MIDNIGHT COFFEE

BUSINESS PLAN
Bethany Dikken
Jessilyn Marth
Rebecca Turchan
Joey Alarie
EXECUTIVE SUMMARY

Problem
College students work on a much different schedule than other adults. After a long day of classes and extracurriculars, there are still many hours of homework to complete. As students ourselves, we understand the intense lifestyle students lead. On the St. Olaf College Campus, 90% of the student body stays up past 11pm doing work, and many of those students use coffee to fuel them late into the night. Unfortunately, the Cage closes at 11pm, a point in the night when students still have a lot of work left to do.

Solution
Our solution to this problem is Midnight Coffee, a student run coffee delivery service that operates on weekdays between 11pm and 2am. About 40% of students surveyed said they were interested in a coffee delivery service in the dorms, and another 40% said they were interested in the service in the library. For $3.00, hardworking students in the dorms and libraries can text one of our outposts and have cup of small batch, french press Peace Coffee delivered directly to their workspace.

MANAGEMENT AND ORGANIZATION

Management Team
Bethany Dikken
CEO
Experience working with bootstrapping teams in competition, graphic design, management concentrator, optimizer

Rebecca Turchan
COO
Experience working with small businesses, starting my own business, coordinating groups of people to complete tasks (President of Taiko Club and Sigma Tau Delta), generator

Jessilyn Marth
CFO
Experience as former Marketing Intern of Theater Latte Da and Marketing/Membership Intern of Atlantic Theater Company, current Managing Director (former Marketing & PR Director) of Deep End Productions/Alpha Psi Omega on campus, implementor

Joey Alarie
CCO
Experience in operations, bachelors degree in economics with an emphasis in Management.

Compensation and Ownership
The ownership of the company will be split four ways with each member of the initial management team entitled to 25% ownership of the company. As Midnight Coffee will be introduced in a very limited form it is hoped that no outside investors will be needed in starting
the company. In the first stages of operations the owners will be compensated only minimally and at a later date be entitled to dividends once the company proves profitable.

**Board of Directors/Advisory Council**

*Midnight Coffee* seeks to put together a board of advisors with experience within the fields of business and law, at least some members with specific interest in startups and the beverage industry. While no members have been appointed *Midnight Coffee* would potentially approach such individuals as coffeeshop owners and upper level managers within the foodservice industry with regards to college campuses. The formulation of this board is a high priority especially in the stages of expansion to college campuses beyond St. Olaf College.

**BUSINESS MODEL**

**Business Model**

*Midnight Coffee* will partner with Bon Appetit to set up small coffee making facilities in the library and dorms. These stands will be manned by students, who will make an deliver coffee from 11pm–2am. This could function as an on campus job, with similar pay rates to other student workers. Staff will be trained at a one time session at the beginning of the year.

Payments for coffee can be made with cash or a credit card swiper that plugs into a smartphone, like the *Square*, one such swiper. No other service on campus provides convenient coffee delivery past 11pm, so until *Midnight Coffee* comes to be, those who need late night fuel for deadlines are out of luck. The business is incredibly sustainable because students will likely continue to work late at night and use coffee as an energy boosting beverage.

Similar to the pizza delivery fundraisers used by the Pause, *Midnight Coffee* could easily offer the same service to student organizations looking for fundraising opportunities. This model would be especially useful for hiring staff for short term peak delivery days where extra staff is needed such as the weeks leading up to finals.

As the business grows, the model can be scaled up to accommodate a larger market. *Midnight Coffee* can be easily replicated on any college campus, provided that there is a health code approved space to work in. If that space cannot be secured, it’s possible to modify the model to fit a coffee delivery truck that would drive around a college campus, bringing drinks to students.

*Midnight Coffee* hopes to partner with Peace Coffee. Contracting with Peace Coffee assures potential customers that the product will be high quality, environmentally friendly, and fair trade. Forming a contract with Peace Coffee allows a business to use their machines at no additional cost. If a machine breaks down, Peace Coffee will send someone to fix it as a part of the contract.
Contracts and Franchise Agreement
One potential avenue for growth with Midnight Coffee as it expands is to move to a franchising model on other campuses. This model is ideal as it would allow for the parent brand to provide negotiations with campus food services and suppliers while local students would be able to operate the groundwork of hiring and managing shift staff and inventory. At this stage no formal work has been done to further these structures but they are a viable option for the company.

Service Limitations/Facilities
The key limitation that Midnight Coffee faces in its operations is dealing with non-compete clauses with contracted food-services on college campuses as well as negotiating facilities for brewing coffee on campus. As discussed further in the Business Model section a Midnight Coffee Van/food truck would work to avoid these issues on campuses where no partnership can be formed.

Related Services/Spin-Offs
Potential related offerings and areas for expansion within this business model would be to expand late night offerings to food items as well as caffeinated drinks. The brand could be expanded to include “Midnight Muffins” among other things!

