



Covernotes

tea and coffee house

FRANCHISE BUSINESS PLAN

Bayview DECA Chapter
Bayview Secondary School

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I. EXECUTIVE SUMMARY

Company Objective: Covernotes strives to serve customers local delicacies alongside fresh, organic coffee, imported from around the world. In addition, this cafe takes steps to unify the community through art, literature and local events. Covernotes will be franchised to a new location on Main Street Unionville called Covernotes Markham.




Products and Services Offered:

Coffee/Drinks	Food	Art	Books	Events
→ Organic tea and coffee	→ Sandwiches/ Pastries	→ Donated art	→ Picture books	→ Open Mic Nights
→ Specialty drinks	→ Prepared daily	→ Paintings	→ Novels	→ French Nights
→ Imported internationally	→ Locally supplied	→ Available for purchase	→ Available for purchase	→ Poetry for Local Unity

Management Team: Covernotes Markham consists of a strong management team that has experience working in a cafe setting. The team for the first year of operation consists of Franchisees, Amanda Guo and Doris Zhou, who will also serve as the Managers. Additionally, there will be two Senior Baristas who have some prior experience working at Covernotes. We will also have 3 regular Baristas working part-time or full-time.

Surrounding Environment: This new location of Covernotes on Main Street Unionville, located at the heart of Markham, Ontario, is surrounded by our target demographic of local artists and residents who value organic foods. The area is also a historic place that has the reputation of maintaining local tradition.

Competitive Advantage:

 <p>Localization</p>	<p>All books, art and performances are donated/performed by local residents, giving the cafe a home-like feel for anyone that visits. All ingredients are imported internationally or supplied locally to support the goal of serving eco-friendly products.</p>
 <p>Unique Drinks/Food</p>	<p>Fresh, homemade and local delicacies like the Maple Pecan Pie, the Chipotle Wrap and a multitude of specialty drinks are only available at Covernotes. There is also a new and efficient rewards program that encourages customers to visit the store to redeem promotions and free drinks.</p>
	<p>Customer service is an important aspect of the Covernotes experience. Our Baristas exhibit the best hospitality and they make sure each customer transaction goes as smoothly as possible. The extensive training program for Baristas also incorporates a variety of hospitality principles for them to use.</p>

Covernotes

Target Market:

Demographics

All ages with a focus on young adults aged 15-24
Annual income of \$40,000 +

Psychographics

Values art, literature and community bonding
Values organic and fresh foods

Financial Investments:

Personal Investment

\$20,000 per Franchisee (\$40,000 in total)

TD Canada Bank Loan

\$50,000 with an interest rate of 6%, compounded quarterly (repaid in 5 years)

Capital Investment

\$60,000 with a 26% stake in the company

Market Validation: Through a December 2016 survey, it is evident that customers see value both in cost, and in quality for the products and services offered at Covernotes. They also find that it is important for the community to interact through art and literature. We will receive further feedback on our cafe and improvements that can be made through in-store surveys, and reviews on Facebook or our website.

Growth Potential:

Covernotes Revenue Growth Potential



Business After 5 Years: After 5 years, this business will have grown substantially, resulting in an estimated final market value of \$699,686.00, showing an ROI of 204% for our Capital Investors. In the unforeseen event that we must exit, the franchise will be sold to another capable owner.

II. BUSINESS HISTORY, BACKGROUND, AND OBJECTIVES

A. Description of Company

Founded in 1999 by Tom and Nancy Dier, Covernotes is a cafe and community hub that sells local and international specialty hot drinks while featuring art and literature from around the community. Currently operating in Richmond Hill, Ontario and Newmarket, Ontario, they specialize in serving their renowned organic coffee imported fresh from many countries around the



Figure 1: Inside of Covernotes Richmond Hill

world. In addition to their unique variety of drinks, Covernotes also sells sandwiches, salads, and daily baked goods available to any customer. Following the trend of localization, this cafe stands out from the monotonous wave of coffee franchises due to their weekly events and objective of bringing the community together through art and literature. Shelves around the cafe feature a multitude of local books from novels to children's picture books, tailored for readers of any age. These books are readily available for customers to read during their time at Covernotes, or to purchase afterwards. Furthermore, the walls of the cafe are decorated with local art (paintings, etc.) that are also up for purchase. Covernotes runs Open Mic Nights and invites singers from around the community to perform at their events.

B. Short Term and Long Term Objectives

As a short-term objective for 2017, Covernotes aims to introduce complimentary wifi to further cater to the needs of the modern consumer. Many self-employed professionals often take advantage of locations with wifi as an alternative to working from their home all day. An objective that will be implemented is the introduction of an efficient iPad Sale System that will help Baristas with orders and feature information about upcoming events.

Community, Conversation, Connection & Coffee!



Figure 2: Objectives for the First Three Years of Operation

C. Major Successes and Achievements

Covernotes has become the go-to place for locals to sit back, relax and enjoy great entertainment alongside specialty drinks and food. Their coffee has been voted the best coffee in the township of Richmond Hill, and appears as one of the top cafes on Yelp and TripAdvisor. The Richmond Hill location has been a huge success since its opening and its expansion to Newmarket has helped bring more publicity to Covernotes as a company. This cafe is not only known for its amazing customer-oriented service, but also for its support of local organizations through philanthropic initiatives. They continuously help with local non-profit charities such as the York Region Gay-Straight Alliance, AIDS Committee of York Region and various art organizations. Additionally, Covernotes provides coffee beans for Commons Coffee, a non-profit organization that runs small cafes and provides locals the opportunity to gain work experience as well as fundraising (Covernotes, n.d.). Since the beginning, Covernotes has been extremely proud of their progress to bring the community together through art, and continues to help promote any local events in-store through partnerships with local artists.

Community, Conversation, Connection & Coffee!

