

# **24TH MILLENNIUM ENTREPRENEURSHIP PROGRAMME**

**TEAM 073**

**多啡走杯**

## **The 24th MEP (Millennium Entrepreneurship Programme) – Business Proposal**

### **Part A - Basic Information**

**Group No.: 073**

#### **Details of Group Members**

	Name in English	Name in Chinese
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#### **Details of Team Advisor**

School Name: St. Paul's Co-educational College

Name in Chinese: 葛銘津

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## Part B – Business Proposal

### **1. Basic Information of Business**

#### **Name of Business**

多啡走杯

#### **Type of products/services**

Food and beverage

#### **Executive Summary**

The proposed coffee shop in Hong Kong, located on a university campus such as that of the Chinese University of Hong Kong (CUHK), aims to provide a place of relaxation and work while addressing environmental and social concerns by implementing sustainable practices.

The coffee shop prioritizes environmental and sustainable operation principles. Ingredients will be sourced from reputable wholesalers that promote organic farming. The shop also aims to support fair trade by purchasing coffee beans and tea from diverse sources worldwide, from Ethiopia and Yemen, empowering these producers and contributing to mitigating climate issues, while in compliance with food safety standards.

By collaborating with universities that carry technological capabilities such as 3D-printing technology using coffee grounds, the coffee shop will make cups of distinct local designs using coffee grounds produced on-site. This puts the sustainability of production into the limelight, encouraging customers to bring their own cups or their own cups by providing discounts, promoting innovation and sustainability.

In terms of social impact, the coffee shop aims to provide employment opportunities for ethnic minorities in Hong Kong, who face challenges in securing stable jobs due to language barriers and fear of integrating into the local community. The coffee shop plans to recruit employees from diverse ethnic backgrounds, training them as baristas or cashiers and providing them with valuable skills for future employment prospects. The coffee shop aims to create an inclusive work environment and promote integration and understanding between ethnic minorities and local customers.

To enhance customer experience, the interior design of the coffee shop will prioritize natural sunlight and provide a comfortable environment for customers, along with Free WiFi and charging services.

In summary, the proposed coffee shop aims to contribute to a more sustainable and inclusive society by addressing environmental and social concerns. Through practices such as supporting fair trade, recycling to reduce waste, and recruiting ethnic minorities, the coffee shop strives to create a unique experience for customers all the while fulfilling social and environmental responsibility.

## **2. ESG & Social Impact**

### **Social needs (e.g. social problem and its seriousness)**

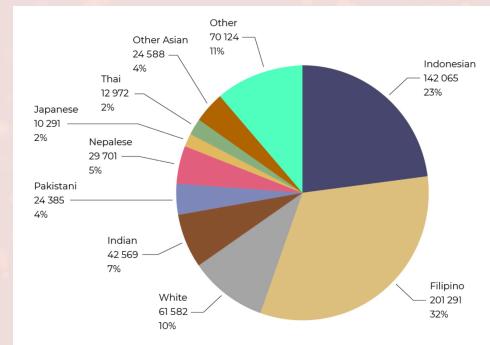
We have identified several environmental and social concerns that require public attention and prompt action.

On the environmental aspect, Hong Kong citizens are generating waste at an alarming rate, such that our landfills are struggling to accommodate the overwhelming volume. The environmental impact of this excessive waste production is a pressing concern. Hong Kong citizens consume a staggering 400 million single-use coffee cups per year, resulting in enormous heaps of landfill waste.

Coffee cups are typically made of paper with a plastic lining, of which existing recycling facilities have limited ability to separate, making coffee cups difficult to fit into any category for recycling. Besides, it takes many years to degrade the plastic used in producing coffee cups. The polyethylene is resistant to degradation and could take around 30 years to break down. Hence, the landfills in Hong Kong are filling up rapidly. All three landfills in Hong Kong have been filled up to their maximum capacity and are currently undergoing expansion. Thus, it is essential to reduce waste disposal by reducing consumption of non-biodegradable products.

On the social aspect, unemployment is prevalent in Hong Kong, especially among ethnic minorities. In 2022, Hong Kong Unison, an organization that advocates for ethnic minority groups, revealed that 48.9% of the members of ethnic minorities are unemployed.

Ethnic minority groups are often unprivileged in the workplace due to cultural differences, language barriers, and skill gaps. For instance, a lot of jobs in Hong Kong require applicants to be biliterate and trilingual, meaning to showcase proficiency in Chinese (both Cantonese and Mandarin for spoken language) and English. Some members of the ethnic minority groups may even face education disparities due to cultural differences or limited access to education resources. As a result, employers may be hesitant to employ ethnic minority groups, or even discriminate against them. In view of the difficulties in securing stable and decent-paying jobs, ethnic minority groups are in dire need of skills training which will allow them to integrate into the society.



