

United States Coast Guard
MWR
Activity Startup Guide
Business Case Analysis



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Introduction and Purpose

The activity startup guide or business case analysis guide provides practical guidance for developing a complete business plan for your startup activity, also called a business case analysis (BCA). The BCA is intended to assist MWR staff members with turning your great ideas into reality and determine whether the idea makes good business sense when a myriad of factors are considered. This Guide addresses the most critical success factors and contingencies to consider when writing a BCA. BCAs assist MWR staff members predict success and identify areas for improvement, while ensuring uniformity of all new project proposals. It demonstrates that assumptions, estimates, and expectations are made responsibly and in accordance with best business practices, regulations, and policies.

The BCA does not replace the judgment of the Coast Guard Community Services Command (CSC) and the chain of command that may have an impact on the approval of any new start. Rather, it provides an analytical, standardized, and objective foundation upon which credible decisions can be made. It should take into account local unit or community-wide impacts throughout the analysis while also taking into consideration the effects of competition within and outside of the unit. The BCA supports significant investment and strategic decisions across all MWR applications. A comprehensive, fair, and accurate BCA ultimately improves the quality and success of a new activity.

Commands that are looking to perform a BCA on a project strictly funded through appropriated funds should consult the Business Case Analysis (BCA) Process Guide, CGTO PG-85-00-1800-G.

Use the Guide below to create your own business plan for the local MWR director/officer, and more importantly your command. Also, use the Excel forecasting tool to help you with using this plan. Should you have comments on using it or need assistance, please feel free to contact the MWR Director at the Community Services Command for assistance.

The BCA was developed as a U.S. Coast Guard Academy Cadet Capstone project. Credit for its development is below:

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Executive Summary

Write this section last. You most likely will learn a great deal about your intended business by completing your BCA.

We suggest that you make it no more than two pages. This will be the first glimpse of your idea anyone will see: if it is too long, you risk losing the reader's attention on the important aspects.

Include everything that you would cover in a five-minute interview. Imagine this is your elevator pitch. You sell your problem, provide your solution, and convince the reader why your solution is the best course of action. What will your product be? Who will your customers be? What do you think the future holds for your MWR program?

Make it enthusiastic, professional, complete, and concise.

If applying for a loan from the CSC, state clearly how much you want, precisely how you are going to use it, and how the money will make your business more profitable, thereby ensuring repayment. Readers want to know how much money is at stake, your projected Return on Investment (ROI) and how it will be repaid. Chapter 6.M. of the Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST M1710.13 (series) will give you more details on this.

Mission and Vision

Mission Statement

The Coast Guard Morale, Well-Being, and Recreation program has an overarching mission statement.

The mission of the Coast Guard Morale, Well-Being, and Recreation (MWR) Program is to uplift the spirits of the Coast Guard Family and be an essential element of Coast Guard readiness, retention, and resiliency through customer-owned and driven MWR programs and services.

Your activity should also possess a mission statement which not only describes the activity, but ties into how the activity helps your unit achieve its missions. The mission should explain the reason the activity exists and its guiding principles. Draft a mission statement. See Appendix I for examples. It should be followed by:

Activity Goals and Objectives

Goals are destinations. Where do you want your activity to be? Objectives are progress markers along the way to goal achievement. For example, a goal might be to have a healthy, successful MWR program that is a leader in customer service and that has a loyal customer following. Objectives might be annual sales targets and some specific measures of customer satisfaction. Setting goals is extremely important to success because it gives you a long-term direction to pursue and short-term motivation to keep working to get there. Objectives focus your resources, time, and energy into performing your best.

Describe your industry; in what field is your activity?

Is it food or clothing for example? Is the industry you are in one that is growing or shrinking? Is there anything that could change your industry in short term and long term? How will your activity be poised to take advantage of potential changes? For example, it would be very important to note that a video rental store may face serious challenges because the video rental industry has moved almost exclusively online. It is important to understand any trends that could potentially thwart your best efforts to provide meaningful services to your customers.

