Fallbrook Coffee Co.
A Coffee Shop For The Community

Mission Statement and Operations Plan
Mission Statement

Our call is to embody God’s mission of hope and hospitality out in the world, giving back to Fallbrook in creative and impactful ways. We are to be a coffee shop for the community.

Fallbrook Coffee Company - Current Status

- Customers surveyed report a disappointment in coffee served, including specialty drinks, and a vast difference in overall barista performance and customer service.
- Environment and food lack consistency in hospitality and quality.
- Building and grounds are in need of aesthetic updates.
- Current owner is unfamiliar with restaurant operations, including P.O.S., inventory systems, accounting and payroll.

Industry Trends

- “A successful coffee shop integrates everything the brand represents into a three-dimensional space—not just a cool interior, but great customer service, a great product, smart and efficient operations and a powerful identity brought to life through branding and innovative graphics.” (Specialty Coffee Association of America, 2013).
- “Consumers have also altered their ordering patterns. Many retailers I surveyed report that drip coffee and traditional espresso drink sales are growing faster than more expensive flavored lattés and blended beverages… …When coffee becomes the focus of a drink, rather than sugary additives, the quality of the coffee comes more into focus.” (SCAA 2013)
- “Sustainable, locally produced, and transparent food systems are growing in importance to many consumers according to the specialty grocers and coffeehouse operators. Many specialty coffee customers actively look for transparency, authenticity, social responsibility, and sustainability in their choices.” (SCAA, 2013)
- “Third-party certifications like Fair Trade and Certified Organic have attempted to help consumers navigate some of these issues. More and more consumers are initiating conversations about certifications in the café or specialty grocery store. Many are looking beyond the labels to the specific sourcing and purchasing practices of coffee roasters and retailers.” (SCAA, 2013)

Coffee Shop Customer and Product Trends

- “According to the latest National Coffee Drinking Study from the National Coffee Association, 40% of 18-24 year olds are drinking coffee each day — this is a sharp rise from the 31% of this age group who said they enjoyed a daily dose of java during 2010. In the same National Coffee Drinking Study, 54% of adults age 25-39 reported drinking coffee each day. The study also found that over 75% of U.S. adults drink coffee, and 58% reported drinking coffee daily.” (SBA – Coffee Shop 2012)
• “Sales of coffee dominate sales of hot beverages, making up 83.3% of the total hot beverage market in the U.S. Coffee consumption is expected to increase through 2015 at an average annual rate of 2.7%, while tea consumption is expected to increase through 2015 at an average annual rate of 3.1%. Positive expectations for continued growth in coffee sales, despite its “mature” product position in the market, are due to the innovations in premium coffee products.” (SBA – Coffee Shop 2012)

• “Despite the economic woes, 37% of total coffee consumed was classified as “Gourmet.” (National Coffee Drinking Study) This suggests consumers were set on drinking good coffee and visiting their local coffee shop even in the face of an uncertain economy. Coffee Shop owners are also having some success selling the instant serving pack, and there seems to be considerable upside potential: only 2% surveyed reporting using the packs regularly, while 10% said they buy it infrequently.” (SBA – Coffee Shop 2012)

• “63% of coffee chain patrons visit their respective store between 1 – 5 times per 30 days, 21% visit 6+ times per 30 days.” (Experian Marketing Services)

Strategic Business Implementations

• Immediately change primary wholesale company relationship from Enne to Klatch. This allows us to serve the highest quality, award winning, Fair Trade and Organic (FTO) coffee to our customers.
• Bring Klatch trainer on-site to train employees on proper operation and maintenance of espresso equipment. Raise the standard of production quality and consistency of all coffee drinks.
• Extend hours on trial-basis and evaluate results.
• Simplify menu offerings and raise quality of food.
• Update the aesthetic appeal of location. Priorities are:
  ○ Painting the outside of the building
  ○ Updating logo and signage
  ○ Aesthetic updates to interior over time
• Increase revenues by offering coffee beans from wholesaler in professionally packaged and marketed retail bags for purchase.
• Evaluate additional secondary wholesale vendors.
• Create scheduling protocol and processes for meetings in back room.
• Create opportunities, scheduling protocol and processes for exclusive rental of facility.
• Expand brand and revenues by creating professionally designed and packaged salable, branded merchandise (6 month plan). This includes, but is not limited to: coffee cups, travel coffee mugs, t-shirts, etc.
• Increase marketing and public relations effort. These efforts will be generated in part through the creation of a website, through social media channels including: Facebook, Yelp, Google Places, Instagram Foursquare, UrbanSpoon, etc. and through cross-promotional opportunities with other local businesses and entities.
Communications/Public Relations and Marketing