## United Nations Sustainable Development Goals



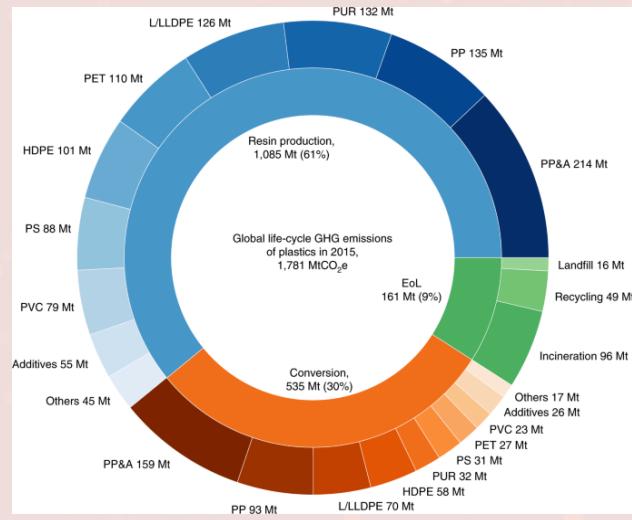
## SASB Standards

Environment	Social Capital	Human Capital	Business Model & Innovation	Leadership & Governance
<b>GHG Emission</b>	<b>Human Rights &amp; Community Relations</b>	<b>Labour Practices</b>	<b>Product Design &amp; Lifecycle Management</b>	<b>Business Ethics</b>
<b>Energy Management</b>	<b>Access &amp; Affordability</b>	<b>Employee Health &amp; Safety</b>	<b>Supply Chain Management</b>	<b>Critical Incident Risk Management</b>
<b>Water &amp; Wastewater Management</b>	<b>Product Quality &amp; Safety</b>	<b>Employee Engagement, Diversity &amp; Inclusion</b>	<b>Materials Sourcing &amp; Efficiency</b>	<b>Systemic Risk Management</b>
<b>Waste &amp; Hazardous Materials Management</b>	<b>Customer Welfare</b>			

## Applications of Environmental, Social, and Governance on the Product/Service

We see the detrimental impact that disposal coffee cups cause on the environment. In light of this, we will be selling and renting out reusable coffee ground cups instead of providing disposable ones. At the same time, we hope to hire ethnic minorities in our shop so that we may assist them in integrating into the society.

One of the major elements of our cups is its eco-friendliness. Most single-use plastics come from fossil fuels and crude oil, thus the molding process releases a lot of harmful greenhouse gasses, i.e. around 1.83 kg of carbon dioxide per kg of product. On the contrary, our coffee ground cups are made with a mixture of coffee grounds, xanthan gum and plant-based thickening agents, which are all renewable and biodegradable resources. We will also reduce energy consumption by drying the coffee grounds moulds naturally under sunlight. It is apparent that the manufacturing of our cups demands less carbon emissions and energy.



Moreover, another major highlight of our cups lies in its sustainability. Producing the cups with coffee grounds that result from the residue of our coffee making, the production cost of our cups, e.g. transportation and purchasing cost of raw materials, can be minimized. At the same time, we have provided a novel initiative concerning waste management as now waste products from our business, coffee grounds, are put into use and prevented from being disposed of into the landfill. This forms a complete production cycle per se, reducing waste disposal and thus, reducing pressure exerted on landfills and the environment.

Concerning our recruitment of workers, we aim to hire ethnic minorities, ranging from Arabs to Filipinos. We will actively find and communicate with foreign hire agencies to seek out employees from various ethnicities. They are able to facilitate our daily operations, including reception, cashier, stock-resupply, beverage managing, and cleaning, provided they are presentable. To achieve this, sufficient training will be provided to these workers to enable them to work as baristas or cashiers, which require little speciality and are targeted towards those who possess lower academic qualifications and are severely disadvantaged in job applications. Even if they are unable to work with us, they will have more skills and be more competitive in the job market, easing the process of job hunting in the future.

## **Practices of Environmental, Social, and Governance in the corporate**

In terms of welfare, all workers will be compensated with fair pay and plentiful living wages at an hourly rate of around HK\$60. In relevance to the latest living wage standard for 2023 in Hong Kong, set at HK \$60.1/hour. We will also implement a flexible working hour system for employees to have personal time and work-life balance. Additionally, workplace health and safety will be ensured. Healthcare and medical Insurances will be bought for all workers and the environment of the coffee shop will be guaranteed to be safe. Every month, employees are only required to work for around 20 days. The number of working days is not fixed as we are implementing a flexible working hour system. Moreover, employees will receive 7 days off with wage and another 7 days off without wage per year. We will contribute 5% of workers' wage to the Mandatory Provident Fund as stated by the Hong Kong Basic Law.

Moreover, sourcing, as an integral part of our business, reflects our responsibility towards our customers, and ultimately society. It should be deliberately conducted to maintain the consistency and quality of our food ingredients, as well as supporting sustainable practices.