D. Challenges and Obstacles

A prominent challenge for Covernotes is in the human resources sector. Since the company is currently owned and operated by Tom and Nancy Dier, they take on larger roles in the management and recruitment of staff at both locations of the cafe. The Baristas that work at Covernotes are mainly students or recent graduates who mainly work part-time. The challenges here would be to schedule when and where it is convenient for employees to work and how to fit Covernotes' operating hours with each person's schedule. To overcome this challenge, we plan to start an electronic scheduling system where Baristas can log on to an app and indicate which shifts they have during a particular week. In the unfortunate event that a Barista cannot make their shift, they can indicate an open spot for someone else to come in their place. High quality customer-oriented service is the top priority for Covernotes, therefore steps will be taken to maintain efficiency for the customers.

E. Changes in Ownership or Management

No changes in ownership or management have occurred in the past year. Tom and Nancy Dier have owned and operated Covernotes since its opening and have operated on a similar management structure throughout the years. Their objective for the cafe is to bring the community together through art, books and local events. By selling high quality organic coffee to customers, they have consistently been deemed the best cafe experience in town. Over the years only Baristas have been changing, but otherwise training and management of human resources have maintained consistency at both Richmond Hill and Newmarket locations.

III. BUSINESS ENVIRONMENT

Using a PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis, it is clear that the location for the new Covernotes franchise is suited for the main target market in the area. Additionally, the surrounding environment is a perfect addition to this new location in Markham, Ontario (City of Markham, n.d.).



Political:

Markham is a city that values all opinions and has a very stable municipal government. The city continuously fosters the growth and support for new ventures.



Economical:

Markham's economy has been growing significantly with new businesses rising in the area. The average household income is \$42,610, with a labor force participation rate of 64.7%.



Social:

From 2016 to 2026, there will be a 20% increase in the city's population and a 15% increase in the young adult population (15-24 year olds).



Technological:

Markham has become a heavily technological-centered location, featuring over 100 companies and new innovations for faster customer service.



Legal:

Covernotes has met the legal requirements to run as a coffeeshop. We have passed the Ontario Occupational Health and Safety Act, WHMIS and MSDS tests.



Environmental:

Main Street Unionville is a historic area that attracts thousands of visitors a day. Many youth, a significant part of the target market, often visit this location.

Figure 3: PESTLE Analysis for Markham, Ontario

Alongside statistics supporting Markham's growth and an increasing target market for Covernotes, the location is critical in determining our success. Main Street Unionville is a historic site filled with a rich reputation of arts and culture. Nearby, there are two high schools, Bill Crothers Secondary School and Unionville High School (which features an enrichment arts program called Arts Unionville), and several elementary schools. On the street itself, there is also the famous Frederick Horsman Varley Art Gallery. The location is near downtown Markham, where new condominiums and townhouses are being built to accommodate the population growth. These factors all contribute to Covernotes' potential success on Main Street Unionville because these local facilities provide the target market for Covernotes to sell their products to and feature events/art that will unify the community. Many events happen in the area that can contribute to an easy publicity access for Covernotes Markham.

IV. PRODUCTS AND/OR SERVICES

A. Products and Services Offered



Coffee



Books



Specialty Drinks and Food



Arts and Performance

Covernotes specializes in selling its rich and organic coffee to locals around the area. This coffee is imported from countries around the world such as Ethiopia, Colombia and Peru, then it is roasted to perfection at their custom Roastery in Newmarket. As a cafe, the staff at Covernotes is committed to serving their customers with the freshest coffee and prepares every cup immediately after each order. Moreover, there are iconic food and drink products available such as teas, lattes, espressos, sandwiches, baked goods, soups, bulk coffee and tea, etc. Every food item sold in this cafe is prepared daily and served with the love and care of the Baristas. Covernotes prides itself in serving customers with satisfaction and perfection necessary to make their visit go as smooth and comfortable as possible. Additionally, Covernotes is a unique destination where art and literature fuse together to create a powerful bond in the community. Paintings and drawings from local artists such as Ron Clifford and Laura Brant have been featured at both the Newmarket and Richmond Hill Covernotes locations (Covernotes, n.d.). Furthermore, books are on display throughout the cafe for customers to read and purchase as well. The books range from picture books to award-winning novels that are suited for readers of all genres. One of the most unique ways that Covernotes shows its communal spirit is by hosting local events and allowing locals to bond through a common festive and cultural experience. We provide a free platform for local artists who desire to perform through Open Mic Nights and all-out jam sessions which greatly entertain the Covernotes

audience. Biweekly French Nights are also hosted and allows the community to embrace new languages and cultures through interactive networking.

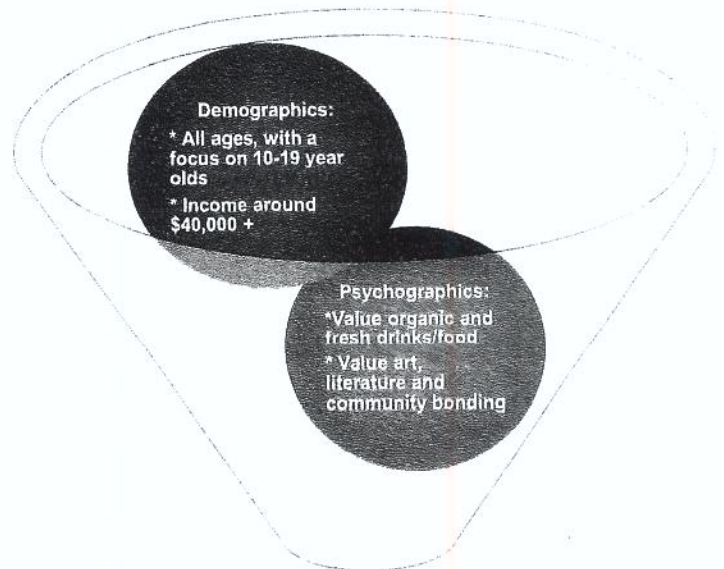
B. Changes and Additions to Current Product Line

In the next year, Covernotes plans to expand the existing product line by introducing fresh and unique variations of current drinks. Local customers will get a new experience when ordering beverages, while maintaining the same original taste of quality that Covernotes is known for. Furthermore, the cafe plans on ordering a new selection of coffee beans and teas to add variety to the two most popular products sold in-store for any customer to come and enjoy. Lastly, as an innovative addition, Covernotes Markham plans to add seasonal drinks that take on Holiday themes and add some fresh variety to the current product line. Customers will get the chance to enjoy old classics and try new creations.