The marketing strategy will be to get involved in local/regional focused activities including public relations, partnering with local businesses and organizations looking for fund raising opportunities, advertisements, paid or approved product barter in local media outlets, direct marketing and internet postings.

- **Marketing Objectives**
  - Obtain media exposure through: television, radio, internet and print channels in the local market.
  - Enhance the Fallbrook Coffee Company branding.
  - Increase sales.
  - Create a destination that endures for years to come.

**Position Statement**

Coffee is a drink that can be enjoyed for a lifetime. Improving the way a person experiences a coffee drink results in a better, happier person. The other lessons learned through the actions and words of those serving can also help in coping with the stresses of modern life.

- **Key Marketing Messages**
  - A coffee shop for the community
  - A place to sense hope
  - A place to experience hospitality
  - A place to get the best cup of coffee

**Marketing Strategy**

- **Marketing Goal**
  Develop the online marketing for Fallbrook Coffee Company to promote the product and location as well as its sponsors/partners using video vignettes and testimonials to promote and bring visitors back.

- **Marketing Objectives**
  - Generate traffic to the website.
  - Generate downloads.
  - Provide online brand image that is consistent with other branding elements.
  - Create brand awareness for all events.
  - Raise Fallbrook Coffee Company internet awareness.
  - Create an online place for users to get and give input regarding hope and hospitality.

- **Marketing Partner Marketing**
  To strengthen presence online and to increase traffic to the website, we will aggressively pursue links between the website and sites related to the targeted audience and partners.

- **Key Words**
  To increase exposure to the target audience, we will register the website with all major search engines and directories. To enhance the websites’ presence, we will register key words and phrases as well.
Competitive Analysis

Fallbrook Demographics

- The 2010 United States Census reported that Fallbrook had a population of 30,534. The population density was 1,738.7 people per square mile.
- The population was spread out with 8,045 people (26.3%) under the age of 18, 3,768 people (12.3%) aged 18 to 24, 7,022 people (23.0%) aged 25 to 44, 7,457 people (24.4%) aged 45 to 64, and 4,242 people (13.9%) who were 65 years of age or older. The median age was 34.7 years. For every 100 females there were 99.5 males. For every 100 females age 18 and over, there were 98.3 males.

Current Competitors

- Café Primo – 139 S. Main Ave.
- Starbucks – 1133 S. Mission Rd.
- McDonald’s – 1050 S. Main Ave. (New location under construction)

Differentiation Strategy

The following are the strategies we will implement to differentiate our brand of Fallbrook Coffee Company from the competitors listed above.

- Our primary strategy is that we are a Coffee Shop for the Community. The surplus that we earn will be given back to the community in creative and impactful ways.
- Change food menu offerings to high quality options that are not offered at Starbucks or McDonalds.
- We will serve only Fair Trade and Organic coffee.
- Environment of hospitality and service in “homey” setting.

Legal Structure and Supervision

- SonRise Christian Fellowship Fallbrook (SCFF) will acquire Fallbrook Coffee Company in our current corporate name. Once escrow is complete it will be transferred into a separate business entity that would be overseen by SCFF. This will serve as a shield to the church from a liability standpoint.
- Board of Directors will be formed to oversee operations, financials and legal requirements. They will also be responsible for making recommendations to Session for the appropriate disbursements of surplus. Session must make final approval of any disbursements. They are to keep Session updated of all activities.
Transition Management Responsibilities

- Oversee all aspects of day-to-day operations during transition period.
- Implement processes and procedures both on-site and between parent company, including P.O.S. systems, accounting and inventory, personnel (including staffing and evaluations), and continued compliance with all applicable permits regarding sales, signage, health inspections, etc.
- Evaluate candidates and hire General Manager per budget allowance.