We will source all our ingredients from only reputable wholesalers whose sources are ethical and sustainable, e.g. Grounds for Change. It is part of our mission to impact society through minimizing the damage done to the environment. Our products will be the fruits of practices such as organic farming, which forbids the use of pesticides and thus does not inflict air and water pollution, and agroforestry, which integrates trees and crops or livestock on the same land, reducing soil erosion and thus promoting farming sustainability.

Moreover, it is essential to uphold the idea of fair trade through our sourcing. Through purchasing coffee beans and tea grown by women, smaller farms or fields, and diversifying our sources from all over the world, we may encourage the rise of less socially acceptable and influential agricultural chains. We do not mind spending that extra cost in obtaining ingredients from these producers, as we seek to empower them to plan, improve their businesses, and eventually acquire agricultural skills like better soil and pest management to mitigate climate issues such as salinization and pollution as aforementioned.

Furthermore, food safety is another aspect we prioritize as we want our customers to have the best experience at our coffee shop. From sourcing safe raw materials to proper storage, following the guidelines provided by the Centre of Food Safety, and proper preparation methods, we promise to always keep hygiene in mind. We will source from suppliers that have a proven track record of complying with food safety laws and standards, such as the current good manufacturing practices (cGMP).

With all of the above benchmarks taken into consideration, we believe that we are on the right track to achieving our ultimate goal of benefiting the society.

## **How can your business address the above social needs and generate positive social impacts (e.g. alleviate/solve the problems?)**

Firstly, we hope that through the attractive designs and the “green slogan” -- bring your own cup -- on our intricately made coffee ground cups (please refer to Section 3.), customers can be reminded to bring their own cups whenever they would like to have a drink. We hope to drive social impact through promoting such eco-friendly initiatives among coffee-drinkers, and hopefully in the future shape a more sustainable coffee-drinking culture in Hong Kong.

Coupling with the above is the discount scheme. We would like to encourage customers to bring their own cups to reduce solid waste of coffee cups by providing discounts. Many customers do not bring their own cups when they order drinks. In order to cultivate the practice of bringing their own cup to these customers, we provide discounts (details can be found in Section 4.) if they bring our coffee ground cups or their own cups upon future purchase. Through providing financial incentives, we believe that we can encourage more customers who did not bring their own cups in the past to do so now. As we expand our production scale and sales, we are confident that we can save at least 10000 non-biodegradable cups a year in the near future with our business.

Moreover, the welfare system that we plan to implement could be a small yet firm step towards offering job opportunities and a sense of belonging to them. Meanwhile, we hope to unleash societal potential through the business, serving as a platform for ethnic minorities to integrate and connect with locals, developing positive perceptions which will eventually raise their competitiveness and reduce discrimination in the future.

The coffee shop stands to offer not only employment, but also a place for ethnic minorities to develop and break through the predetermined barrier the society has forced upon them. We also envision the impacts that could potentially be brought about by the shop to the service industry in appreciating the role of ethnic minorities in the long term, ultimately contributing to their involvement in the spectrum of the multicultural society in Hong Kong.