V. PRESENT MARKET

A. Description of Present Market

Covernotes' main target market is the local residents. For example, we would expect students to come in the afternoons and on weekends, but potentially business people during the day. The psychographics of this group would consist of locals who enjoy a nice drink in a relaxing environment, and an emphasis on



95% of the Markham Population

those who have an appreciation for art and literature. The locals living around Main Street Unionville know the street for its historic reputation and convenient meet-up spot. There is a special focus on teenagers as this location is close to two high schools and a library, serving as *Community, Conversation, Connection & Coffee!*

an optimal study location or a place for teenagers to meet. Covernotes also features events that would be suitable for locals and youth to attend, since events such as Open Mic Nights are a great way to showcase young and emerging talent. Covernotes' staff consists of many young adults who serve as Baristas, so the market of teenagers is prominent and easy to reach through marketing tactics and staff members.

B. Growth Potential for Market

Markham, Ontario is the 16th largest municipality in Canada and is undoubtedly the country's high-tech capital (City of Markham, n.d.). With a population of over 351,000 and over 212 square kilometers of space, the city thrives with the potential to expand into an urban setting that

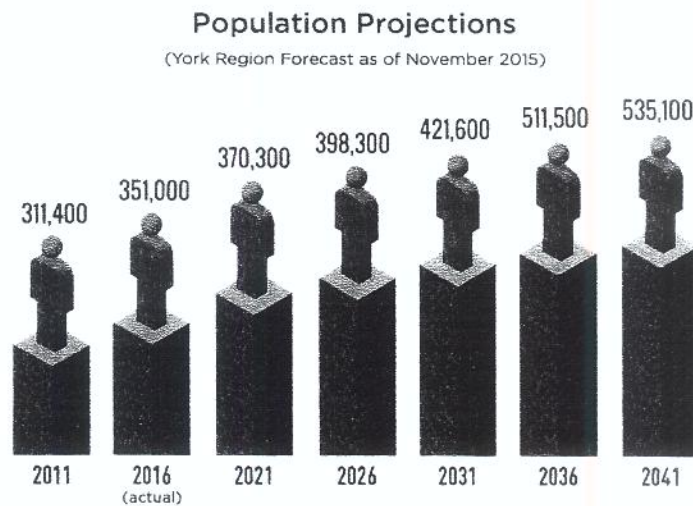


Figure 4: Population Projection for Markham, Ontario

accommodates the rapid population growth of the nation (City of Markham, n.d.). Each year, new residential units are being built and over 1400 were units were established from January to June 2016 (City of Markham, n.d.). In addition, the schools in the Markham area are consistently being ranked as some of the top schools in Ontario, attracting new residences annually who seek to provide their kids with the best education possible (Fraser Institute, n.d.).

C. Current Pricing Policy

The current pricing policy is mainly for food and drinks sold in the cafe. The first pricing policy would be the one price policy. This means that at Covernotes, there are no negotiable prices and each item is sold at a set value. For example, a small macchiato is \$2.85, and is sold at that

price to every customer. There is also odd/even pricing associated with the products at Covernotes. For example, a small mocha latte is \$2.95, as opposed to being \$3.00. This is a business tactic that makes a product appear cheaper than it is at first glance. Lastly, we offer volume sales for packaged coffee so customers can brew their own organic coffee at home. They have these bulk sales at reduced prices and are cheaper than if the coffee was purchased individually in the cafe.



Figure 5: Sizes and Prices for Coffee at Covernotes

D. Seasonal Factors

Covernotes operates year-round and can easily adapt to seasonal changes. Depending on the season and the holidays celebrated during that season, the management team at Covernotes creates a more festive environment for the customers. For example, during Christmas time, there are decorations for the holidays and an annual Christmas party is hosted on Christmas morning. This event gives locals the opportunity to meet up with friends that live nearby and extends till noon. In a location such as Main Street Unionville, the community is very tight-knit and would be inclined to go to such events that bring locals together during the holidays. Additionally, certain food products are more appealing in colder and hotter seasons. In the winter, specialty hot drinks would be more appealing to customers who have just come from a cold walk outside, whereas salads and sandwiches (light foods) would be preferred in the summer after coming from the hot weather outside.