Business Type

Some types of businesses or activities are inherently riskier than others, and all of them carry different challenges. For example, investors in the civilian world view investing in restaurants and bars as extremely risky due to very high failure rates. What type of activity are you planning to create and what are some risks and advantages you see?

What are the pricing, fee, or leasing structures of your products or services; what are you charging customers and how? You must decide how you are going to charge customers for your products and services. You can use existing MWR pricing structures and your competition to help you decide on a pricing strategy. Chapter 6.D of the Coast Guard Morale, Well-Being, and Recreation Manual COMDTINST M1710.13 (series) will provide more details on fee policies.

What are your customers paying for? Are they paying solely for a product or for quality of service, or do your customers value other aspects of your activity? Often customers not only pay for products, but other aspects of your activity such as service, welcoming atmosphere, specialty knowledge, etc. Below are several strategies on how to charge customers. If you try to compete on price alone, you will eventually be in a position where you cannot compete. You must compete on value, which should include an element of lower price!

Strategies: Not how much to charge...but WAYS to charge. What will yours be? These are not mutually exclusive and can be used simultaneously.

Asset Sale - sale of physical product

Usage Fee - Charge customers to use product/service based on how much they use it

Subscription Fee - fee for continuous access to a service

Renting - fee for temporary access to goods or services

Advertising - fee paid by brands and companies to get in front of potential customers

Now that you have contemplated how much to charge and how, think next about how your customers will pay. Will you accept cash only, or debit and credit cards as well? These are important aspects to consider now rather than later because it could change how your activity operates. For example, accepting payment cards in your business may increase prices slightly to cover fees from payment card companies; so you may decide to use cash only if low price is part of your strategy. Additionally, the cost of Payment Card Industry and Euro-Mastercard/VISA (EMV) compliances must be factored into the cost of your products.

So now that customers can pay, how will you sell your products and services? Will you operate a physical store, online shop, or both? Will you deliver and how? Will you mail products? How much will these distribution methods cost? Deciding on how you will distribute these products

and services is key to determining what your activity will function like, and ultimately how it performs its purpose. Describe in depth the products or services you intend to provide (drawings, photos, brochures, and bulky items belong in Appendices).

Outside Competition

What products and companies will compete with you? Understanding your competition is extremely important to determining the viability and success of your new activity. You would not want to open a bowling center if there are already 12 in your local area because the supply of bowling centers might exceed the demand. You must have a way to make your activity more desirable to customers if you plan to start an activity that is highly saturated in your area.

List your major competitors:
(Names)

You need to understand how your competitors are competing with you. Will they compete with you across the board, or just for certain products, certain customers, or in certain locations?

How intense is the rivalry among existing competitors and what is it based on, such as price, customer service, operating hours, etc.? Is the market big enough where competitors are not competing for the same customers?

Are there any close substitutes to the product or service you're offering? If there are close substitutes, there is a higher chance your customer won't use your product or service. An example would be your activity selling hotdogs, but a hamburger restaurant is located across the street.

How easy is it for new competitors such as yourself to get into this industry/market? Are there any kinds of barriers to entering your industry, such as a high startup cost, low profit margins, or policies. The easier it is to enter a market, the more competitors you can expect, as well as a lower market share for yourself.

To what extent can customers demand retailers sell their product or service at a certain price? In other words, do your customers dictate what price you can sell products or services?

Are there any strict laws that regulate your industry (OSHA requirements, health code regulations, safety restrictions)? Considering the legal aspects of your activity could potentially make or break you. Don't forget requirements of Commandant policy that may restrict or define what you can and cannot do.

What are the major competitors' goals, strategies, assumptions, capabilities? Are they trying to expand? Do they assume you are trying to steal their business or do they disregard you as a threat?

Will you have important *indirect* competitors? For example, video rental stores compete with theaters, although they are different types of businesses.