### **3. Details of Business**

#### **Introduction of Product / Service**

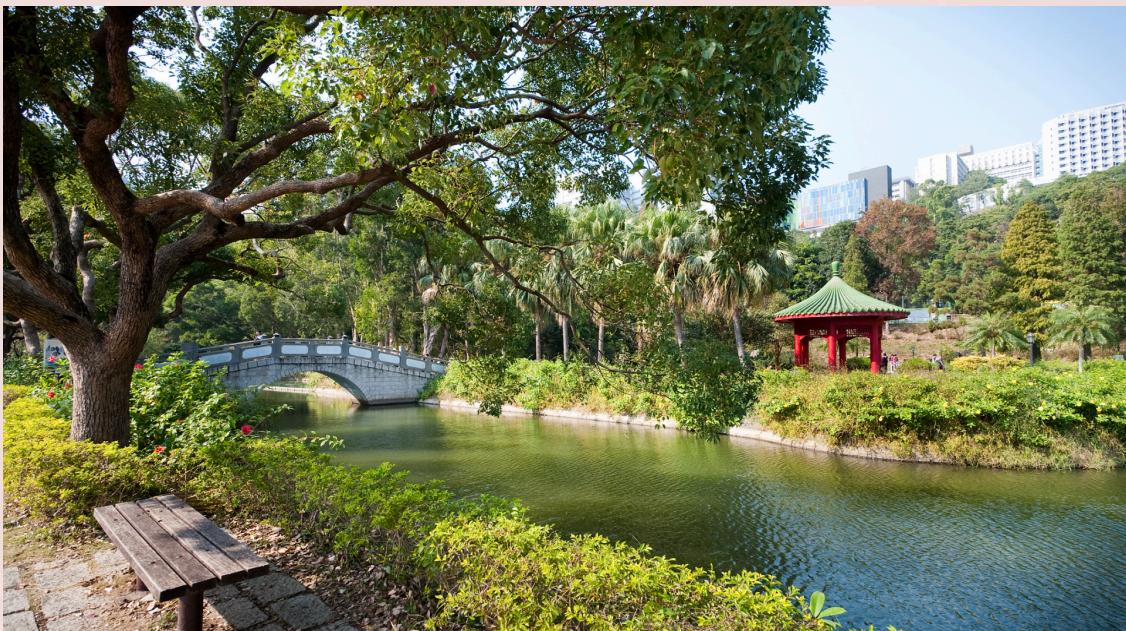
- Location**

We are planning to partner with a university in Hong Kong and start our coffee shop on campus, reasons as follows:

Firstly, renting a shop on campus would also be less costly than leasing a space outside.

Secondly, we could initiate a special exchange project with the university, offering one-fourth of our coffee grounds each week to the university for fertilizers in exchange for assistance on the technological and research fronts.

We would also like to choose a university that embraces nature and has lots of greenery on campus since it could help us bring out the environmental values of our business.



*(a photo of the CUHK campus)*

- Takeaway & Dine-in options**

We provide both dine-in and takeaway services but one-time, plastic cups will not be provided for either. Customers who did not bring their own cups but wish to buy our coffee can either buy or rent out our cups. To rent a cup, customers will be required to download our app to sign up. By doing this, we can prevent our rented cups from being stolen.



- **Coffee Shop interior design**

We will utilize natural sunlight as much as possible within our shop, placing seating near windows to create a comfortable environment.

- **Cup washing area**

To ease the process of cleaning the reusable cups, there will be a sink dedicated for customers to wash their used coffee cups.

- **After-sale services**

Free WiFi for 45 minutes per order and charging services will also be provided.

- **多啡走杯 App**

We will design an application to ease the renting of our coffee grounds cups. We may also utilize the app to assist in collaborations with other coffee branches (refer to business goals for more details).

## Characteristics of Product / Service

- **Special drinks**

Different coffee toppings, like whipping cream, caramel, and dark chocolate, will be available, allowing customers to create special personalized drinks. People who are less inclined to customize may also order basic popular coffee like mocha, black coffee, and cappuccino. There will also be a Weekly Special prepared by one of our staff according to the coffee usually drunk in their home country to promote diverse cultures.

- **Sustainable**

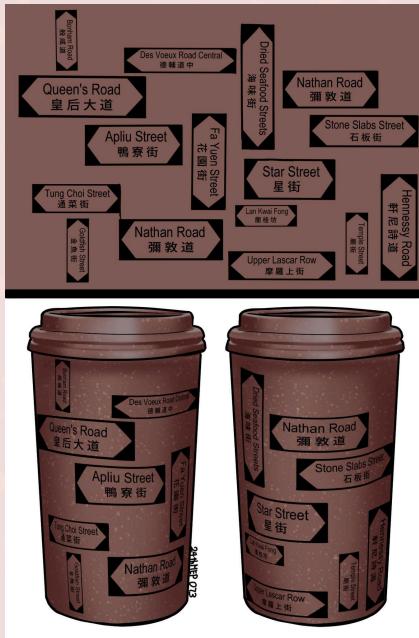
After our coffee is brewed, the coffee grounds will be reused as fertilizer at the university campus we are located at or as our own cups made of coffee grounds, almost completely eliminating the amount of solid waste that is normally created at a coffee shop.

- **Cups sold outside the shop**

We will sell our coffee grounds cups as souvenirs near tourist attractions like Victoria Harbour and the Peak Tram to promote eco-friendly businesses and raise awareness towards the issue of solid waste around the world.

- **Coffee grounds cups**

Our cups will be 3D printed using coffee grounds, as well as common additives in food like xanthan gum and plant-based thickening agents, ensuring food safety and eco-friendliness. Our cups blend both innovation and sustainability without sacrificing one for the other.



We will also aim to expand in the long run, selling our Hong Kong-themed cups at tourist hot spots, for example near the Peak Tram, to spread the message of sustainability across the globe. Potential designs are displayed below.

## Business Goals

- **Optimizing customer experience**

As a newly launched coffee shop, one of our main goals is to enhance our customers' coffee-drinking experience. We will work meticulously to ensure a promising quality in every aspect of coffee-making, from sourcing coffee beans to roasting and brewing. We strive to accommodate the needs of different customers with different consumption styles. On one hand, we will provide a soothing environment for dine-in customers and a wide range of customization options. On the other hand, we can also showcase flexibility and efficiency in preparing takeaway beverages for grab-and-go customers.