Suppliers
Peace Coffee will be Midnight Coffee’s supplier by means of an agreement through Bon Appetit.
MARKETING PLAN

Company Definition

Midnight Coffee is an on-campus late night coffee delivery service available for St. Olaf College students. This student-run operation is open from 11pm-2am each night. Midnight Coffee provides fuel for students’ deadlines.

Location

St. Olaf College
Northfield, MN 55057

Objectives

- Determine Midnight Coffee’s target market and needs
- Ascertaining the best methods for on-campus promotion and advertising
- Gain insight and knowledge from industry research

Cultural and Demographic Considerations

Essential to note when starting a new venture is the make-up of those exposed to the business. Midnight Coffee, as stated, is centered around the college student -- specifically and initially the St. Olaf College student. For these reasons, awareness of St. Olaf’s current student cultural and demographic profile is important in terms of recognizing the primary market. Additionally, knowing the approximate number of students-per-dorm gives Midnight Coffee crucial information for deciding with which dorms to begin deliveries.

Population

For the year 2013, St. Olaf College currently has 3081 students enrolled, 56% of which are female and 44% of which are male. 2408 are White, 45 are Black or African American, 160 are Asian, 4 are American Indian or Alaskan Native, 0 are Native Hawaiian or Pacific Islander, 136 are Hispanic/Latino, 115 are two or more races, 186 are Nonresident International, and 27 are Unknown.¹

Students-per-Dorm Estimates²

Ellingson, 186 students - first years
Hillboe-Kittelsby, 360 students - first years and upperclassmen
Hoyme, 210 students - first years
Kildahl, 168 students - first years
Larson, 307 students - upperclassmen
Mellby, 190 students - upperclassmen
Mohn, 307 students - first years and upperclassmen
Rand, 243 students - upperclassmen
Thorson, 235 students - upperclassmen
Ytterboe, 402 students - upperclassmen

¹ [http://wp.stolaf.edu/ir-e/st-olaf-full-time-enrolled-students-fall-semester/](http://wp.stolaf.edu/ir-e/st-olaf-full-time-enrolled-students-fall-semester/)
² [http://wp.stolaf.edu/reslife/index-2/](http://wp.stolaf.edu/reslife/index-2/)
Technological Advances

The Internet, Smartphone, and Tablet are all technological advancements that have been and are currently on the rise. A feature of each of these includes serving and aiding the public as a means for communication to occur; this gives way to opportunities for customers and management. *Midnight Coffee* will be a text-based for ordering; however; application/Internet ordering may become a viable alternative or additional method after the initial launch of *Midnight Coffee* as a business. For purchasing purposes, *Square* is a card reader that accepts credit cards via an iphone, android, or tablet. *Midnight Coffee* will be using *Square* as an inexpensive and accessible tool for completing orders and transactions.

Internet User Statistics

- As of 30 June 2012, the United States (US) population was 313,847,465 people.
- Of those 313,847,465 people, 245,230,319 use the internet and 166,029,240 are on Facebook.

Smartphone and Tablet User Statistics

- “Today, the U.S. consumer spends an average of 2 hours and 38 minutes per day on smartphones and tablets. 80% of that time (2 hours and 7 minutes) is spent inside apps.”
- “on average, only 17% of the apps used in Q4 2010 were in use earlier in the year on a device compared to 37% in Q4 2012. That means that 63% of the apps used in Q4 2012 were new, and most likely not even developed in 2011 (or possibly poorly adopted). We believe that with consumers continuing to try so many new apps, the app market is still in early stages and there remains room for innovation as well as breakthrough new applications.”
- “25.4 percent of consumers engage in online shopping only via mobile.”
- “81% of youth under 25 sleep with their phone next to them on the bed,” and “74% reach for their smartphones immediately after waking up.”

Square Statistics

- Features include payment and order entry, staff perks like employee PIN access, summaries and reports, hardware, and web dashboard features.
- “Simple pricing, fast deposits.” Payment is 2.75% per swipe.
- Accepts all major credit cards. Each has the same rate.

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4 http://www.flurry.com
5 http://www.flurry.com
6 http://www.luxurydaily.com/25pc-of-mobile-users-shop-online-only-via-a-smartphone-or-tablet-study/
8 https://squareup.com/features
9 https://squareup.com/pricing
10 https://squareup.com/pricing

*Midnight Coffee* Business Plan 7
Smartphone use is on the rise, and nearly 3/4ths of people under 25 start their day by checking their smartphone. Tablets are used simultaneously with and as often as smartphones per day. The Square is a fast and fiscally responsible way to manage sales. These technologies are here and are only improving with time. Taking advantage early on in development is a good way to embrace the technology era.

**Economic Considerations**

- “Coffee is the world’s second most valuable traded commodity, behind only petroleum.”
- “There are approximately 25 million farmers and coffee workers in over 50 countries involved in producing coffee around the world.”
- “Coffee is the US’s largest food import.”