Financial Structure

- Fallbrook Coffee Company will be acquired as an investment through our Endowment Fund. As such, it is expected to pay regular dividends of 3% of principal, as per recommendation and approval of the Board of Directors of Fallbrook Coffee Company and the Board of Trustees of SCFF.
- There will be a designated “Local Community Outreach” giving fund setup, so that members of our congregation that are passionate about this ministry can support it.

Ownership Transition Scenarios:

- **Scenario 1 – Reasonable Capital Injection – Preferred Scenario**
  This scenario calls for an injection of $40K working capital into Fallbrook Coffee Company. This provides us with working capital for 2 years per worst-case financial projections. It also allows us to close shop for a pre-determined amount of time to execute Key Strategic Business Implementations. These include: painting building, placing initial order from new wholesaler, bringing wholesaler trainer on-site, and updating of logo and signage. This will then allow for a modest (1-2 month) “Soft Opening” period before “Grand Opening” event.

- **Scenario 2 – Minimal Capital Injection**
  This scenario calls for us to inject the minimum capital (Approximately ~ $5K) to continue business functioning “as-is.” The Strategic Implementations will be executed over-time as allowed by increases in revenues. This will be more challenging as we will be forced to “muddle through” day-to-day operations, while trying to increase revenues to allow for implementations. This could lead to challenging circumstances if financial conditions do not improve immediately. “Soft Opening” period would be extended to 4 months before “Grand Opening” event.
Contingency Plans:

- The coffee shop will function as a ministry of SCFF, if there is a shortfall in cash flows, additional funding must be requested through the Board of Trustees. They are to determine if additional monies are to come from designated “Local Community Outreach” fund, endowment, bank financing, or other source to be determined. The additional funding may not come from SCFF General Operating Budget.

- If, at any time, the Board of Trustees determines that the coffee shop is not meeting goals, either ministerial or financial, they are authorized to sell the coffee shop.
Addendum #1: Financial Information

After review of the current financial status of the business by the Steering Committee, the following information was deemed appropriate to share with the congregation.

- The business as it currently stands is a viable, profitable operation.
- There are 3 key strategies to improve financial condition:
  1. Increase revenues through word-of-mouth and other marketing efforts as described in Operations Plan. Based on input from previous owners, the Revenues should be at $20K per month.
  2. Reduce Cost of Goods Sold so that it is in-line with industry standard.
  3. Seek to reduce other expenses through implementation of accounting, inventory control and payroll systems. There will be immediate savings upon acquisition through the financial infrastructure currently in place at SCFF.

- Estimated Start-up expenses are as follows:
  1. Paint outside of building - $1,500
  2. Initial coffee and food orders from wholesalers - $2,000
  3. Updating signage and logo - $4,000
  4. Parking lot slurry and repaint - $2,500
     Total: $10,000

- Based on current financials, the following is a picture of monthly operations:

  Revenue: $17,000
  COGS: $4,200
  Gross Profit: $12,800

  Expenses:
  
  Administrative: $505
  Supplies: $2025
  Professional Fees: $675
  Rent: $1875
  Salaries: $4320
  Utilities: $1025
  Total: $10,425

  Net Income: $2,375

- There has been report from current owners that business has increased during current escrow period from word-of-mouth spreading that SCFF is in process of purchasing Fallbrook Coffee Company.

Due to confidentiality agreement with current owner, we are not at liberty to disclose any further details regarding financials of a business we do not currently own. If any members would like more detailed information, they may contact the Steering Committee to enter into confidentiality agreement.
Addendum #2: Possible Ministry Activities

The following represents a broad-based group of ideas for ministry activities that could be carried out at the Fallbrook Coffee Company premises. This represents only a starting point, as we will constantly be seeking the Lord for creative ideas to do His work.