List indirect competitors:

(Names)

How will your products or services compare with the competition?

Use the **Competitive Analysis**, Table 1, and a **SWOT Analysis** below, to compare your business/activity with your two most important competitors, and identify and understand your strengths, weaknesses, opportunities, and threats facing your activity.

Competitive Analysis

In the first column are key competitive factors. Since these vary from one industry to another, you may want to customize the list of factors. In the column labeled “Me,” state how you honestly think you will stack up in the customers' minds. Then, check whether you think this factor will be a strength or a weakness for you. Sometimes it is hard to analyze our own weaknesses. Try to be very honest, unbiased, and objective. Better yet, get some disinterested assistance to assess you. This can be a real eye-opener. And remember that you cannot be all things to all people. In fact, trying to be everything to everybody causes many business failures because efforts become scattered and diluted. You want an honest assessment of your firm's strong and weak points.

Now analyze each major competitor. In a few words, state how you think they compare.

In the final column, estimate the importance of each competitive factor to the customer. 1 = critical; 5 = not very important.

Appendix II provides an example a competitive analysis.

Table 1: Competitive Analysis

FACTOR	Me	Strength	Weakness	Competitor A	Competitor B	Importance to Customer
Products						
Price						
Quality						
Selection						
Service						
Reliability						
Stability						
Expertise						
Company Reputation						
Location						
Appearance						
Sales Method						
Credit Policies						
Advertising						
Image						

SWOT

SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. A SWOT analysis examines these factors for a given business, project, or personal objective. Strengths and weaknesses represent the internal factors affecting an individual or organization, while opportunities and threats constitute external, environmental factors. A SWOT analysis helps to measure risks and rewards while also identifying the key factors related to accomplishing the stated objective. If done effectively, a SWOT analysis should lead to a strategy for mitigating negative factors while maximizing strengths and opportunities. The more precise your SWOT analysis, the easier it will be to create an action plan for accomplishing your objective.

- **Strengths and Weaknesses** - These are internal factors, which in a business context may include financial resources, human resources, facilities, equipment, processes, and systems. They may include elements such as culture, command climate, certifications, reputation, and leadership. It's important to remember that what constitutes a strength or weakness will depend on the objective you are assessing. An element could be a strength in one instance and a weakness in another context depending on how it affects your objectives. In general, you are looking for what characteristics give your activity/business an advantage or disadvantage over others in achieving the objective.
- **Opportunities and Threats** - The external elements influencing your business may include market trends, outside funding, customer demographics, suppliers, the economic climate, political and environmental issues. The analysis can help identify new business opportunities and areas for growth as well as issues that could hinder your activity. External factors are typically outside of your control - even weather and seasonal changes can influence business goals. Anticipating these factors early can help your team plan and stay flexible when they occur. Part of the analysis is to examine how external opportunities and threats relate to internal strengths and weaknesses to determine whether an objective is even attainable and create a strategy for moving forward.

After completing your SWOT analysis, think of ways to mitigate weaknesses and threats, and capitalize on your activity's strengths and opportunities. The SWOT is an extremely helpful tool for recognizing these things about your activity, but means nothing if you fail to utilize the insight it provides you. See an example of a SWOT analysis in Appendix III.



Niche

Now that you have systematically analyzed your industry, your product, your customers, and the competition, you should have a clear picture of where your activity fits into the world. In one short paragraph, define your niche, your unique corner of the market.

Local Interest

Who will your customers be? It is extremely important to understand who your customers are going to be. Without a proper understanding of who your customer base is, it will be impossible for you to provide the services and products your customers want and need, and your activity will not receive the business it needs to operate.

What is the breakdown of who your customers are? Are your customers primarily active duty personnel, retired, service member families, or civilian employees? Again, it is very important to understand who your customers will be and how you should meet their needs.