Coffee is clearly a very important commodity in terms of the US and World trade industries. It is the most valued product next to oil and is the largest food import. Despite the recession and the current economic climate, coffee remains highly valued. This illustrates the demand for coffee; which on St. Olaf’s campus, will only be increased by a late night coffee delivery service, *Midnight Coffee.*

**Trends**

*Coffee Trumps Soda!*

The NPD group completed a survey about tracking the trends that displays the eating and drinking habits of Americans, and the data “finds that 18- to 24-year-olds are turning to coffee, rather than caffeinated sodas, as their pick-me-up of choice. In 2002, about 25 percent of 18- to 24-year-olds reported drinking coffee sometime within a two-week period. But by 2012, the percentage of young adults drinking coffee in that same time frame hit 39 percent.” The NPD group considers this “explosive growth” in terms of consumption.  

This data correlates perfectly with the target market, college students whose ages fit right within the 18 to 24-year-old bracket.

*Falling Prices*

“According to the Bureau of Labor Statistics, which publishes consumer price index (CPI) data, coffee prices have been falling since 2012. There was a sharp increase in price in 2011, and it has been falling ever since.”

To reflect this in *Midnight Coffee,* the price of the coffee will remain on par with an average cup of coffee cost, that being $2. With the delivery, the total comes to $3. All in all, customers will be paying $3.

*App-Based Services*

As stated earlier in Technological Advances, app-based usage and services are in constant and consistent use. App-based ordering may become necessary for making an easier and customer customizable order experience that could even calculate wait time.

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11 http://www.globalexchange.org/fairtrade/coffee/faq#1
Hand-Crafted & Local
A growing trend has been to purchase hand-crafted and local foods. People have become focused on the hows and whys of the food-making processes.\textsuperscript{14} Good for \textit{Midnight Coffee} is that Peace Coffee is local and French Press coffee is hand pressed; thus, the business takes hold of this trend firmly.

Price
Each cup of coffee plus delivery will be $3 total. The breakdown is $2 for the cup of coffee and $1 for the delivery. The delivery portion has an associated charge because of the convenience for the customer. Coffee comes straight to them; they don’t even have to move.

Competition
There are no other places that sell coffee open between the hours of 11pm and 2am on campus. The main competition is with students’ personal coffee makers, such as Keurigs with the K-Cup (single serving) phenomenon. “In North America, Keurig claims a significant market presence… 2.5 million beverages dispensed per day, 6% of all coffee brewed every day.”\textsuperscript{15} \textit{Midnight Coffee} plans to combat this with the delivery convenience of the service; \textit{you don’t have to go to your coffee maker, we come to you}.

In terms of potential expansion to Carleton, Macalester, and other campuses that Bon Appetit caters, competition becomes more relevant. Carleton, like St. Olaf, has no other place that sells coffee between the hours of 11pm and 2am on campus, but Macalester is located in St. Paul which is a larger city that has numerous coffee shops.

Customer Profile -- Target Market
Target Market
- St. Olaf College Students
- Coffee-drinkers
- Up past 11pm studying

As the \textit{Midnight Coffee} Voice of the Customer shows, about 90% of the respondents are up past 11pm, and there is about 40% interest in delivery to the dorms as well as to the library. These students are \textit{Midnight Coffee}'s primary target market -- students who use and recognize coffee as a fulfillment of the “fuel for deadlines” There is no service operating on the St. Olaf campus that a). Delivers coffee and b). Sells coffee past 11pm, so we have access to a large, untapped market.

\textsuperscript{14} \url{http://www.kraftfoodservice.com/businesssolutions/marketingpromotions/leveraginthelocaltrend.aspx}
\textsuperscript{15} \url{http://www.coffeeforless.com/articles/all-about-keurig-history-statistics-products.html}
SWOT

Strengths
- On-campus
- Student-run -- managed by people within target market
- Convenient for customer
- French Press Peace Coffee -- capitalizes on hand-crafted and local trends
- Individual business, not a chain

Weaknesses
- Specialized
- No established brand recognition
- Limited selection -- only coffee

Opportunities
- Become primary late night coffee service at St. Olaf due to lack of competition
- Use different student orgs for delivery -- win-win for org fundraising and lessens wage costs for Midnight Coffee
- Potential expansion of types of food and drink offered as well as locations on other college campuses

Threats
- More cost effective for students to use personal coffee machines
- The possibility of the Cage extending its hours of operation past 11pm

Barriers to Entry
The threats and weaknesses of the business pose the biggest foreseeable barriers to entry for Midnight Coffee. A unique, flexible, and small-scale operation is needed to fill this niche; this is not something a brick and mortar shop could address. The specialization could create a potential barrier. And, if the Cage did expand its operation, Midnight Coffee could explore being off-campus in a delivery truck atmosphere.