- **Establishing brand image and loyal customer base**

In order to increase our competitiveness in the coffee industry, we aim to build a unique brand image through allowing customers to make their own recipes. We hope to make this our selling point and stand out from other businesses, cultivating our own customer base in the long run. We look forward to not only receiving positive feedback from regulars, but also gaining recognition from new customers who are willing to share our coffee shop to a wider audience as a go-to destination for the beverage and the experience.

- **Incorporating sustainable business practices**

Our coffee shop strives to incentivise and encourage the use of reusable coffee mugs among the general public by setting up our discount system. We aim at being at the forefront of environmental protection, as well as normalizing the act of bringing our own cups as a widely embraced social norm. We will also abide by the framework of circular economy by reusing our coffee grounds in the production of reusable coffee cups, so as to achieve our ultimate goal of promoting waste minimization.

- **Fulfilling social responsibility**

We aspire to contribute to society and fulfill corporate social responsibility by mainly employing ethnic minorities who lack competitiveness in the labour market. Apart from offering them job opportunities, we will also provide skills training including language training, cashier and accounting skills, etc. We promise to be responsible employers who actively assist unprivileged members of society in achieving social integration.

- **Creating a long-lasting social impact in the coffee industry**

In order to incentivise the adoption of reusable coffee cups, we are introducing a discount scheme where customers receive discounts when they bring their own reusable coffee cups to our shop. In the second year of our operation, we intend to forge partnerships with coffee chains, expanding our specialized discount scheme into a shared initiative across numerous coffee shops in Hong Kong. We will also develop an app to centralize accumulated discounts and cup borrowing records among participating coffee shops. We strive to raise awareness on environmentalism among key players of the coffee industry, creating a synergy effect that promotes environmental sustainability on a larger scale.

## **4. Sales & Marketing Strategy**

### **SWOT Analysis**

<b>Strengths</b> <ul style="list-style-type: none"><li>• Environment-driven</li><li>• Customization options</li><li>• Attractive Hong Kong-themed designs</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Limited market reach</li><li>• Relatively higher price point</li><li>• Food delivery limitations</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Partnerships</li><li>• Coffee drinking culture</li><li>• Increased environmental awareness</li><li>• 3D printing technology</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Competition from pre-existing, well-established coffee chains</li><li>• Breakdowns in collaborations</li><li>• Overdependence on coffee sales</li></ul>

## Strengths

- **Environment-driven**

Since we are a coffee shop that is mainly focused on ESG, we are able to spread these positive values effectively. Due to the mighty rise of environmentalism as a topic of discussion, enterprises are more prone to be involved in environment-friendly activities to promote their goodwill. As a result, we could attract various companies, including for materials and distribution, for collaborations, lowering our startup costs and increasing profits in the long term.

- **Customization options**

Customizing various aspects of their coffee could be appealing to teenagers, our main target customers. Young adults who are just getting into society and are craving freedom of choice can let their creativity run wild.

- **Attractive Hong Kong-themed designs**

Various Hong Kong-related artwork will be carved onto our 3D-printed coffee ground cups, appealing to both Hong Kongers and tourists. This can also effectively help spread the traditional culture of Hong Kong and bring our beloved city into the spotlight.

## Weaknesses

- **Limited market reach**

Since our shop is situated inside a university, our market reach would not be as wide as we would like, mainly serving students. Thus, our product would not be as far-reaching as those in the open market. To solve this problem, we could sell our cups elsewhere, possibly as souvenirs or memorabilia as the first locally-produced coffee ground cups with traditional Hong Kong-style engravings and artwork.

- **Relatively higher price point**

All of our inputs will be sourced from fair trade suppliers, so our input prices might be relatively higher than those of other coffee shops. However, our fair trade practice could be enough to attract environmentally-conscious consumers who are looking for a more sustainable alternative to current well-established yet wasteful coffee shops.

In addition, first-time customers would face a higher initial price due to our loyalty scheme and having to buy a new cup, which may deter new customers. However, long-time customers can benefit from our discounts for bringing our coffee ground cups, which may encourage long-term spending at our coffee shop.

- **Food delivery limitations**

Due to our many customization options and complicated procedures, we have decided not to offer food delivery services. This could be a worrying factor since food delivery has been gaining popularity since the COVID-19 outbreak. However, since we are situated on a university campus, many of our main customers, university students, will pass by our store on their way to class, so the need for food delivery is reduced considerably. We might consider setting up food delivery services in the long term.

## Opportunities

- **Partnerships and financing**

Since we are an ESG-focused company, we would have many partnership opportunities as a lot of franchises are also looking to expand towards eco-friendly production. We can provide firms with valuable experiences and consumer feedback in exchange for lower resource prices.

In addition, we can more easily obtain Sustainability Linked Loans from various banks through our ESG-orientated practices and policies.

In the case of the university we are situated in, we can also partner with their diverse teams and clubs to aid the growth of our business. For example, we can collaborate with the R&D department to make our business even more eco-friendly and efficient.