VI. COMPETITION

A. Primary Competitors

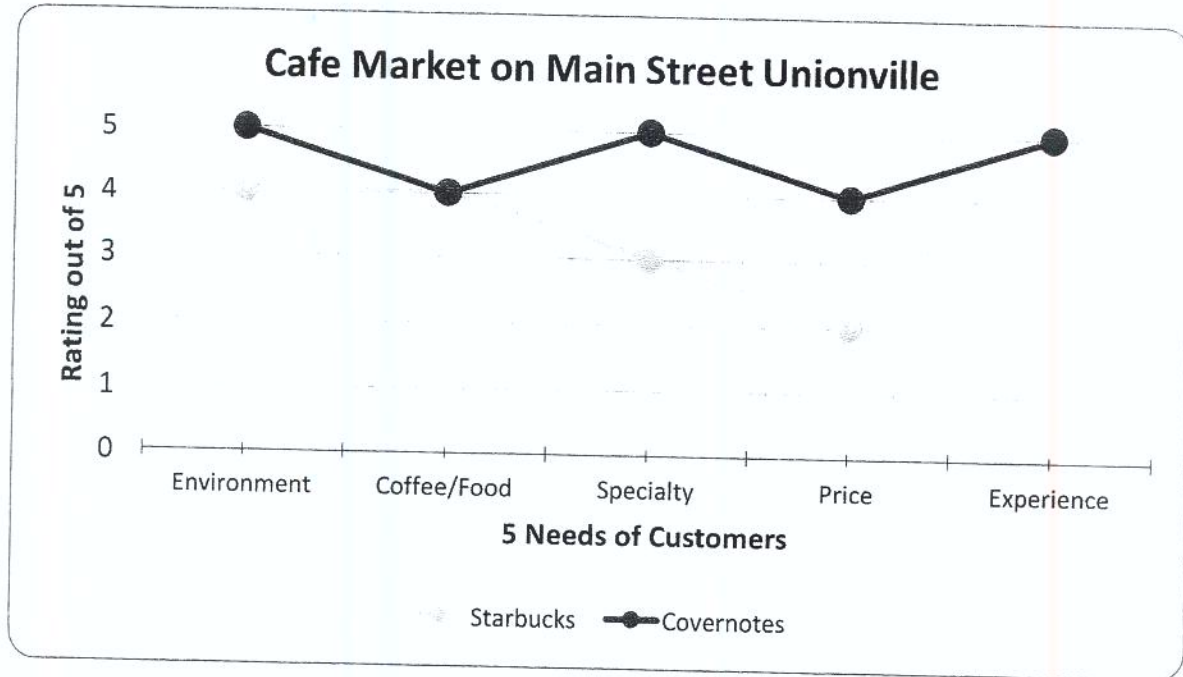


Figure 6: Position Graph for the Cafe Market on Main Street Unionville

As seen on the Position Graph above, the main competitor for Covernotes Markham is Starbucks. Although all three cafes have high ranks for customer experience and food products sold, Covernotes consistently achieves the highest score for all the most important features of a cafe that customers indicated in a survey we took last year. In particular, Covernotes rated the highest in price, specialty and experience - showing that we have a clear advantage in those areas. It is evident that many people enjoy Covernotes' friendly, welcoming staff, reasonable prices and unique local delicacies, such as their Maple Pecan Pies and special blend of Macchiatos. Our focus on the experience of not only a local cafe, but a community and arts hub that caters to the residents of the area. Covernotes' unique selling proposition is the environment and care of our Baristas towards the needs of the customers. We believe that the localization of products, arts, literature and community events definitely show that Covernotes will thrive in its new Markham location.

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Starbucks is a well-established coffee chain that specializes in seasonal drinks, such as Pumpkin Spice Lattes and cool summer Frappuccinos. Since they try to appeal to the largest audience, they do not have local delicacies on their menu, putting them at a disadvantage against Covernotes.



B. Advantages Compared to Primary Competitors

According to a study, the key aspect of a successful cafe is the community built in the location (Knowledge@Wharton, 2016). This means that the consumer would perceive an effective cafe as important to them because they feel like they belong. This is to say that customers will:

- a. Feel the same level of comfort in the cafe as they do at home or with friends
- b. Look forward to visiting the cafe as much as they enjoy relaxing after a long day

Covernotes fulfills both criteria as it sells the consumer an “emotional experience” rather than simply the coffee itself. As the books are donated by locals in the Unionville area, it gives the cafe a vintage and familiar atmosphere since much of the literature is unique to the area. Moreover, distinctive foods such as Avocado and Aged Cheese sandwiches, and sweet Homemade Sugar Cookies trigger a feeling of nostalgia within the local consumers while portraying a distinct image to new customers. Coffee and muffins can be bought anywhere but only organic, local delicacies can be found at Covernotes. The consumer experience is further enhanced by the exceptional customer service provided by the Baristas. Unlike the Starbucks Baristas, Covernotes Baristas undergo 3 months of effective training where they become specialized in recognizing the needs of the customers and being knowledgeable about art and literature when conversing with the customers on aspects outside of simply serving food. Every Barista genuinely cares for the overall well-being of the consumers and loves their job while doing so.

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Covernotes

While Covernotes specializes in catering towards the locals, this cafe can easily adapt to the professional customer as well. Since each drink is made immediately after the customer orders, the preparation time is relatively short for each order. This is convenient for customers who are on the go and need to get to work right away. We also make sure that our customers receive the freshest foods. For example, our organic products have a clear advantage over Starbucks' non-organic and GMO produced ones like Monsanto milk (Food Babe, 2016).

"Taste is the ultimate test for quality."
- Peter Lai, loyal Covernotes customer

Covernotes Markham will be the only store on the entirety of Main Street that uses 100% organic ingredients for over 80% of the food served. From refining the handmade cookies, to brewing rich and creamy Peruvian coffee, Covernotes effectively caters to the general middle-class demographic of Main Street Unionville. Lastly, the Covernotes Rewards Program will be a new addition to the Markham location and will allow for customers to get one free drink after every 7 drinks they purchase with no expiry. This advantage is evident when compared to the Star Rewards Program at Starbucks where the consumer need to collect stars to redeem drinks. If the set number of stars is not obtained by the end of 12 months, the collected stars expire and the customer has to start collecting again from scratch.

C. Disadvantages Compared to Primary Competitors

Covernotes is less established and less well-known in comparison to both Starbucks and other restaurants, especially on Main Street Unionville. This means that less customers know about the cafe. Covernotes also does not have the professional marketing personnel that Starbucks has and they are not so number-centric. Although Covernotes excels in the quality of the food and customer service, the lack of brand establishment in the new area would be its biggest disadvantage.

VII. MARKETING PLAN

A. Target Market

As stated in the competition section, the most important aspects of a cafe that customers in the Markham area values are:



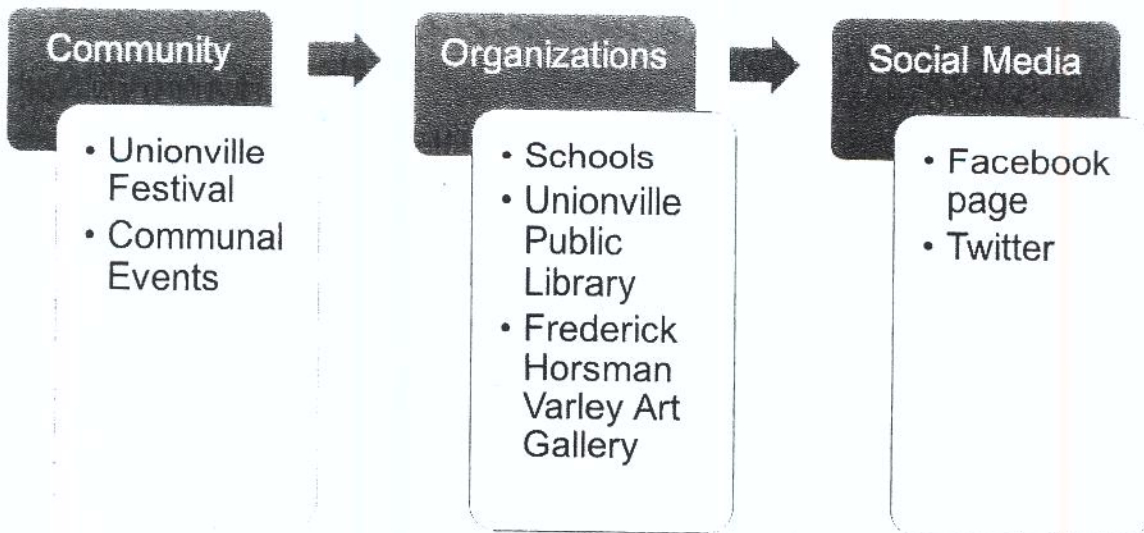
Main Street Unionville is located at Highway 7 and Carlton Road, where over 90% of the population earns a family income that the Canadian Government classifies as Middle or Upper-middle class. From that demographic, over 85% are aged 14-28, and visit Main Street Unionville on a weekly basis. Much of the target market values spending quality time with family and friends while enjoying local delicacies and drinks. As these customers come from a relatively wealthy background, over 70% of them are conscious of the food they consume, showing a clear preference for organic and freshly prepared products. Around the Markham-Unionville area, there is the Unionville Public Library, the Frederick Horsman Varley Art Gallery and Toogood Pond. In this artistic environment, about 61% of the psychographic analysis of the group has an interest in art and local music/poetry. These lifestyle values are further enhanced with the presence of the Arts Unionville enrichment arts program at Unionville High School (located near Main Street Unionville). This creates a demand for the unique art that Covernotes Markham will showcase both on the walls of the cafe and through performances at Open Mic Nights.

B. Existing Marketing Techniques

Currently, Covernotes uses mostly a word-of-mouth advertisement technique and sponsors local activities, such as providing space for regional charities to host their events in the cafe. Covernotes also provides coffee beans to Commons Coffee, a non-profit organization that helps those with special abilities to gain work experience in the tough job market. Covernotes also has a Facebook page and used social media promotion for a while as well. Although these techniques allow the cafe to gain popularity within the local population, we plan to use additional techniques to bring their publicity to a larger scale at the new Markham location.

C. Future Marketing Techniques

The marketing plan will be divided into 3 sections, each of which will be developed to focus on the local market near Main Street Unionville:



Unionville Festival

The annual Unionville Festival attracts around 10,000 locals from around the Greater Toronto Area (GTA) to visit Main Street Unionville for 3 days of performances, activities and food. Covernotes Markham can open its venue

to the public and give coffee samples to attract new customers to the cafe. This will directly attract the customers to Covernotes Markham and they can experience this unique cafe and see all that it has to offer.

Schools

Elementary:

Often, children will receive a folder to take home with daily notices and forms to complete for school. Inside, we can provide advertisements for Covernotes Markham events with student/family deals. These Covernotes ads will be seen and read by over 60, 000 students and parents.

Secondary:

Unionville High School has a specialized arts program (Arts Unionville), indicating the abundance of many artistic students who can take advantage of the publicity by allowing us to display their art at Covernotes. We can also offer these students the opportunity to perform at our Open Mic Nights and bring publicity to the cafe.

**Frederick
Horsman
Varley Art
Gallery**

We can partner with this Art Gallery to provide local artists the opportunity to publicize their art with an additional platform to do so. These artists can sign up on Covernotes' website to have their art displayed on the walls of the cafe and talk about their work to a local audience.

**Unionville
Public
Library**

The famous 100-year-old Public Library attracts both locals from around the area and the GTA. By adding posters in the library's front foyer and check-out counter, this allows people to be informed about Covernotes as a location to

visit when they are craving a fresh cup of organic coffee, handmade food or to see local art displays on the walls.

Social Media

Facebook Page:

Coupons will be given to certain users who like/follow the Facebook Page as winners of our social media contests. This encourages people to come to the cafe to not only redeem the coupon, but also at the same time, encouraging them to purchase other food items while they are here.

Direct Marketing:

There will be a form on the Facebook Page and website where users can fill out their email to subscribe to Covernotes' newsletters to learn about events and get details on promotional offers. This allows Covernotes to send seasonal messages and updates on what is happening at the cafe.

VIII. MANAGEMENT AND ORGANIZATION

A. Description of Management Team

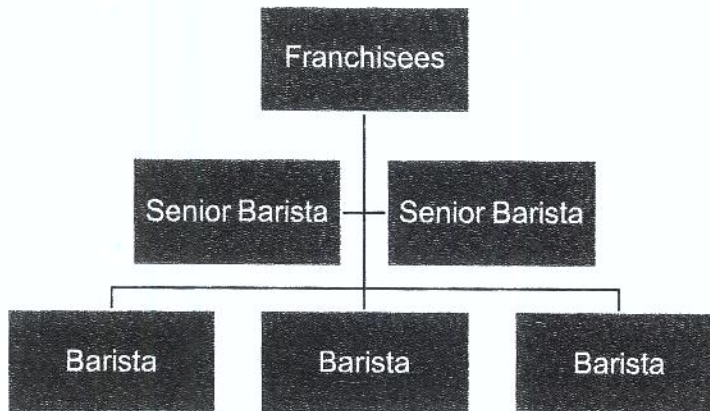


Figure 7: Hierarchy for the Management Team at Covernotes Markham

The management team at Covernotes is currently directed by Tom and Nancy Dier. They have worked within the coffee industry for over 20 years and have abundant experience to drive Covernotes to success. Covernotes Markham will direct the management by following similar procedures to the ones already established at other Covernotes locations. The hospitality of each Barista follows both the H. E. A. T. (Hear, Empathize, Apologize, Take Action) and R. A. V. E. (Respect and Value Everyone) principles, delivering quality customer service.

