



DollarCoffee
Executive
Summary

Team 9

DollarCoffee

Company Description

Our Company is DollarCoffee. We are utilizing innovative advertising methods to provide coffee at the cheapest market price for students on their budgets. We'll make coffee more accessible to students and support those who study hard and pursue their dreams. Our tagline is '\$1 for Productivity'. We will start the business on universities' campuses in California and expand to the world in order to help coffee lovers worldwide.

Problem

College students' "need" is to purchase affordable coffee on a daily basis. However, coffee prices have increased 7.9 % since last year because of global inflation and brought in Brazil. In addition, the U.S entered a recession this year which affected all over the world like price increases, strengthening dollars, and weakening foreign currency. However, students still need to spend a total of approximately \$100K (\$10,3580) per year for tuition, rent, food, and daily necessities. International students, non-state students, and private-school students pay high tuition (\$15,000 per quarter, \$60,000 per year). Rent is going up (\$1,600 per month, \$19,2000 per year). Rising prices of food and daily necessities (\$2000 per month, \$24,380 per year). Food prices have risen 11.4% from August 2021 to August 2022. So, they are "already living on a budget" and want to cut down expenses. We collected surveys from 50 people, and they normally pay a cup of coffee for \$5 to \$6. According to "INSIDER," Avery Hartmas claims that coffee shops charge almost \$5 on average for a cup of coffee. When we drink coffee everyday, it costs \$5474 (3 cups x \$5 x everyday) per year which is 5.5% of total expenses ($\$5475/\$100,000=5.5\%$).

Solution

We provide 1 dollar coffee to our customers. We provide different types of self-service tap coffee, all of them at the same price. We provide video ads on our coffee machines as well as QR codes in our cups that directly link to a company's website or products that companies want to advertise. Once the customer has redeemed 6 different QRs, they can get a free coffee. We want to be in all college campuses libraries in the US, starting at UCSD, SDSU, and USD.

Trend

Coffee shops have become a staple in American culture, and we have Starbucks to thank for that. When you go into your local coffee shop, you are guaranteed to see at least one student there drinking a seasonal latte and working on their next school assignment. Now, more than ever, coffee is being associated with work. Our belief is that most college students buy coffee alternatives because the prices are too high, but with our devastatingly low prices, we know we can tap into that market. Finally, it is important to take into account that the coffee industry is expected to grow annually by 7.64%.

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Market Opportunity

The main target group is college students since 40% of college students drink coffee everyday and 92% of students consume caffeine. To specify TAM/SOM/SAM, our target group is Gen Z and Millennials who are undergrad and grad students. They are health conscious, so they don't want to consume too much sugar by drinking energy drinks. Their expenses exceed their income since their main job is to be a full-time student, intern, and volunteer. To attract investors to invest, we consider expandability and scalability. Total Available Market is coffee consumers worldwide which is \$433.60 billions. Serviceable Obtainable Market is \$ 173.44 billion ($\$433.60 \text{ bn} \times 40\%$ of coffee consumers in college). Service Available Market is \$34.69 billion ($\$ 173.44 \text{ bn} \times 20\%$ of honor students). Their personality is goal-oriented, so they want to feel awake and concentrated to get the school work done on-time. SOM consists of Gen Z & Millennials, undergrads & grads students, health conscious, no income / low income: full-time student, volunteering, internship, high expenses on tuition, rent, food, and daily necessities. So, expenses exceed incomes.

The biggest coffee consuming country in the world is the United States, 27.33 million bags of 60lb bags of dry coffee beans are consumed. Equivalent to 146 Billion cups consumed per year. On the other side of the world, we have our coffee lovers from Europe. Sealed all TOP 9 worlds biggest consumers of coffee on a per-person basis, Makes it the most valuable coffee market in the world with a 128.1 Billion dollar market for us to explore. As on the top of the list, Finland leads the world by drinking 12KG/26lbs coffees per person per year! That's almost 3 times more than the coffee Americans drink per year(9lbs) on a per person basis. We also can't ignore the new rising powers from Asia. The market has recorded a 6% year to year growth on coffee demands, which is around 3 times as fast as the rest of world. This number increased to 8.6% this year and it's still growing. Projecting a 124 billion market at the end of 2023.