- **Coffee drinking culture**

The coffee drinking culture in Hong Kong is very wide-spread, especially amongst students who do not get enough sleep at night. Many university students use caffeine to stay awake during lectures and focus better. We can make use of this culture and insert ourselves into this prosperous market to earn profit as well as promote ESG values and ideals.

- **Increased environmental awareness**

Recent studies and reports have brought the environment into the spotlight. From politicians to the school curriculum, environmental awareness has undoubtedly become an everyday phrase. As awareness of the environmental impacts of businesses is widespread, we can set a good example and role model for other companies, putting not only profit but also ESG and fair trade on a pedestal and educating the public.

- **3D-printing technology**

Due to various technological advancements, we have the opportunity to 3D print coffee ground cups. By providing a practical field for large-scale commercialization of 3D-printing research results, the university could be more inclined to partner with us to explore further possibilities of integrating technology into eco-friendly products.

3D-printing our cups has a few commercial advantages as well. Firstly, we can guarantee the quality and safety of these both innovation-based and eco-friendly cups, making them heat-resistant and food-safe.

Besides, 3D-printing allows a larger extent of customization without an increase in production cost. We can have more detailed Hong Kong-themed designs on our cups compared with those printed on mass-produced cups.

Finally, 3D printing with coffee grounds could be an attractive gimmick to customers. This method of making cups is quite rare, so this could attract curious customers to purchase and try out our product.

## Threats

- **Competition from pre-existing, well-established coffee chains**

There are many well-known coffee shop franchises everywhere at many different price points. From affordable Luckin Coffee to high-end Starbucks, consumers already have many choices of where to buy coffee. However, we stand out by prioritizing the environment and the well-being of our society in general. We can give consumers a new perspective on how a coffee shop can be run without significantly damaging our planet, maintaining a good balance between profit and helping society and the environment.

- **Breakdowns in collaborations**

Our business model highly depends on collaborations, including partnerships with universities and various companies at the prior stage of production. If these partnerships were to end or disagreements arose between us and other stakeholders, we may face many problems regarding input prices and location.

To counteract this, we can sign long-term conditional contracts with reputable companies. Conditional offers could include a contract extension if we reach certain goals in terms of waste reduction.

We will seek more partnerships to reduce reliance on a particular collaboration partner. Moreover, We can also try to find new partners in case the partnership situation is suboptimal near the end of the contracts if necessary. With that being said, we will undoubtedly try our best to maintain good relations with partners and fulfill our promises regarding ESG.

- **Overdependence on coffee sales**

Our reusable cups, a core aspect of our business model, are highly dependent on our coffee grounds derived from our coffee sales. If we do not sell enough coffee, we may have problems with producing our cups as souvenirs. To solve this, we can purchase coffee grounds from other coffee shops at a very low price since many established coffee shops treat grounds as waste and throw them out. By doing this, we can still reduce other stores' solid waste.

## **“4Ps” of Marketing – Product, Place, Promotion, Price**

- **Market Positioning – Product**

We acknowledge the fact that as a startup coffee shop, our reputation is incomparable to large-scale coffee shop chains like Starbucks and Pacific Coffee. However, we position ourselves differently than them as we seek to let customers completely personalize their coffee. We stand out from the rest of our competitors because such a novel initiative can be rarely seen in the industry, and we believe our mission will be a major driving force for customers to continuously support our business.

Our practices and factors of production are also much more beneficial to society and the environment than traditional coffee shops, placing ESG as our first priority. From sourcing and storing to serving, we strictly adhere to the principles of ESG, ensuring food safety while selecting ingredients at higher standards.

Moreover, we aim to provide high-quality drinks at a reasonable price. Discounts will be provided to those who use their own cups or their tailor-made coffee ground cups, implying that our drinks will be provided at an affordable price. In the future, we hope to slightly lower the price, i.e. cheaper than mainstream coffee shops, in order to make use of price competition to attract more customers as well.

- **Target Customers – Product**

Located on a university campus, our business is targeted mainly towards university students. Coffee and milk tea drinking culture is common among youngsters. Together with the fact that they are often willing to embrace change and ambitious to contribute to the society, they make up the perfect cohort of customers we can exert our influence on. We can provide a relaxing and cozy environment, as well as free WiFi and charging services tailored to students' studying needs. Moreover, we allow customers to customize their own cup of coffee, which we are confident would appeal to the younger generation. Nonetheless, we welcome students that simply want to grab a quick cup of drink before lectures or study periods as some may prefer working at home or in libraries instead of in coffee shops where chatter may be distracting. We endeavor to enhance the university life of students, hoping that they will in turn make a change in their coffee-drinking habits and contribute to raising public awareness in making personal efforts to protect the environment.