Positioning
This plan will position Midnight Coffee as the go-to late night coffee spot on campus. The tagline for Midnight Coffee will be "fuel for deadlines," which shows the nature of the organization. It also serves as a reward system and break from studying so that the student can power-through their last pieces of work. The fuel is the coffee and the assumption is the deadline will last the student sometime into the night past 11pm. After all, as the Voice of the Customer showed, 90% of students stayed up past 11pm. The advertising and promotions will then aim to capture the attention of Midnight Coffee’s target market.

There are also a number of health benefits that could be of use for positioning Midnight Coffee in a light-hearted but serious-balanced way. These include lowering the risk of skin and breast cancer because coffee inhibits the formation of UVB induced tumors, lowering the risk of
depression; studies indicate the more coffee you drink, less likely to be depressed. And, coffee can help reduce diabetes by 50% because it blocks the chemical process that leads to type II diabetes. Antioxidants neutralize free radicals in the body, it is a source of fiber, lowers the risk of Alzheimer’s, stimulates hair growth, prevents acne and promotes skin health, lowers the risk of cirrhosis of the liver. To sum up, coffee can be magical.

**Advertising and Promotion**

Advertising and promotion will primarily occur on campus through posterizing buildings, the caf, outside the PO Boxes, and using the online digital sign system, tightrope. *Midnight Coffee* will additionally advertise through food suppliers; starting out, this will be Bon Appetit and Peace Coffee. Word-of-Mouth is also essential in this respect because if something becomes a fad on campus, it takes off like wildfire; the more people that talk about it, the better. For the opening of the business, the Manitou Messenger will be contacted to write an article about the new venture formation. The article in the newspaper should then stimulate more hype about the business.

Another advertising and promotion platform will happen via social networks like Twitter, Instagram, and Facebook. Accounts on these social networks are free and allow the business to gain as much exposure as possible. A potential advertisement online could be a #coffeemyway campaign where students post a picture of their *Midnight Coffee* with the hashtag #coffeemyway, thus giving them a certain percent discount off of their next coffee. “Coffee my way” sends a positive message about the business fulfilling how customers want their coffee — their way. During midterms and finals, the hashtag campaign could emerge again as a #fuelfordeadlines campaign in the same vain as the #coffeemyway but hashtagging #fuelfordeadlines instead. Fuel for deadlines is the mantra of *Midnight Coffee* and works extraordinarily well in the context of midterms and finals as deadlines.

Blogs/Vlogs by students and coffee-enthusiasts would be another avenue of promotion to hit up. If a well-followed blogger or vlogger reports on *Midnight Coffee*, more people will see what *Midnight Coffee* is all about, which would mean more profit.

Furthermore, partnering with the After Dark Committee and/or the Music Entertainment Committee would be two more great opportunities of *Midnight Coffee* to align itself with a fun and positive image. *Midnight Coffee* could be on-site for a late night event and provide refreshment afterwards, such as coffee after a concert.

**Seasonality**

Seasonality will greatly affect *Midnight Coffee*. *Midnight Coffee* will only run Monday through Friday evenings, and not during the summer or any St. Olaf breaks. This also works well for advertising purposes; Benefits include back-to-school campaigns and holiday/break specials. Because *Midnight Coffee* will be serving Peace Coffee through an agreement with Bon Appetit, they may have seasonal blends that could be the featured blend(s) of the month.

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16 http://magazine.coffeetalk.com/april12-top10/
Future Markets
If *Midnight Coffee* expands to campuses such as Carleton and Macalester, analysis of the advertising methods on each respective campus will need to be completed. Campuses vary, and with that, the promotion that works on those campuses will vary as well. For consistency, the hashtag campaigns would remain due to the prevalence of social networking.

**GROWTH PLAN**

**Initial Growth Plan**
*Midnight Coffee* will be initially introduced on St. Olaf College campus in three phases (each of about one school year).

- **Phase I:** During the first phase *Midnight Coffee* will launch in Rolvaag Memorial Library to target students studying in the library during the hours of 11pm and 2am. The library is an ideal starting location since it is a smaller segment of the student population and a smaller more manageable coverage area within which to begin making deliveries and solidifying operating procedures. The library also has the benefit of being a highly visible location, unlike the prep bases for distribution within the dorms, thus it serves as an ideal place to initiate branding and advertising for the service.

- **Phase II:** During the second phase *Midnight Coffee* will expand coverage to approximately half the campus dorms. Service stations will hopefully be located within key dorm kitchens.

- **Phase III:** Final stage of providing service in which all dorms are targeted.

Once full coverage is reached on the St. Olaf campus *Midnight Coffee* will look to expand to other small college campuses in a similar manner. Carleton College would be an ideal next step since it is located in the same town and has relatively similar demographics to St. Olaf. Then further expansion could be made to other small campuses around the state, eventually working into the larger University system. The long term goal is to have *Midnight Coffee* offered on every college campus across the United States.