Getting customers

We have collected 50 survey results. Survey audiences are also potential customers of DollarCoffee, which are college students and people at UCSD. Based on our survey data, 40% of our potential customers consume coffee every day. Most people usually order lattes and Frappuccinos in coffee shops. To keep customers returning, we plan to provide high-quality cold brew coffee and add more drinks options, like latte. Also, we can see that the customer is willing to pay 5 dollars, which is higher than we expected.

Competitor Analysis & Differentiation

We sent a survey to UCSD students to do the market research in order to understand potential customers' preferences. Their highest priority is location, the second one is taste, and the third one is price. 72% of students care about location, 58% of them care about taste, and 32% of them care about the price. Therefore, our business model is to satisfy customers' demands such as placing machines in convenient locations for students such as libraries, creating quality taste, and \$1 coffee. According to our survey, 74% of people consume coffee at Starbucks, 48% of them consume at home, and 34 % of them consume at coffee shops in the community. The coffee industry's oligopolies are Starbucks, McCafe, and Dunkin's Donut. I created the positioning map to analyze our competitors in San Diego since most of the

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UCSD students are living in the San Diego area. However, our company has better competitive advantages such as providing the most affordable price in today's market, high quality, self serving (no instruction with sellers), QR code scan to get free coffee, convenient locations, variety of choices. We provided the coffee at the school libraries which are in high demand and the most convenient place for customers. One of our competitors, 7/11 stopped servicing \$1 coffee, and McDonald's will stop providing \$1 coffee at the end of this year because of inflationary pressure. In addition, our coffee quality is better than other cheap coffee brands because our business model does not intend to lower "raw material" cost. Our business model uses innovative advertisement methods to lower the price of a cup of coffee.

MVP

Our first version prototype starts as a single function cold brew coffee machine in the Geisel library and cups with a QR code and video from five different advertisers. We will begin adding recommendations, different kinds of coffee, and setting up coffee machines in different schools following our roadmap.

Roadmap

We expect to follow the following calendar roadmap:

January 2023: We will start at Geisel Library at the University of California, San Diego, as we already know specific stakeholders to facilitate our product launch at this university. Moreover, it is one of the biggest universities in Southern California, with a student body of more than 30,000 people. We will only provide cold brew coffee to lower costs. We will only have an agreement with five different companies for advertisement purposes. We will develop multiple surveys to assess the satisfaction of our customers and advertisers. We will measure performance in the number of coffees sold, expecting more than 50 coffees sold daily.

June 2023: After six months of extensive research and surveys about our product at the University of California, San Diego, we expect to launch our product at the university libraries of San Diego State University and the University of San Diego. We will slightly modify our options and product given the feedback provided by our surveys to students and advertisers. We will continue to measure performance in the number of coffees sold, expecting more than 150 coffees sold daily.

January 2024: We will develop a plan to open our business in universities in Los Angeles. We will try to find the best efficient solutions regarding coffee transportation and refilling. We will open at the University of California, Los Angeles, and the University of Southern California. Due to the new location, we will develop agreements with new advertisers. We will add a new coffee type depending on the answers of our customers. We will continue to measure performance in the number of coffees sold, expecting more than 250 coffees sold daily.

June 2024: We will expand to the ten biggest universities in Los Angeles and San Diego. We will create agreements with 20+ advertisers for advertisement purposes. We will continue to measure performance in the number of coffees sold, expecting more than 500 coffees sold daily.

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January 2025: We want to be in all university libraries with more than 10,000 students in California. We will explore openings in other states with a university population of more than 30,000.

Traction

We started the venture in September 2022 and in a span of three months we have accomplished several goals. Firstly, we have been able to design a prototype and our company's logo. We have also conducted extensive research about the market and our customers. We have contacted several suppliers about the prices of the coffee machines and coffee kegs. Finally, we are in the process of developing our website and QR code app.

