SBDC – Iowa Small Business Development Centers

• **Our Mission**
  To support the collaborative economic development of Iowa by providing entrepreneurs and businesses with individual consultation and educational resources necessary to assist their businesses to succeed.

• **Our Vision**
  To be an innovative source for empowering business success in Iowa.
15 Iowa Regional SBDC Offices to Serve You
One on One Business Counseling

- New Business Guidance
- Loan Proposal Assistance
- Market Research Services
- Cash Flow Projections
- Human Resource Management
- Strategic Planning
- Business Continuity Planning
- Accounting and QuickBooks
- Pricing

- Writing a Business Plan
- Business Planning and Modeling
- Financing Opportunities
- Export Assistance
- Business Succession Strategies
- Business Growth Strategies
- Disaster Recovery
- Market Planning and Strategy
- Basic Business Start-up
Steps To Request SBDC Counseling

• Go to http://www.iowasbdc.org
• Click on “Request Counseling”
• Follow the steps to sign up
• An SBDC counselor will be in touch with you
• Initial appointments are one hour
• Can meet face to face, phone, or virtually
NAICS Code

• North American Industry Classification System

• [https://www.sba.gov/contracting/getting-started-contractor/determine-your-naics-code](https://www.sba.gov/contracting/getting-started-contractor/determine-your-naics-code)

• For our example we are looking for:

Coffee Shops
[722515.01] Sector: Accommodation-Food Services
data applied from 23,072 establishments

Show Industry Reports
Business Items to Consider

• Location
• Traffic Counts
• Future Growth
• Income Levels
• Lease
• Exit Strategy
Market Data

You may need more than one source
Bizminer, IBIS World, Industrius CFO

**Competitive Market Analysis**
release date: November 2016
[722515.01] Coffee Shops
Financial Peer Group: $1-$499,999
Market Peer Group: Industry-wide (all industry firms)
Market Area: Des Moines, IA Metro Area

<table>
<thead>
<tr>
<th>October 2016 Update</th>
<th></th>
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<tbody>
<tr>
<td>Establishments</td>
<td>50</td>
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<tr>
<td>Annual Market Volume</td>
<td>$26,157,420</td>
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<tr>
<td>Avg. Annual Site Sales</td>
<td>$523,148</td>
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</table>
Coffee Shop – Des Moines Metro

Source: Google Maps
Benchmarking

• Why benchmark?
• What’s Important – COG’s, Labor, Cash, Net Profit
• Tools – Industrious CFO, RMA, LivePlan
• Assists in developing realistic expectations
Benchmarking Narrative

Employment in the Food Services and Drinking Places industry group is projected to grow by 0.9% per year through 2022. Output is projected to increase by 2.1% over the same time period.  

Source: Bizminer Market Analysis

Specialty coffee represents 37% of the US coffee and the demographics indicate those 25-39 years of age are the largest consumers.  


Daily consumption of gourmet coffee beverages is also strongest among Hispanic-Americans. 48% of whom they drink gourmet coffee beverages daily as compared to 43% of Asian-Americans, 32% of Caucasian-Americans, and 23% of African-Americans.  

A coffee shop will never make enough money from coffee sales alone. Coffee may be the prime motivator for customers coming to the business but they must leave with multiple sales if you are going to be successful ..... As a target coffee should be no more than 40% of your weekly sales. Source: The Essential Guide to Pricing Businesses and Franchises, 2016 Business Reference Guide