**Personnel Requirements**
*Midnight Coffee* requires a basic management team and a set of part-time shift workers to staff deliveries and coffee prep. Management positions include responsibilities for operations, inventory management, marketing and financials as well as managing and scheduling shift workers. During the three phases of growth at St. Olaf *Midnight Coffee* will expand shift workers to keep up with demand. During phase one it is likely that operations can be run with only two shift workers a night.

**Exit Strategies**
There are several options for exit strategies. The clearest option is to market the company to an already well established chain of coffee shops or coffee producers such as Peace Coffee. This
business model would provide a unique expansion opportunity for such organizations as it could easily be integrated with their preexisting supply chain to provide another access point to the market and a new form of distribution. This exit would be most viable after Midnight Coffee has entered many campuses.

FINANCIALS

Startup Expenses
Due to the highly scalable nature of our business plan we will be able to start operations small and build towards higher volume. Another benefit to our model is that within the starting location, St. Olaf, we have a good chance at obtaining a location to operate from rent free through a partnership with the library. Our start up costs include some basic small scale equipment for brewing (French presses), initial advertising, and at a minimum a weeks supply of consumables (coffee, sugar, cream, cups etc.). Estimated costs can be found in the attached cash flow for year one.

Sales Projections
Using data collected from a survey completed by approximately 200 students we put together our sales estimates for each initial stage of growth based on measured percentages of students who stayed up past 11pm, and marked interest in utilizing the service. By this method we projected 165 people would be interested on a given night, so assuming that the average consumer would order coffee once a week we divide this number by 5 to get 33 orders on average per night during phase one (coverage of the library). Using the same process and accounting for expanded coverage of student population, our estimates come to 109 and 184 average orders for a night in phase two and phase three respectively.

These numbers are of course approximations and it is expected that the actual numbers will fluctuate greatly during the week and month as student study habits reflect common due dates and test dates.

Another item to note for these numbers is that there will likely be a build towards these numbers as Midnight Coffee becomes established.

Sources of Financing
Due to the highly scalable nature of this operation and the relatively low start up costs Midnight Coffee hopes to obtain an entrepreneurial grant to cover the start up costs from which point the expansion across the campus will be built upon income. If this grant is not a viable source of funding the costs should be low enough to be within feasible personal funding by the owners of the venture. Expansion to other campuses may be funded either by retained earnings over the operations on the starting campus or it may be opened up to further investors. Also if Midnight Coffee chooses to pursue a franchising model such funds would be minimal.
Cash Flow Projections (3 years)
Due to the low cost of start up and immediacy of beginning sales and bringing in revenue it is likely that Midnight Coffee will reach its break even point within 3 months of operations. This point of course depends on the initial.

Assuming we reach our sales projections and accommodating for the seasonality of working around a college schedule (breaks and weekends accounted for) we track net revenues over the course of the first year to be ~$15,360 and the expenses to be ~$10,760, returning ~$4,600 of profits for the first year. Using the same projections for year two we have ~$49,870 in revenues, ~$22,310 expenses netting ~$27,560 in profits. For the third year we have ~$85,630 in revenues, ~$31,740 expenses netting ~$53,890 in profits. See attached spreadsheets for further information.
Appendix A
Market Research

INTRODUCTION
Up late at night? Stuck in front of your computer writing that paper due at 8am, and you just need a break? Take a break with Midnight Coffee. Rejuvenate with a nice cup of coffee, and gear up to burn that midnight oil. Reward yourself. Treat yo’self.

Our business, Midnight Coffee, is an on-campus service that provides coffee to St. Olaf College students late at night after the Cage has closed. Hours of operation would be from 11pm–2am. Ideally, we would have stations set up in the dorms and library and have the option of pickup or delivery to customers’ locations. The coffee industry is growing incredibly quickly, and coffee shops are the fastest growing niche in the restaurant business. Americans, on average, drink 3 ½ cups of coffee a day, and we hope to take advantage of this trend. Our target audience is St. Olaf student coffee-drinkers who tend to stay up late studying or who often pull all nighters. Our industry is Snack and Non-Alcoholic Bars (NAICS code 722515).

IN DEPTH INFORMATIONAL INTERVIEWS
INTERVIEWEE #1
Jeff Lane
Customer Relations, Caribou Coffee Headquarters

QUESTIONS ASKED
• Who supplies your coffee?
• What are some things you have learned about the coffee industry?
• What’s your busiest time of year?
• What’s your target customer?
• Can we wholesale from Caribou?

WHY SELECTED
Caribou is an established player in the coffee industry. An interview with a representative of Caribou would be beneficial in terms of learning about the coffee industry at large as well as how a company functions day to day within the industry.

SUMMARY
Caribou Coffee is one of the largest and well-known names in the coffee industry today with over five hundred locations and generating over 292 million dollars in revenue a year. Their motto of being the “Community Place I Love” and “Life is Short, Stay Awake for it” makes Caribou a favorite among people of ages and backgrounds.