Revenue model

We are a B2B and B2C company. We are both focused on customers who drink coffee, mainly students, and other businesses who are willing to advertise on our cups. We sell our coffee (10 oz) for 1 dollar. We have agreements with different businesses to advertise in our cups with a QR code, as well as providing video ads in our coffee machines. We expect to receive 0.75 dollars per QR code on our cups. In total, we expect to receive 1.75 dollars per cup sold of coffee. If our customers buy on the advertisements website, we expect to receive an extra dollar per sale. We will consider adding video ads on our machines and assess if it greatly benefits our revenue stream.

Financials

We estimate expenses for the first year is 32,514, which includes labor cost, maintenance fees, cost of coffee beans. The second year is 130,056 because we plan to open new stores and increase menus. Market share is 1% of 25200=252 cups per day= 84672 units for year 1. Cost per unit found on the website = 38.4 cent per unit. Revenue is \$1 per unit+5 cent per unit for QR code+ we make 15 of every purchase by using our QR code. On average it is 15 cent per unit. Total is \$1.20. Contribution margin = $1.2 - 0.384 = 0.816$ which is 81.6 cent. Gross profit margin is $1.2/100=0.816/x$. X is 68%. SG & A is the salary of an employee to refill kegs which is \$3000. Starting year 3, we all make \$20,000 per year (salary) which is why the SG&A goes up. Putting a range and average for each part. For instance, maintenance costs 250 to 750 a month (average is 500 per month). Marketing costs 100 to 600 a month (average 350 months). Operating costs/utilities are 400 to 750 months (625) which is 48,771 per year. SG and A is 500 months. Total Expenses is 750 to 2100 (average is 1425). Factoring in Start up costs 1500 per machine, so 3 machines is 4500. 72% of 35000 is 25200. Market share is 1%-5% which is 252 - 1260 students or units of coffee, 5 day work week. How I calculated a year one, 72% of college students drink coffee. Companies pay us 7 cents per customer that scans our qr code + 5% of any purchase they make. 25% of customers buy using the qr code 10,584.

<https://bmcpublihealth.biomedcentral.com/articles/10.1186/s12889-022-13012-3>

Financial Unit Economics

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Cost is 38.4 cents per unit, revenue is \$1.2 per unit, contribution margin is 81.6% per unit, gross profit margin is 68%.

Call to Action for Final

We would like to ask for a \$100,000 investment if you are interested in our new innovative business model. Our business model can defy conventional wisdom.

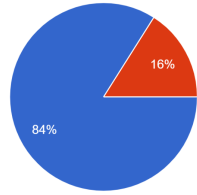
Applied Our Business Model

Our business model includes innovative solutions that can be applied to coffee and other drinks and foods to help people suffering from food shortages or needing to economize their money because of their current circumstances. Our business model can change the common sense of the current food industry.

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Do you drink coffee?

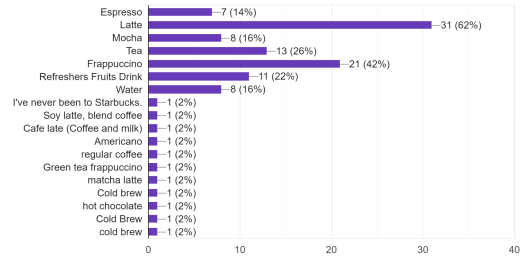
50 responses



● Yes
● No

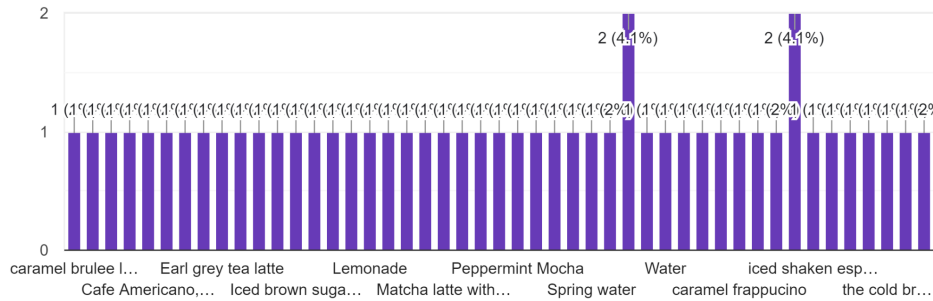
If you consumed in Starbucks before, what do you usually order in there?