On the other hand, we hope to market our coffee ground cups as souvenirs outside our shop in order to attract tourists, and thus spread our ideals all over the world. We will emphasize the “Made in Hong Kong” aspect of our cups through designs of Hong Kong tourist attractions like the Victoria Harbour, while stressing the importance to “bring your own cup” to save the environment. We hope this message will get through to all customers, promoting our business all the while making a positive impact on society.

- **Sales Channels – Place**

We have decided to set up a brick-and-mortar store instead of relying on e-commerce platforms as we value the coffee customization experiences of our customers, which will be one of the attractive elements of our coffee shop. Revenue can also be immediately collected upon sales since middlemen like e-marketplaces are not required. Meanwhile, the deliberation on the decor of the shop can create a comfortable workplace for university students. This cultivates a habit of working and spending quality time at our coffee shop, encouraging customers to regularly support our business.

Other than selling our coffee ground cups in the coffee shop, we aim to sell our coffee ground cups in souvenir shops. Through expanding our sales channel to souvenir shops, we can increase our customer base to tourists and coffee drinkers all around Hong Kong. This is beneficial to shaping a more eco-friendly coffee drinking culture in the long-term.

Moreover, retailing is chosen instead of wholesaling because it echoes our goal of providing a personal and customized service for our customers. As simple as a greeting by our employees, which can only be given in a retailing brick-and-mortar shop, can brighten up a customer's day.

- **Promotion**

As a start-up, we are aware that the flexibility of capital put in marketing is vital to achieving a financially sustainable advertising scheme. While we consider traditional advertising to be expensive thus unsuitable to our promotion, we fully recognize the dominance of social media in Hong Kong, as well as the overwhelming outreach we can utilize to advertise our business. Since university students, our main target customers, are avid users of social media, we are confident that our promotion will reach them and spread via word-of-mouth. Numbers published in Meta's advertising tools indicate that Instagram had 3.70 million users, while Facebook had 4.50 million users in Hong Kong in early 2024. We intend to advertise the coffee shop through the cost-per-thousand-impression (CPM) plan on Meta, equivalent to 3000 seconds of exposure in feeds, explore pages, reels and shops, averaging at HK\$61.8 per CPM. We are willing to devote HK\$2000 per month in the first year into promoting our products, which we believe will draw a satisfactory level of attention to interested customers online by the start of the business. The promotion scheme will release updates and discounts, as well as promote our initiatives of environmentally-friendliness and sustainable development, actively looking for customers and potential partnerships with other firms.

In the future, we may also consider expanding our app for renting coffee cups and add promotional functions, such as sending timely notifications and providing extra coupons.

- **Price**

1. Customers who do not bring a reusable cup pay full price
2. Customers who bring their own cup can enjoy a 5% discount
3. Customers who bring our coffee grounds cups can enjoy a 15% discount
4. Customers can buy our coffee ground cups at HK\$50 each

Coffee: \$13-15 per 100mL

Milk tea (Ceylon): \$6 per 100mL

Milk: \$3 per 50mL

Toppings:

- Whipping Cream: +\$2 per 10mL (estimation: all customers will add)
- Caramel: +\$4 per 20mL (estimation: one-third of customers will add)
- Dark chocolate: +\$5 per 20g (estimation: one-third of customers will add)

Possible toppings to add to our store in the future:

- Peppermint
- Honey
- Icecream (french vanilla)
- Maple syrup
- Cinnamon
- Rose water
- Raspberries & raspberry syrup
- Matcha
- Pumpkin Spice

## **5. Finance (with Cost Breakdown)**

### **Startup Cost**

	<b>Price</b>	<b>Quantity</b>	<b>Cost</b>	<b>Remarks</b>
<b>Machinery:</b>			91600	
Automatic drip coffee machine	1000	3	3000	
Espresso machine	68000	1	68000	
Freezer	20000	1	20000	
Containers	100	6	600	(1L Glass Container)
<b>Miscellaneous:</b>			2000	
<b>Decor:</b>			100000	
<b>Business Registration Certificate (License)</b>			5720	(for 3 years)
<b>Total:</b>			<b>199320</b>	

### **Funding Sources**

Different banks in Hong Kong, e.g. Bank of China, provides Sustainability Linked Loans to companies that fulfill ESG requirements in their daily operations. We can also apply for the CLP Education Fund up to HK \$100,000 as we are promoting energy conservation through education and promotion. We are confident that we are able to pool enough capital for the opening and daily operation of our business through these loans.