Talking to Mr. Lane on the phone, I got to ask him several questions pertaining to the coffee industry. He informed me that Caribou roasts and blends their own coffee here in Minneapolis; however, they get their coffee from all over the world. There is not one specific farm that Caribou get their beans from, in reality, they actually have coffee experts go to new locations and pick out coffee beans that are small and green, and that’s where they get their coffee from. Mr. Lane also informed me that the coffee industry is extremely hands on work. From harvesting to sorting to delivering the beans to the roaster and finally roasting them. He said he had no idea when he first started that it would be so hands on. You have to inspect the beans and smell them to make sure they are acceptable to be made into coffee.

Caribou also allows people to wholesale from them which would be perfect for Midnight Coffee. Caribou allows people who would like to buy and sell from them the opportunity to do so by setting up a personalized screening for interested participants and making sure it fits to their business model, so both parties involved are happy.

Even though our venture would be way less hands on than Caribou I think that having that type of name on our signs would only help our business. If people saw that Midnight Coffee was selling Caribou Coffee I feel that would draw in a lot more potential customers and that people would take our small venture more serious if they believed that we were partners with such a big name in the industry.

INTERVIEWEE #2
*Jacob Stonesifer*
Senior Pause Kitchen Manager, St. Olaf College

QUESTIONS ASKED
- What exactly are your duties?
- How profitable is delivery and how many pizzas do you deliver a night?
- Do you deliver other food besides pizza?
- Have you considered doing a texting based or online order form?

WHY SELECTED
Jacob was selected because as a Pause Manager, he has experience coordinating on-campus food deliveries. Since we hope for a large portion of our business to be delivery based, we thought it would be useful to interview someone worked for a student business and dealt with deliveries on a daily basis.

SUMMARY

*Midnight Coffee Business Plan 16*
Jacob mainly acts as an overseer to make sure everything is running smoothly at the Pause. He also organizes pizza delivery fundraisers for different organizations. He estimates that on a week night, anywhere from 15-40 pizzas are delivered, and on a weekend, around 50-70. Delivery hours start later on weekends, since the Pause is open until 2 a.m. instead of midnight. When I asked about the profitability of delivery, he had a hard time responding, because student workers at the Pause aren’t paid directly by the Pause. Rather, the school pays them; even though the whole venue is student run, they aren’t completely financially independent. He did say though that during delivery times, they have to have extra staff come in to do deliveries. This is something we must consider if Midnight Coffee gets big enough: how many people will we need working at the same time in order to fill deliveries in a timely manner? Jacob said that whether or not they will deliver other food or drinks is based on the discretion of the deliverer, but they do require that at least one normal pizza be ordered before any other items are considered. Finally, Jacob said that the Pause had considered an online ordering system similar to that of Dominos, but it was too expensive and they would have to raise their prices. A texting based order form brings up too many issues with accountability, as they had no way to guarantee that there would be follow through on payment (too many possibilities for pranks, etc). This is definitely important for us to consider in our business because we don’t want to run into similar problems, but we also want a way for people to be able to order from us while studying in a quiet space in the library or from their dorm where their roommate is sleeping. Overall, Jacob helped bring to light certain difficulties and roadblocks of a delivery system that are very important to address before moving any further in the business planning process.

INTERVIEWEE #3
Matthew Terhaar
Male, 22 years old
Senior, St. Olaf College

QUESTIONS ASKED
- How often do you drink coffee? More than once a day? How many cups of day and at what times?
- What type of coffee do you drink? Black or specialty like a latte? What would you like available: cream, milk, sugar?
- Do you prefer to use your own mug or a provided cup?
- Where do you do most of your studying after 11pm?
- How often do you study in the library?
- If there were a coffee delivery service available in the library, would you use it?
- Where would the ideal location for this be in the library?
- If there were a coffee delivery service available in your dorm, would you use it?
- What type of coffee do you buy? Does fair trade, local, and organic play into your decision?
- For deliveries, how would you prefer to place your order? Rank: Phone, Text, Online.

WHY SELECTED
Matthew was selected as an interviewee because he is a St. Olaf College student who has a tendency to drink coffee and stay up late studying. He would say coffee is absolutely an essential part of his life. “It’s pretty much a part of my identity. I love it.” He also says it is pretty obvious early on in the day when he hasn’t had coffee; and quite often, he notices headaches when he is without coffee.

SUMMARY
Matthew has coffee daily. Each day he consumes usually two 16 oz. cups, and sometimes he has three cups. He has a cup in the morning around 9am and tends to have the second around 4pm or post-dinner. His go-to coffee drink is black coffee with regular sugar. Also, he would use cream or milk if it were available. Ideally, he said, he would use his own mug for coffee; but, out of convenience, he uses the paper cups the Cage provides.