50 responses



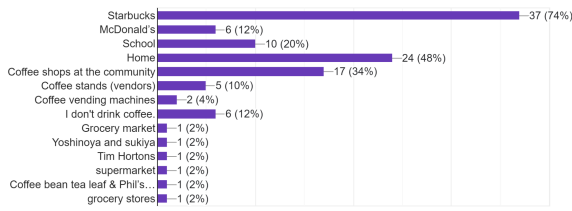
What is your favorite drink to purchase?

49 responses



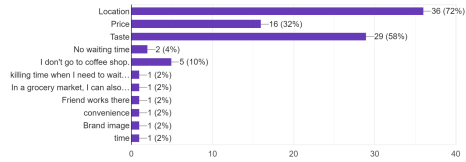
Where do you consume coffee?

50 responses



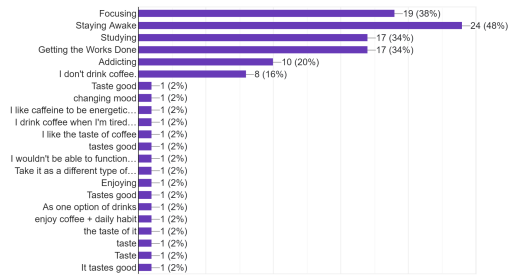
Why did you chose this coffee shop?

50 responses



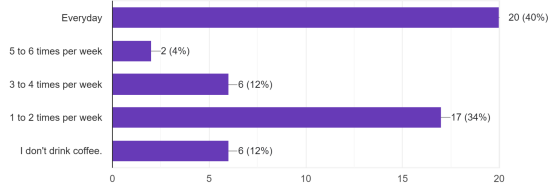
Why do you consume coffee?

50 responses



How often do you consume coffee?

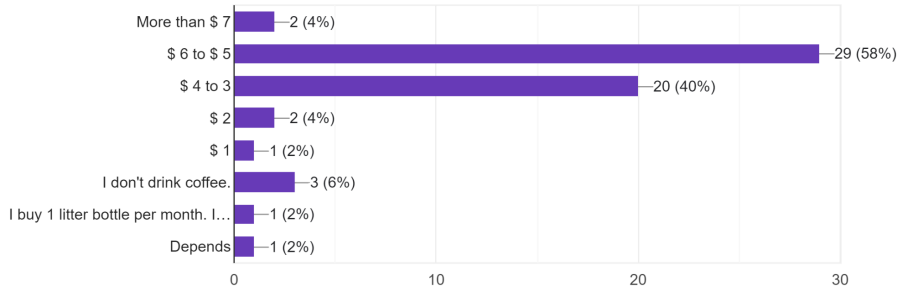
50 responses



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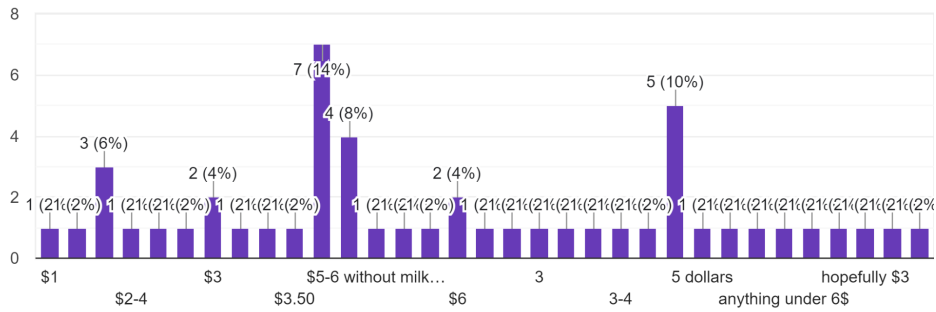
How much do you normally pay a cup of coffee?