- Entire property is used after regular business hours exclusively for an event to raise funds for an approved entity.
- During regular business hours, in partnership with an approved entity, for a predetermined amount of time, a split of profits goes to that entity.
- Home improvement projects could be taught by an approved expert.
- Household budgeting classes could be offered.
- Military mom time could be offered where kids could be watched at SonRise and moms get to have a cup of coffee and fellowship time.
- Life lessons could be taught, and we know every lesson would focus on The Way to real life.
- Car club mornings where select vehicles of local car clubs could be displayed.
- Weekend music either in the day or night as there is no place where families can enjoy something like that together in a family-friendly environment.
- Historical society displays inside the coffee shop with photos on the wall telling the story of our community.
- High school happenings area to highlight the scholastic and extracurricular happenings at Fallbrook High.
- Congregants, young and old, could be challenged to take someone from another generation to the Coffee House for fellowship.
- The Coffee House can be used as a location for youth small groups.
- In warm weather, the Coffee House patio could be used as an open-air movie theater for topical movies followed up by discussion. It could also serve as a drop-off babysitting program for parent date nights.
- We could give coffee gift cards to teachers whose students are tutored in reading by our volunteers or to parents whose kids are in Los Amigos tutoring. Volunteers could meet with those teachers and parents at the Coffee House.
- We could have a flat screen with church/community opportunities and programs presented in a slide show format. The flat screen could be a resource for FUHS seniors to find opportunities for their senior projects. The flat screen could be used to advertise youth ministries or church-wide social websites. (Today's "wells" are virtual as well as physical!)
- We could use the patio as a venue for local musicians on a frequent basis. (High visibility in the community!)
- Todd Goodman might teach a laptop troubleshooting session.
- Jerry Maurer might interface well with former prisoners or possibly homeless.

These are just a few possibilities that could happen as we focus on our mission of embodying hope and hospitality in a coffee shop for the community
Addendum #3: Possible Beneficiaries of Surplus Monies

The following represents a sampling of ideas for possible beneficiaries of surplus money earned at Fallbrook Coffee Company. This represents only a starting point, as we will constantly be seeking the Lord for creative ideas to do His work.

- Fallbrook Pregnancy Resource Center
- Fallbrook Food Pantry
- Scholarship Fund such as “Servant’s Hearts”
- Local Orphanages
- Malawi Orphanage
- Local youth going on short-term missions trips

These are just a few possibilities that could happen as we focus on our mission of embodying hope and hospitality in a coffee shop for the community.
1. **Will Fallbrook Coffee Company ownership be under its own corporation or the church?**

   The coffee shop will be a separate corporate entity that is wholly-owned by Sonrise Christian Fellowship.

2. **Beyond the name, goodwill and customer base what tangible property would be included in the sale?**

   All of the Furniture, Fixtures & Equipment of Fallbrook Coffee Company are included.

3. **Will owning a business compromise the SCF’s non-profit status?**

   Based on the advice from our Attorney David Tyra, SCF is allowed to own a for-profit business without jeopardizing or compromising our non-profit status.

4. **Will SCF be the sole owner of the Fallbrook Coffee Company?**

   Yes, SCF will wholly & solely own Fallbrook Coffee Company.

5. **Will current employees be retained?**

   Yes.

6. **Will Fallbrook Coffee Company employees be employees of Sonrise Christian Fellowship?**

   Not directly. They will be employees of Fallbrook Coffee Company. The Board of Directors & The General Manager of Fallbrook Coffee Company have the authority to make any necessary employment decisions for Fallbrook Coffee Company.

7. **Historically, under the past and the current owner, has Fallbrook Coffee Company been profitable?**

   Yes. When Don & Leanne Green owned it, it was profitable. When Tim & Cara owned it, it was profitable. It is profitable under the current owners Ray & Janice.

