and projected revenues. As mentioned in the previous section, Evan and Jamie will equally share the responsibilities of day-to-day operations for the coffee house. Daily operations include but are not limited to, coffee roasting, packaging and shipping, brewing coffee, serving the customers, running various events, and cleaning. A third staff member will be hired during the first year for back up as a server, and as operations grow, more servers will be hired.

Personnel Plan			
	Year 1	Year 2	Year 3
Manager 1	\$ 35,000.00	\$ 35,000.00	\$ 40,000.00
Manager 2	\$ 35,000.00	\$ 35,000.00	\$ 40,000.00
Servers	<u>\$ 20,000.00</u>	<u>\$ 20,000.00</u>	<u>\$ 40,000.00</u>
Total People	3	3-4	5
Total Payroll	\$ 90,000.00	\$ 90,000.00	\$ 120,000.00

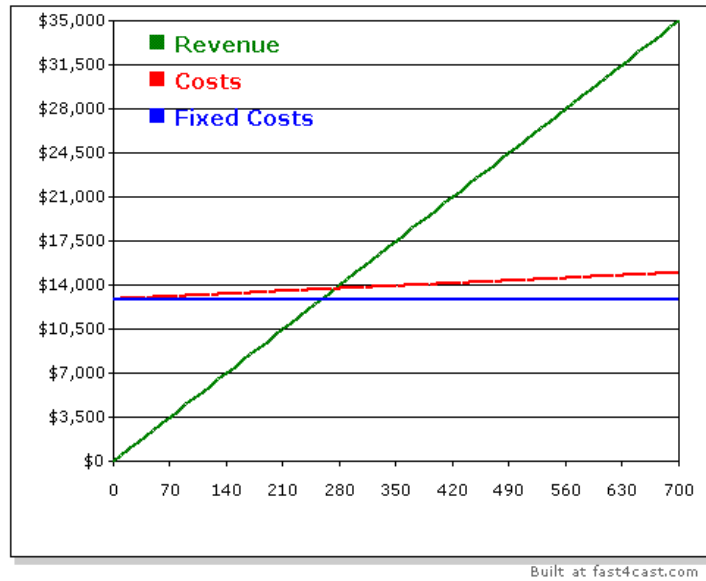
Financial Plan

We plan to raise \$40,000 of our own capital and to borrow \$50,000 guaranteed by the SBA as a 10-year loan.

6.1 Break-even Analysis

The break-even analysis is based on the average monthly coffee sales per cup and in bulk, total cost of sales, and all operating expenses. These are presented as per-unit revenue, per-unit cost (one unit equaling one pound of coffee), and fixed costs.

Monthly Break Even at 274 Units



Break Even Analysis

Monthly Units Break Even	274
Monthly Revenue Break-even	\$ 10,957.45
Assumptions:	
Average Per-Unit Revenue	\$ 50.00
Average Per-Unit Variable Cost	\$ 3.00
Estimated Monthly Fixed Cost	\$ 12,875.00

6.2 Projected Profit and Loss

As the profit and loss table below shows, we expect to become profitable in the beginning of the year of operations. All projections are based on what we would consider very reasonable and realistic sales in the first and second years.

Pro Forma Profit and Loss

	2010	2011
Sales	\$ 165,000.00	\$ 172,200.00
Direct Cost of Sales	\$ 9,900.00	\$ 10,620.00
Other	\$ -	\$ -
Total Cost of Sales	\$ 9,900.00	\$ 10,332.00
Gross Margin	\$ 155,100.00	\$ 161,868.00
Gross Margin %	94%	94%

Expenses		
Payroll	\$ 90,000.00	\$ 90,000.00
Sales, Marketing and Promotion	\$ 5,000.00	\$ 5,000.00
Depreciation	\$ -	\$ -
Utilities	\$ 10,000.00	\$ 10,000.00
Rent	\$ 36,000.00	\$ 36,000.00
Payroll Taxes	\$ 13,500.00	\$ 13,500.00
other	\$ -	\$ -
Total Operating Expense	\$ 154,500.00	\$ 154,500.00
Profit Before Interest and Taxes	\$ 600.00	\$ 7,368.00
EBITDA	\$ 600.00	\$ 7,368.00
Interest Expense	\$ 3,000.00	\$ 3,000.00
Taxes Incurred	\$ -	\$ 3,000.00
Net Profit	\$ (2,400.00)	\$ 1,368.00
Net Profit/Sales		