50 responses



What is the reasonable coffee price for you?

50 responses



If there is an automatic draft coffee machine that could make same quality coffee as Starbucks, would you choose? And why?

50 responses

- Yes.
- Automatic draft coffee machine
- Yes because it is convenience and save a lot of time and money.
- Automatic draft coffee because I don't care about Starbucks's brand value now which I used to care before.
- Automatic draft coffee since less contact with people. I drink tea but don't drink coffee. Coffee taste too bitter. I can't stand the taste 🤢 Even when it has a bunch of milk and sugar I can't still taste it ;,,) Plus tea has so many more tasty flavors
- Yes I like it
- Automatic draft coffee because it is cheaper.
- I choose Starbucks since it's convenient, and I don't like making coffee.

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If there is an automatic draft coffee machine that could make same quality coffee as Starbucks, would you choose? And why ?

50 responses

No

Maybe if it can make a variety of drinks

Yes so save money

Yes, it's convenient.

Yes, sounds quicker

yes. it might be less expensive but more precise

I wouldn't choose, because I'm not sure if that coffee tastes good

Yes bc it's convenient

I accept machine that sells coffee.

If there is an automatic draft coffee machine that could make same quality coffee as Starbucks, would you choose? And why ?

50 responses

No. Hygiene reason. I don't wanna share the machine with many random people

no, because I like the atmosphere at Starbucks too.

No, because Starbucks' apps as events and promotions, whereas the coffee machine might not.

No. Starbucks is not good except for Frappuccinos.

Yes, if it's cheaper than Starbucks

ya sure, if it costs cheaper

Yes because it's convenient

Nope

I choose Starbucks when I am outside during weekends. What keeps me coming back to Starbucks is I don't have to spend the time making it myself. When I am at home, I prefer to use Ninja since Ninja makes better

If there is an automatic draft coffee machine that could make same quality coffee as Starbucks, would you choose? And why ?

50 responses

I choose Starbucks when I am outside during weekends. What keeps me coming back to Starbucks is I don't have to spend the time making it myself. When I am at home, I prefer to use Ninja since Ninja makes better coffee.

I don't usually make coffee for my self, I think workers know better than me, so automatic draft coffee machine isn't good for me. Also, I don't like Starbucks coffee.

yes, save time from waiting in line at Starbucks

automatic draft coffee, no need to contact with rude sales who have no hospitality.

If it is close to work or school, I would definitely choose it. Because it's convenient.

Yes, Without labor cost, the price will be cheaper.

Yes. Because homemade coffee is fun.

Maybe, already have Kurig machine at home

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If there is an automatic draft coffee machine that could make same quality coffee as Starbucks, would you choose? And why ?

50 responses

Yes

Yes if it taste good

Yes, It could speed up the process while not affecting the quality of coffee

I would choose the machine for the convenience, but it would need to be competitively priced

It depends on the location.

nop

No, I prefer to custom my coffee by replacing milk with non-dairy options and sweetness level

I would choose the draft coffee machine as that is more consistent and I would not need to interact with another individual.

I think I would be hesitant because I don't like to drink from water fountains either.

If there is an automatic draft coffee machine that could make same quality coffee as Starbucks, would you choose? And why ?

50 responses

I think I would be hesitant because I don't like to drink from water fountains either.

No because I drink decaf coffee and I do not know if the machine would offer that option.

yes I would buy from draft machine

Yes, convenience.

Convenience and competitive pricing would lead me to use draft coffee machine

Yes, easy access and convenience.

Yes, I can stop wasting money at starbucks.

Depending on its location I would, coffee is all about convenience for me

I would get it because it would save me a trip from actually going to Starbucks.