He doesn’t tend to pull all-nighters, but he has late nights studying often until 3am or 4am. Usually, he studies in the library and his dorm lounge. He is in the library every night. Last year, he was in the library every night until closing, but this year he has been mixing it up between the library and Ytterboe. If there were a coffee delivery service available in the library after 11pm, he would use it. He has his own coffee maker in his dorm, so he would probably not use a coffee delivery service that went to his dorm because of cost. However, if he did not have a coffee maker, or he didn’t have coffee grounds, he said he would absolutely use a dorm delivery service. If there was a coffee station located in the library, he feels that 3rd floor by the front entrance – across from the check out desk – would be the best place. Also, he doesn’t have to buy his own coffee very much because he normally has the peace coffee from St. Olaf, but were he to buy his own coffee grounds, he would like to think that he would buy “fair trade” coffee if it were available.

When asked to rank – from the options of text, phone, and online – how he would prefer to place his order if there were a late night coffee delivery service, he ranked online first, text second, and phone third. He thinks late night coffee would be a great idea because a lot of times when the cage is closed students turn to energy drinks or soda for their caffeine consumption, and he says coffee is a healthier alternative. When coffee isn’t available, he turns to soda.

INTERVIEWEE #4
Don Bezanson
Librarian, St. Olaf College

QUESTIONS ASKED
- Is coffee officially allowed in the library?
- Would the library be interested in or amenable to the idea of us selling coffee in the library?
- Where could we set up?
  - What would we need to set up?
- What concerns would you have with this operation?

WHY SELECTED
The best place to start our business would be in the library since that’s where students studying late would be most concentrated. Because of this we felt that it would be best to talk to someone on the library staff who could tell us if we would even be allowed to operate in the library.

SUMMARY
One of our first questions was of course if we would be allowed to operate/ even offer drinks in the library. Don explained that originally they didn’t allow liquids in the library but have since relaxed the rules on drinks. He said that in general they don’t prefer open containers and coffee is certainly allowed. Another valuable piece of information that Don was able to provide was the history of the library’s attempts to bring coffee to the space. They had in the past considered even building a coffee shop area in the library but ran into two issues. First the building was difficult to remodel in order to bring in the
necessary piping. Second, the campus cannot compete with Bon Appetit. They then considered bringing in containers of Bon Appetit’s coffee but found that it wasn’t really a viable venture since they would have to throw out large quantities of coffee at the end of the day. After describing our business model, namely that we would only offer coffee between the hours of 11pm and 2am, he noted that we had a new angle on it that they hadn’t considered. It would effectively remove us as competition with Bon Appetit and not violate the campuses non-compete. He suggested that we of course converse with Bon Appetit management to arrange this venture. Overall he said that the library would be open to the idea of offering coffee in the library.

When asked about where we might be able to set up, he told me that there are three places in the library where there is a sink and some counter space. The first is in the employee break room on the first floor, the second in the conservation area on the third floor and the third in the custodial room also on the third floor. He said that in the late hours only the third floor of the library is open so of course it would restrict our ability to use the first floor room. He said we might be able to have access to the first floor custodial room but not the conservation room. He also noted that if we wanted to set up in the atrium we would probably have to set up and take down a table every day so we would need some sort of storage space.

Overall it seemed like we could form a good partnership with the library and that connection would definitely be something we ought to pursue further if we were to start this venture.

**KEY FINDINGS FROM ALL INTERVIEWS**

- There are many factors to consider for a delivery-based service. For example, how many people will we need to employ to get customers their coffee in time?
- Wholesale purchasing is possible through Caribou. This could be a great opportunity for *Midnight Coffee* because Caribou could be our primary provider.
- Late night studiers would use a coffee delivery service after the cage closes. Library-delivery success has the potential to be greater than dorm-delivery success because many students own their own coffee makers.
- The library will cooperate with a set-up of a *Midnight Coffee* station; this venture is feasible.

**BROADER MARKET SURVEY**

Our survey was conducted via a Google Form sent out to the St. Olaf email list “extra@stolaf.edu” (used by St. Olaf Community members) and we received approximately 200 responses. We issued the form on October 22nd at 7:43 pm and received the bulk of the responses that evening. Our questions for this survey were as follows (responses were also allowed to be blank):

- **Question 1:** Generally how often do you drink coffee?
  - Everyday
  - A few times a week
  - Rarely/Never?
- **Question 2:** What time do you typically go to bed?
  - I go to sleep before 11pm
  - 11-12am
  - 12am-2am
  - Later than 2am
- **Question 3:** How often do you pull all nighters
  - Rarely/Never
• A few times a month
• At least once a week

• Question 4: Where do you most of your studying after 11 pm?
  ○ In your dorm/house
  ○ In the library
  ○ I don’t study after 11 pm

• Question 5: If there was a coffee delivery service available in the library, would you use it?
  ○ Yes
  ○ No

• Question 6: If there was a coffee delivery service available in your dorm, would you use it?
  ○ Yes
  ○ No

FINDINGS
Please see Appendix A for key charts.