B. Further Developments for Management Team

Many of the Baristas at the cafe are young adults between ages 16-20. It would be valuable to listen to their voices as a significant portion of Covernotes Markham's target market is the youth that live around the area. The team could work on improving the allocation of work, as currently the Baristas tend to complete the work that is necessary at the moment, but specialization creates a more effective system and will benefit the cafe in its efficiency aspect.

C. Management Succession Plan

There will be trained staff who will be managing the cafe at all times in case of an absence of the Franchisees. Often, it would be the Senior Baristas, as they are qualified to manage the financials and keep track of all employees. They will usually have around 2 years of experience working for Covernotes and has followed through with extra training from the Franchisees to deal with emergency situations in higher levels of management. The Senior Baristas all work closely with one another, and with the Baristas. Each employee has gone through the necessary training, so they will also know how to handle any emergency situation that may arise. In any case, all Senior Baristas and Baristas of Covernotes Markham will have WHMIS (Workplace Hazardous Materials Information System) and SFA (Standard First Aid with CPR-C) certifications.

D. Additional Management Personnel

Currently, there is a 3:1 ratio of employees to Supervisors within the current management team. Every year, as the sales at Covernotes Markham grows, we will hire more Baristas and Supervisors to increase the human resource supply in response to the growing demand of service needed for the cafe. We will most likely hire Baristas depending on the amount of part-time work the current Baristas do. From now until at least Year 3, there will not be any additions to the upper management team.

IX. BUSINESS RESOURCES

A. Major Operating Equipment

The major costs will be from purchasing furniture (tables, chairs, shelves, etc.), a refrigerator, an oven and an espresso machine as the basis for the cafe to run. It is a worthy investment to purchase the equipment as these are baseline costs will be added to the operation costs of the business. All future variable costs will be based solely on food, seasonal ingredients and any maintenance fees for the cafe. The biggest variable cost for us will be purchasing the organic coffee and tea from various places around the world. By Year 3, another fixed cost will be purchasing iPads to start the implementation of the new iPad Sale System.

B. Major Suppliers

To maintain the freshness and quality of the products we sell, all the food is bought locally within the GTA through cash transactions and daily deliveries of fresh food straight to Covernotes. The cafe orders from a few local Markham suppliers, thus presenting 2 main benefits:

- a. Purchasing from the same supplier allows for an accumulation of credit which makes the products cheaper for future transactions. This also maintains a stable, long term relationship with the same suppliers (reliability).

- b. Purchasing from a local supplier allows for a low transportation cost which supports Covernotes' objective to help reduce environmental pollution.

All payments will be on a 30-day basis where most payments are given in cash on the first Friday of each month. The franchise will be located at 211

Main St Unionville, Unionville, ON L3R 2G8 where the rent is approximately \$1,500 a month. The street is one of the most popular destinations in the town of Markham, with over 100,000 visitors annually, thus bringing in lots of potential revenue to Covernotes Markham.

C. Outside Resources

No other outside resources will be needed as all the food will be prepared fresh by our in-house staff each morning. To enhance customer experience, and maintain the special environment at Covernotes Markham, we will require donations for the books and art displays on the walls of the cafe. For events, all talent will be welcome from locals around the community.

All organic teas and coffee are imported and ingredients will be supplied by local GTA suppliers.

D. Quality Control Procedures

We strive to make the customer experience as perfect as possible. Quality control for our products can be split into 3 main sections: Food/Coffee, Environment and Employee Service.



Figure 8: Main Street Unionville on a Summer Day



Food/Coffee:

The founder of Covernotes will have monthly checks on the quality of food served. Owners will check the visual presentation and taste on a daily basis. All kitchen equipment will be cleaned daily.



Environment:

The Senior Baristas will monitor the cleanliness and organization of chairs and tables. The thermostat will self-regulate the temperature and humidity at an ergonomic status.



Employee Service:

The Owners and Senior Baristas will personally observe the quality of service. Baristas are expected to maintain a positive and helpful attitude to every customer.

Figure 9: Quality Control Procedures at Covernotes

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E. Availability of Skilled Labor

Human resources are readily available as there are 2 high schools located within 5 km of Main Street and most of the Baristas hired at Covernotes Markham will be students aged 16 +. These teenagers must be of age 16 or above and obtain written consent from their parent/guardian to work for Covernotes (Government of Canada, 2014). Following that, they will undergo a 3-month training and mentorship session where they will be taught and assessed on coffee brewing, pastry-making and customer service skills. There is also an abundant adult workforce as Statistics Canada states that over half of the Markham-Unionville population is aged 20 + and of working age as of 2016.

F. Training and Upgrades

The current 3-month training plan gives the employees an immersive experience which includes a Mock Work Day, tutorials on how to use equipment and customer service techniques. Each new Barista will be assigned a mentor (an experienced Barista) that will show them the details of what working at Covernotes will resemble and answer any questions they may have. There are several phases to the training plan before finally becoming a Barista at Covernotes.

Example of a Week-Long Training Workshop for New Baristas (simplified from 3 months)

Monday	Tuesday	Wednesday	Thursday	Friday
Brand Expectations	Problem Solving	Customer Service	Job Shadowing	Mock Work Day
Safety Guidelines and Basic Operations	Expertise of Coffee Brewing and Pastry Making	Above and Beyond Expectations Workshop	Question and Answer Session	
Teamwork				

BRAND EXPECTATIONS

This workshop ensures that the Franchisees can convey Covernotes' values/brand promise of quality customer service, organic food and a comfy environment to the new Baristas.

SAFETY GUIDELINES AND OPERATIONS

Baristas will be trained in all aspects of health and safety and emergency procedures in case an emergency arises. The Senior Baristas will explain effective methods to handle potentially dangerous equipment and day-to-day operations for the staff at Covernotes. Each Barista will receive WHMIS and SFA certifications during this phase of their training.

TEAM BUILDING

New Baristas will be split into groups where they would complete a task, such as recording a customer order, with the help of their mentor. The chemistry formed between them will translate into a strong teamwork bond, benefiting their relationship later on.

PROBLEM SOLVING

Inevitably, each Barista will encounter hardships during their time at Covernotes. The best method to mitigate these issues is through educating them on strategies they can use in different situations. For example, using H. E.A.T. and R.A.V.E. principles are effective in responding to customer complaints.