While it is relatively easy to start a coffee house business, it can be a higher risk type of business due to the perceived simplicity of the business..... However understanding the unique dynamics of the coffee house business can be a challenge. Key items: Location, Wholesale Pricing, Quality, Differentiate from the Competition. Source: The Essential Guide to Pricing Businesses and Franchises, 2016 Business Reference Guide
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<thead>
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<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016q2</th>
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<tbody>
<tr>
<td><strong>Business Revenue</strong></td>
<td>380,191</td>
<td>437,219</td>
<td>371,636</td>
<td>315,891</td>
<td>363,272</td>
<td>417,762</td>
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<td><strong>Cost of Sales</strong></td>
<td>161,049</td>
<td>184,900</td>
<td>157,388</td>
<td>126,104</td>
<td>157,079</td>
<td>169,319</td>
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<td><strong>Cost of Sales - Labor Portion</strong></td>
<td>22,244</td>
<td>22,946</td>
<td>20,250</td>
<td>15,903</td>
<td>21,437</td>
<td>23,389</td>
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<td><strong>Gross Margin</strong></td>
<td>219,142</td>
<td>252,319</td>
<td>214,248</td>
<td>189,787</td>
<td>206,193</td>
<td>248,443</td>
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<td><strong>Officers Comp.</strong></td>
<td>16,652</td>
<td>18,975</td>
<td>16,241</td>
<td>14,721</td>
<td>15,439</td>
<td>18,716</td>
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<td><strong>Salary-Wages</strong></td>
<td>57,903</td>
<td>66,064</td>
<td>56,526</td>
<td>51,459</td>
<td>54,636</td>
<td>66,341</td>
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<td><strong>Rent</strong></td>
<td>30,986</td>
<td>35,327</td>
<td>30,288</td>
<td>27,198</td>
<td>30,152</td>
<td>36,178</td>
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<td><strong>Taxes Paid</strong></td>
<td>14,333</td>
<td>16,352</td>
<td>13,974</td>
<td>12,730</td>
<td>14,676</td>
<td>16,794</td>
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<td><strong>Advertising</strong></td>
<td>6,387</td>
<td>7,302</td>
<td>6,243</td>
<td>5,970</td>
<td>6,975</td>
<td>8,355</td>
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<td><strong>Benefits-Pensions</strong></td>
<td>2,889</td>
<td>3,323</td>
<td>2,824</td>
<td>2,938</td>
<td>3,487</td>
<td>4,261</td>
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<td><strong>Repairs</strong></td>
<td>5,589</td>
<td>6,383</td>
<td>5,463</td>
<td>5,370</td>
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<td><strong>Bad Debt</strong></td>
<td>76</td>
<td>87</td>
<td>74</td>
<td>63</td>
<td>73</td>
<td>84</td>
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<td><strong>Sales, General, Admin &amp; Misc.</strong></td>
<td>54,139</td>
<td>64,708</td>
<td>54,965</td>
<td>47,068</td>
<td>53,692</td>
<td>63,625</td>
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<td><strong>EBITDA</strong></td>
<td>30,188</td>
<td>33,798</td>
<td>27,650</td>
<td>22,270</td>
<td>20,815</td>
<td>26,611</td>
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<td><strong>Amortization Depreciation Depletion</strong></td>
<td>6,159</td>
<td>6,995</td>
<td>5,983</td>
<td>5,812</td>
<td>6,757</td>
<td>8,105</td>
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<td><strong>Operating Expenses</strong></td>
<td>195,113</td>
<td>225,516</td>
<td>192,581</td>
<td>173,329</td>
<td>192,135</td>
<td>229,937</td>
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<td><strong>Operating Income</strong></td>
<td>24,029</td>
<td>26,803</td>
<td>21,667</td>
<td>16,458</td>
<td>14,058</td>
<td>18,506</td>
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<tr>
<td><strong>Interest Income</strong></td>
<td>380</td>
<td>437</td>
<td>372</td>
<td>316</td>
<td>400</td>
<td>543</td>
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<tr>
<td><strong>Interest Expense</strong></td>
<td>2,623</td>
<td>2,973</td>
<td>2,527</td>
<td>2,274</td>
<td>2,761</td>
<td>3,509</td>
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<tr>
<td><strong>Other Income</strong></td>
<td>3,612</td>
<td>4,110</td>
<td>3,456</td>
<td>2,969</td>
<td>3,451</td>
<td>3,969</td>
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<tr>
<td><strong>Pre-Tax Net Profit</strong></td>
<td>25,398</td>
<td>28,377</td>
<td>22,968</td>
<td>17,469</td>
<td>15,148</td>
<td>19,509</td>
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<td><strong>Income Tax</strong></td>
<td>3,810</td>
<td>4,257</td>
<td>3,445</td>
<td>2,620</td>
<td>2,272</td>
<td>2,926</td>
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<td><strong>After Tax Net Profit</strong></td>
<td>21,588</td>
<td>24,120</td>
<td>19,523</td>
<td>14,849</td>
<td>12,876</td>
<td>16,583</td>
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<td><strong>Discretionary Owner Earnings</strong></td>
<td>44,399</td>
<td>50,090</td>
<td>41,747</td>
<td>35,382</td>
<td>35,072</td>
<td>43,404</td>
</tr>
</tbody>
</table>
Realistic

• It’s important to provide realistic projections for each year
• In some cases it OK to demonstrate a loss in year one
• What’s the net profit margin for coffee shops
• Remember
  – If you project high and don’t meet expectations what are the impacts?
  – If you are conservative and exceed expectations what are the impacts?
Financial Management

• My cousin’s uncle’s sister’s brother

• Establish appropriate software to manage business – Point of Sale system

• QuickBooks, FreshBooks, Xero, Square

• Need to be on top of budget vs. actual

• Contract for services
Resources

SBDC Starting A Business Checklist
SBA Starting a Business Guide
Questions
Contact Information

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