### Expected monthly and yearly revenue (3 years)

First Year	Price (per cup on average)	Quantity	Revenue
Coffee	43.76	5000	218800
Milk tea	24	1000	24000
Cup (sold in shop)	50	150	7500
Cup (sold outside shop)	80	150	12000
<b>Monthly Total:</b>			<b>262300</b>
<b>Yearly Total:</b>			<b>3147600</b>
Second Year	Price (per cup on average)	Quantity	Revenue
Coffee	42.86	5500	235730
Milk tea	24	1100	26400
Cup (sold in shop)	50	200	10000
Cup (sold outside shop)	80	300	24000
<b>Monthly Total:</b>			<b>296130</b>
<b>Yearly Total:</b>			<b>3553560</b>
Third Year	Price (per cup on average)	Quantity	Revenue
Coffee	42.19	6050	255249.5
Milk tea	24	1210	29040
Cup (sold in shop)	50	300	15000
Cup (sold outside shop)	80	700	56000
<b>Monthly Total:</b>			<b>355289.5</b>
<b>Yearly Total:</b>			<b>4263474</b>

\*Price of coffee is estimated to be the average cheque of customers according to the general trend of preferences of toppings, and we will also provide greater discounts as we expand our business

\*All the revenues calculated are after-tax revenues

## Expected monthly and yearly cost

	Price (L/kg)	Quantity	Cost	Remarks
<b>Food Ingredients:</b>				
Coffee Beans(Arabica)	16.2	1000	16200	
Ceylon Tea	2.7	600	1620	
Milk	15	1200	18000	
Whipped Cream	60	200	12000	
Caramel	130	33.3	4329	
Dark Chocolate Chips	200	33.3	6660	
			143600	
<b>Overheads:</b>				
Water Fee			4000 (The calculation formula of water fee is too complicated so we just give the total amount)	
Electricity Fee			25000 (The calculation formula of electric fee is too complicated so we just give the total amount)	
Machinery Maintenance			3000 (The calculation formula of machinery maintenance fee is too complicated so we just give the total amount)	
Gas			5000 (The calculation formula of gas fee is too complicated so we just give the total amount)	
Rent of a CUHK shop			60000 (800 sq.ft , It is the estimated ceiling of rent when collaborating with universities)	
Wage of wait staff / floor staff	13000	1	13000	
Wage of barista	16500	2	33000	
			14400	
<b>Cup:</b>				
Production cost	40(35)	300	12000 (per cup) (The inputs are from the waste of our coffee and we will outsource the production of coffee ground cup)	
Platform commission	16	150	2400	
			1980	
<b>Miscellaneous:</b>				
Sponge	5	60	300 (per unit of sponge)	
Dish Soap	30	30	900	
Hand Sanitizer	20	30	600	
Kitchen Paper	6	30	180 (per roll of kitchen paper)	
Advertising cost	2000		2000 (per month)	
First Year				
<b>Monthly Total:</b>			220189	
<b>Yearly Total:</b>			2644788 (2520 for food premises license per year)	
Second Year				
<b>Monthly Total:</b>			238469.9	
<b>Yearly Total:</b>			2864158.8 (2520 for food premises license per year)	
Third Year				
<b>Monthly Total:</b>			265098.89	
<b>Yearly Total:</b>			3183706.68 (2520 for food premises license per year)	

\*Cost of purchasing raw materials and production cost of the coffee ground cup has been adjusted in different years as we expand our production scale over the years.

## Financial Projection in 3 years

Year	Revenue	Cost	Profit	Net-of-tax Profit
1				
<b>Monthly Total:</b>	262300	220189	42111	
<b>Yearly Total:</b>	3147600	2644788	502812	465101.1
2				
<b>Monthly Total:</b>	296130	238469.9	57660.1	
<b>Yearly Total:</b>	3553560	2864158.8	689401.2	637696.11
3				
<b>Monthly Total:</b>	355289.5	265098.89	90190.61	
<b>Yearly Total:</b>	4263474	3183706.68	1079767.32	998784.771



## **6. Risks Management (Predicted risks and respective contingency plans)**

- Unforeseeable events impacting our business**

The COVID-19 pandemic has brought a huge blow to the existing food and beverage sector in the past years. Since our business is dependent on tourism and domestic demand, if a similar incident were to happen, our sales would plummet and our whole business would be in danger. We could also keep our business afloat by relying more on our cup sales outside our store as souvenirs. Additionally, we will aim to establish financial stability in terms of investment and management if similar economic downturns occur in the future. To achieve sustainable finance, we will retain a fixed amount of liquid capital sufficient to finance our operation costs for three months.

- Fluctuations in customer demand**

The customer demand in the area may vary greatly depending on university semesters and nearby competition. Therefore, we will strive to serve a progressively wider customer base throughout the first year of operation to maintain competitiveness, taking note of the fluctuations in customer tendencies to adjust our pricing and promotional strategies accordingly. We could also temporarily sell more cups outside the store to compensate for less sales in store during downtime.

- Difficulty in sourcing due to global conflicts**

The coffee industry is heavily dependent on the input of raw materials, which are susceptible to conflicts such as trade wars, tariffs or barriers. In light of this, we can explore local input sources. For instance, our coffee beans could be sourced from local farms to avoid our operation being held up by international shipping difficulties.

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