EXPERTISE OF COFFEE BREWING AND PASTRY MAKING

A Barista from the CAA (Coffee Association of America) will provide training on the expertise of brewing warm and irresistibly delicious coffee. Covernotes' Senior Baristas will demonstrate the basics of making cookies, brewing specialty hot drinks and making

whole grain delicacies. Baristas are given a chance to form connections with the management team while learning about the intricacies of making Covernotes' food.

CUSTOMER SERVICE

Covernotes values the feedback and treatment of every single customer. Baristas are taught to treat consumers with respect and maintain positive body language. A mock situation will be given to each employee for them to apply the hospitality skills they learned over the course of their training.

ABOVE AND BEYOND EXPECTATIONS WORKSHOP

It is not enough to simply serve food to a customer. Covernotes looks for employee engagement in each step of the cafe experience. This workshop teaches the employee subtle acts of kindness that they can perform, such as giving a free candy to a customer's young child, that will drastically improve the overall hospitality of the service.

JOB SHADOWING

Real life observation is a great way to learn. New Baristas will job shadow a Senior Barista for one work day and see the customer service and coffee brewing skills in practice.

QUESTION AND ANSWER SESSION

After the job shadowing day, questions the new Baristas have will be answered in a meeting with the senior management team. This will be a good chance to give final reminders and tips before their mock work day.

MOCK WORK DAY

In practice, the Franchisees and Senior Baristas will observe the new Baristas as they work at Covernotes for a day. Their tasks include taking orders, making coffee/pastries and ensuring customers' constant comfort. Feedback and improvement suggestions will be given at the end of the day.

An addition to this training plan will be to increase the speed at which each Barista makes coffee. Although quality is important, customers should not have to wait for an extended period to receive a cup of coffee. Due to this, a champion from the National Coffee Tradeshow will be invited to host a 2-day workshop on how to increase efficiency while maintaining the quality of drinks at Covernotes. It would cost roughly \$750 total for the entire workshop and that cost will be subtracted from the Operating Expenses in Year 5.

G. Projected Number of Employees

In the first quarter, 2 full time employees will be present at all time, making the coffee and pastries in the cafe. 1 part-time employee will be helping during the late afternoon and weekends which are the most popular times to visit Covernotes. In the next quarter, 1 extra full-time employee will be hired to accommodate the increase in the popularity of the cafe.

H. Organizational Chart

The organization chart for the management team at Covernotes Markham is shown. Amanda Guo and Doris Zhou will be the Franchisees of this new location for Covernotes, and they will also be working as Senior Baristas until Year 3.

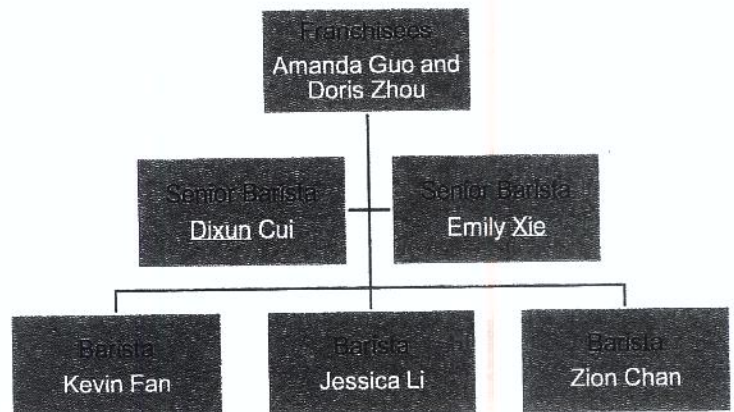


Figure 10: Organizational Chart at Covernotes Markham

X. FINANCIAL PLAN AND DATA

A. Description of Sales and Profit Trends

By the third year of operation, Covernotes Markham will, not only break-even, but make \$40,340.89 in profit. By the fifth year, due to our marketing efforts, the revenue will grow to \$349,843.00, which is over 2 times that of Year 2. The strong potential of Covernotes is shown through the effective operations, training and promotional procedures. We are confident that the highly popular franchise location in Main Street Unionville will translate well into profits for the next few years.

B. Strategy and Timing for Obtaining Capital

Franchisees of Covernotes Markham, Amanda Guo and Doris Zhou, are passionate about selling high quality coffee products and food to locals around Markham-Unionville, and bringing the community together through art, literature and events for people of all ages. As such, each franchisee will be investing \$20,000.00 towards this franchise, giving a total of \$40,000.00 towards the establishment of the new location of this cafe. Moreover, we have gotten a \$50,000.00 loan from TD bank at a 6% interest rate, compounded quarterly. This loan will be repaid over the course of 5 years. Lastly, we will pitch our venture to Capital Investors and ask for \$60,000.00 from them with 26% stake in our business. Based on the stake that the investors have in our venture, the final worth of their share after 5 years will be \$181,918.00 and they can expect an ROI (Return on Investment) of 204%.

C. Two-Year Projected Operating Statement

We are estimating that by the end of Year 1, we will have a revenue of \$143,833.00. There will be fairly stagnant revenues in each quarter. We expect that an average of about 70 customers visit Covernotes Markham per day, with higher traffic on weekends and during rush hours.