8. **Who are The Board of Directors for Fallbrook Coffee Company and how were they selected? What is their experience in operating a coffee shop?**

   The Board of Directors is composed of the following members: Jeff Graflund, Roy Callahan, Tom Dumont, Greg Coppock & Andrew Ice. They volunteered to sit on the board & were approved by Session. They do not have experience running a coffee shop. Members can contact them with any additional questions. Their emails are: Andrew: Ice.Andrew@yahoo.com, Jeff: JLGraflund@gmail.com, Tom: TVDumont@sbcglobal.net, Greg: Greg@SonriseFallbrook.com, Roy: RoyCallahan@earthlink.net
9. Beyond the initial purchase cost, how will start up costs and monthly cash flow issues be funded?

Start-up and initial monthly cash flow issues will be funded by an initial injection of working capital into the Fallbrook Coffee Company, see business plan “Ownership Transition Scenarios.”

10. Is there a projection of initial start-up costs, monthly costs and anticipated monthly revenue?

Yes. Please refer to Addendum #1 of the Business Plan.

11. What will be the impact on SCF’s General Operating Budget?

There will be no impact to SCF’s General Operating Budget. Fallbrook Coffee Company will not be funded in any way by monies from the General Operating Budget.

12. Will Sonrise Christian Fellowship ownership be prominently displayed at Fallbrook Coffee Company?

This is a decision to be made by the Board of Directors. At this time, there are no plans to prominently display SCF’s ownership at Fallbrook Coffee Company.

13. Will the SCF’s plan to “give to the community” any surplus earned be clearly communicated to the customers?

Yes.

14. Who will determine who will receive any disbursements of surplus earned?

The Board of Directors will make recommendations to Session on how the surplus could be disbursed. Session has the final authority to decide.

15. Who is the Board of Trustees?

The members of Session compose the Board of Trustees. They are the members that are authorized to conduct business on behalf of Sonrise Christian Fellowship.

16. Should the coffee shop be sold in the future, will the proceeds of the sale revert to the Endowment Fund?

Yes.

17. Can Endowment Fund money be used to fund church property improvements?

Endowment Principal cannot legally be penetrated to fund church property improvements. Only the interest earned can be used for this purpose.
18. What “Ownership Transition Scenario” has been selected?

Neither has been selected at this time. Session will determine which Scenario will be executed.

19. What will the proposed operating hours be? Will it be open on Sunday?

Hours of operation will be determined by Board of Directors. Depending on evaluation of results, hours of operation are planned to be extended on a trial basis.

20. Will there be opportunities to volunteer at the coffee shop?

Yes. Fallbrook Coffee Company will be a ministry of Sonrise Christian Fellowship, as such, volunteers will be welcome to serve. The Board of Directors will create protocol for volunteer opportunities.

21. Is Fallbrook Coffee Company the best opportunity, from a business stand-point, or should we explore another one?

After the research conducted during our due diligence period, we feel this is the right opportunity for SCF based on these key factors. We have an intimate knowledge of this business from observation over the course of many years. We have a close, working relationship with 2 of the past owners, which provides us with intimate & invaluable advice on how to run the business. We are able to purchase it for less than it was purchased for by current owner less than a year ago. If another opportunity were to present itself (ex: Café Primo) it would probably be more expensive which would not allow us to pursue it, as it would deplete too much of our Endowment Fund.

22. What liability will Sonrise Christian Fellowship have if a patron is hurt on Fallbrook Coffee Company premises?

There are 2 liability shields that SCF will have. First is that SCF does not own the property that Fallbrook Coffee Company operates on. The landlord carries a portion of that liability, and is required per terms of our lease to carry a general liability insurance policy. The second is Fallbrook Coffee Company is a separate legal entity that will be required to carry its own liability insurance.

23. Will Fallbrook Coffee Company pay for Worker’s Comp insurance for their employees?

Yes

24. Will this ministry detract from our current outreach ministries on campus?

No. We have many vibrant outreach ministries currently operating both on & off campus. We believe the Lord is given us the opportunity to start an additional outreach ministry to reach out to the community in a fresh, new way.