Total Responses (as of 10/24 at 11:43 AM. Note that some responses were left blank):
Question 1 Total Answers: 148. Rarely/Never: 81; Few times per week: 45; Everyday: 22
Question 2 Total Answers: 196. Before 11 pm: 22; 11–12 pm: 77; 12 pm–2 am: 87; Later than 2 am: 10
Question 3 Total Answers: 196. Rarely/Never: 169; A few times a month: 26
Question 4 Total Answers: 195. I don’t study after 11 pm: 40; Dorm/house: 123; Library: 28
Question 5 Total Answers: 196. Yes: 83; No: 113
Question 6 Total Answers: 195. Yes: 86; No: 109

A key finding from these responses is that, in general, there is about 40% interest in the option of coffee in both the dorms and the library. Roughly 90% of the responders stated that they go to bed after 11 pm so there is a reachable segment of the student population. All nighters are fairly rare among the respondents, only 13% of respondents said they regularly stay up all night studying, so it would not be worthwhile to target this segment of the population in advertising. Another insight that we can draw from this data is that while there is equal interest in coffee in the library and in the dorms, far fewer respondents stated that they habitually study in the library. What we can conclude from this is that while the library might be the optimal place to start, there is a far larger market in the dorms and we should consider expansion plans.

CONCLUSION
We found that this venture is definitely something that students would use; the market is here and tangible. Our foremost insight is that there is a very viable option to start offering coffee in the library (due to library cooperation and interest) but in order to reach the market effectively we should look to expand to dorm rooms. Almost an equal number of people said that they would use coffee delivery to their dorm as they would the library; however, we found far more people study in their dorms, which is essential to know from a delivery standpoint. Another insight is that we ought to pay attention to our ordering and delivery processes. It is important how we will ask people to order: is it financially feasible to have an online ordering system? If we have a texting based ordering form, how can we hold customers accountable to guarantee that they will pay? As mentioned in in-depth interviews we also need to approach Bon Appetit about a partnership or working arrangement. For further investigation we will need to factor-in students who have coffee makers in their dorms. Will they be as likely to purchase this coffee? Additionally, we would like to investigate what the maximum amount of money
students would spend on a cup of coffee.

Appendix A: Charts Summarizing Key General Survey Results
## Appendix B
Selected Financial Tables and Spreadsheets

### Start Up Costs

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<tr>
<th>Item</th>
<th>Cost/1000 Units</th>
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<td>Coffee cups</td>
<td>12 oz paper</td>
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<tr>
<td>Coffee lids</td>
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<td>$28.05</td>
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<td>Coffee Sleeve</td>
<td>black/1000</td>
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<td>French press</td>
<td>Bodum, 34oz, 8 cups</td>
<td>$19.95</td>
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<td>Coffee Airpot</td>
<td>3 liters, Stainless steel</td>
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<td>Sugar</td>
<td>1200 packets</td>
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<tr>
<td>Cream</td>
<td>1.5 Liters</td>
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<td>Coffee</td>
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### Revenue and COGS

#### Typical Day (Year 1)

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<th>$ per Unit</th>
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<th>Total</th>
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<td>33</td>
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<td>Cost of Coffee per cup</td>
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#### Revenue and COGS

#### Typical Day (Year 2)

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<td>Cost of Coffee per cup</td>
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<td>$36.80</td>
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<td>Cups</td>
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<td>Lids</td>
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<td><strong>Monthly Income Statement</strong></td>
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<td>Pre Start-up</td>
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<td><strong>Net Sales (less returns &amp; allowances)</strong></td>
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<td>Other Income (interest, royalties, etc.)</td>
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<td><strong>Income Before Taxes</strong></td>
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<td>$612.05</td>
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Notes
Further Analysis can be done to take in account midterms and final peaks in purchasing.
Google Voice Account is free, so there will be no telephone expenses.
Net Sales = Sales of a typical day multiplied by how many days in business per month (Mon-Fri).
Cost of goods sold = Cost of goods of a typical day multiplied by how many days in business per month (Mon-Fri).
Breaks effect the number of days in business per month.
Insurance and associated payroll costs will be covered by the college if any apply. In terms of worker insurance, we have all part time workers, so they will not receive insurance.
Training and Development figures in one 2 hour training session at $7.65 each hour multiplied by 10 employees.
For Repairs and Matinence, if something happens to a peace coffee grinder through the cage, St. Olaf will cover the costs. We would be contracted through Peace Coffee at St. Olaf.
Cost of goods sold pre-start up = initial french press + coffee stirrers + airpot + sugar + creamer
## Monthly Income Statement

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<tr>
<th></th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
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### Operating Expenses

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<th>NOV</th>
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<tr>
<td><strong>Repairs &amp; Maintenance</strong></td>
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<tr>
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### Operating Income

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