PROJECTED OPERATING STATEMENT (YEAR 1)					
COVERNOTES MARKHAM					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year 1
OPERATING REVENUES					
Revenue	\$35,400.00	\$33,500.00	\$36,300.00	\$38,633.00	\$143,833.00
OPERATING EXPENSES					
Payroll	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$60,000.00
Electronic Database	\$3,000.00	\$100.00	\$100.00	\$100.00	\$3,300.00
General Administrative	\$5,000.00	\$100.00	\$100.00	\$100.00	\$5,300.00
Marketing	\$3,000.00	\$2,000.00	\$3,000.00	\$1,000.00	\$9,000.00
Franchise Fees	\$10,000.00	-	-	-	\$10,000.00
Royalty Fees	\$1,770.00	\$1,675.00	\$1,815.00	\$1,931.00	\$7,191.00
Training	\$1,800.00	-	\$1,800.00	-	\$3,600.00
Rent	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$24,000.00
Signage	\$100.00	-	-	-	\$100.00
Utility Costs	\$2,000.00	\$3,000.00	\$3,000.00	\$3,500.00	\$11,500.00
Insurance	\$400.00	\$400.00	\$400.00	\$400.00	\$1,600.00
Equipment	\$3,000.00	\$150.00	\$100.00	\$100.00	\$3,350.00
Furniture	\$5,000.00	\$100.00	\$50.00	\$50.00	\$5,200.00
Raw Food Products	\$6,000.00	\$9,000.00	\$15,000.00	\$15,000.00	\$45,000.00
TOTAL OPERATING EXPENSES	\$62,070.00	\$37,525.00	\$46,365.00	\$43,181.00	\$189,141.00
OPERATING INCOME	-\$26,670.00	-\$4,025.00	-\$10,065.00	-\$4,548.00	-\$45,308.00
LOAN REPAYMENT	\$2,673.73	\$2,748.45	\$2,857.45	\$2,945.50	\$11,225.13
INTEREST EXPENSE	\$673.40	\$590.34	\$503.65	\$413.59	\$2,180.98
TAXES	\$4,602.00	\$4,355.00	\$4,719.00	\$5,022.29	\$18,698.29
NET INCOME					-\$77,412.40

Covernotes

We foresee that the number of customers will increase from Year 1 to Year 2, resulting in a 38.7% increase in the revenue to \$199,473.00. This will also cause us to hire one more full-time Barista to accommodate to increasing demand for Covernotes Markham's products when leading into the second year of operation.

PROJECTED OPERATING STATEMENT (YEARS 1 & 2)		
COVERNOTES MARKHAM		
Fiscal Year	Year 1	Year 2
OPERATING REVENUES	\$143,833.00	\$199,473.00
OPERATING EXPENSES		
PAYROLL	\$60,000.00	\$63,000.00
MARKETING	\$9,000.00	\$8,004.00
FRANCHISE AND ROYALTY	\$17,191.00	\$20,750.00
OTHER	\$102,950.00	\$73,320.00
TOTAL OPERATING EXPENSES	\$189,141.00	\$165,074.00
OPERATING INCOMES	-\$45,308.00	\$34,399.00
INTEREST EXPENSES	\$2,180.98	\$2,032.00
LOAN REPAYMENT	\$11,225.13	\$13,400.00
TAXES	\$18,698.29	\$25,931.49
NET INCOME (END OF YEAR)	-\$77,412.40	-\$6,964.49

D. One-year projected cash flow statement

Similar to many start-up franchises, our cash flow for Year 1 is negative, but this will change by Year 2, when we will not have to account for the fixed costs, giving us a positive cash flow before we break-even.

PROJECTED CASH FLOW STATEMENT (YEAR 1)					
COVERNOTES MARKHAM					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year 1
CASH FLOW FROM OPERATING ACTIVITIES					
Franchise Payments	-\$11,770.00	-\$1,675.00	-\$1,815.00	-\$1,931.00	-\$17,191.00
Payment to Suppliers/for Utilities	-\$35,300.00	-\$20,850.00	-\$29,550.00	-\$26,250.00	\$111,950.00
Payment to Employees	-\$15,000.00	-\$15,000.00	-\$15,000.00	-\$15,000.00	-\$60,000.00
Customer Purchases	\$35,400.00	\$33,500.00	\$36,300.00	\$38,633.00	\$143,833.00
Net Cash Provided by Operating Activities	-\$26,670.00	-\$4,025.00	-\$10,065.00	-\$4,548.00	-\$45,308.00
CASH FLOW FROM FINANCING ACTIVITIES					
Interest on Loan	-\$673.40	-\$590.34	-\$503.65	-\$413.59	-\$2,180.98
Repayment of Loan	-\$2,673.73	-\$2,748.45	-\$2,857.45	-\$2,945.50	-\$11,225.13
Net Cash Provided by Financing Activities	-\$3,347.13	-\$3,338.79	-\$3,361.10	-\$3,359.09	-\$13,406.11
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Furniture	-\$5,000.00	-\$100.00	-\$50.00	-\$50.00	-\$5,200.00
Purchase of Equipment	-\$3,000.00	-\$150.00	-\$100.00	-\$100.00	-\$3,350.00
Purchase of Raw Food Products	-\$6,000.00	-\$9,000.00	-\$15,000.00	-\$15,000.00	-\$45,000.00
Net Cash Provided by Investing Activities	-\$14,000.00	-\$9,250.00	-\$15,150.00	-\$15,150.00	-\$53,550.00
SOURCES OF FINANCE					
Loan from TD Bank	\$50,000.00	-	-	-	\$50,000.00
Capital Investment	\$60,000.00	-	-	-	\$60,000.00
Individual Investment	\$40,000.00	-	-	-	\$40,000.00
Net Cash from Above Sources	\$150,000.00	-	-	-	\$150,000.00
Net Cash Flow	\$105,982.87	-\$16,613.79	-\$28,576.10	-\$23,057.09	\$37,735.89
Cumulative Net Cash Flow	\$105,982.87	\$89,369.08	\$60,792.98	\$37,735.89	\$37,735.89

XI. CONCLUSIONS

Covernotes represents one of the rare cafes that serves organic coffee imported from around the world and sells freshly prepared local delicacies every day. We will strive to maintain Covernotes' main objectives at the Markham location and continue to support local artists, organizations and charities to make their impact in the region. As a community-driven business, we also want to see positive relationships foster between members of the community through art and literature. To finance this franchise, Franchisees, Amanda Guo and Doris Zhou, will personally invest a total of \$40,000.00 to fund Covernotes Markham. Additionally, we will borrow a \$50,000.00 loan from TD Canada Bank at a 6% interest rate, compounded quarterly. Lastly, we will ask the Capital Investors for \$60,000.00 with a 26% stake in our company. By the end of 5 years, the company will be worth around \$699,686.00, earning the investors \$181,918.00 and they will have a final ROI of 204%.

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