How do you know there is interest in your proposed service? Have people asked about it? You might think you have the best idea ever for opening an activity, however how do you know your target customers will also think it is a good idea? Before you dive head first into the business/activity planning process it is important to establish an understanding of how much interest there currently is in your services or products, and how much interest you can generate. Without interest, no one will use your services and your activity will fail. It is okay if you do not have enough interest initially to support a business if you can grow your revenue streams by garnering interest in your customer base. This should be addressed in your marketing plan thoroughly.

If you have had requests for certain services, conducted surveys or research, include the results or requests in an attached appendix.

Marketing Analysis

Market research - Why?

No matter how good your product and your service, your activity cannot succeed without effective marketing. And this begins with careful, systematic research. It is very dangerous to assume that you already know about your intended market. You need to do market research to make sure you're on track.

Market research - How?

There are two kinds of market research: primary and secondary.

Primary research means gathering your own data. For example, you could do your own traffic count at a proposed location, use the yellow pages to identify competitors, and do surveys or focus-group interviews to learn about consumer preferences. Surveys and questionnaires are very cheap and easy to get results from and can be your best friend.

Secondary research means using published information such as industry profiles, trade journals, newspapers, magazines, census data, and demographic profiles. Google is the easiest and quickest way to learn about your industry or market.

In your marketing plan, be as specific as possible; give statistics, numbers, and sources. The marketing plan will be the basis of the all-important sales projection. To create a thorough marketing plan, you need to accurately answer the following questions using a combination of primary and secondary sources.

Question 1:

What is your target market? A target market is the group of people who you plan to sell your products or services to. A target market could be based on location, geographic market, or based on the characteristics of your customers, like age, gender, and income. Remember, Commandant policy defines the eligible patron base for your services and products within the MWR program.

Question 2:

What market need are you addressing? The market need is why your business exists; it is the demands that your potential customers have that are not being answered by the existing businesses. For example, if your customers want a new bar then you should plan on opening a bar and not a coffee shop.

Question 3:

How much competition do you have? Competition is the number of other businesses in the same area that are either selling the same products or services that you plan to, or offer items and services that could be substituted for your own. This may include competition from both civilian and government businesses.

Question 4:

How hard is it to enter the market? This question deals with any obstacles that you face while trying to enter the market. For example, do you have to invest in new technology or equipment to open your business, or even do you own a location and facilities to house your business? This section should focus on anything that you must do that you do not already have in terms of starting your business.

Question 5:

Are there any laws or policies pertaining to your business? To operate a successful business or activity it must follow the law, rules, regulations, and directives for that operation. As such, this section deals with any existing laws or Coast Guard policies that would limit your activities or your ability to start the activity in the first place. An easy example of this would be the laws and regulations that involve the serving of alcohol at bars or restaurants.

Staff Experience/Competence

Who will manage the business on a day-to-day basis? What experience does that person bring to the business? What special or distinctive competencies do they possess? Is management fulltime military, civilian or are they collateral duty personnel? Do you need to hire a nonappropriated fund employee for management and how much will that cost, including benefits? Since positions tend to turnover, even fulltime ones, having a continuation plan is a must. Develop a plan for your successor and lay out what they need to know and do to continue to be successful.

If you'll have more than 10 employees, it may be helpful to create an organizational chart showing the management hierarchy and who is responsible for key functions.

Include position descriptions for key employees.

Professional and Advisory Support

List the following: (example)

- Accountant
- Insurance agent- CSC
- Banker
- Consultant or consultants
- Mentors and key advisors
- Human resources advisors - CSC
- Loss prevention specialist - CSC
- Marketing specialist
- Manager (s)

Financial Forecasting

The financial plan consists of a 12-month profit and loss projection, a three-year profit and loss projection, a cash-flow projection, and a break-even calculation. Together they constitute a reasonable estimate of your activity's financial future. More important, the process of thinking through the financial plan will improve your insight into the inner financial workings of your activity.

12-Month Profit and Loss Projection

Many business owners think of the 12-month profit and loss projection as the centerpiece of their plan. This is where you put it all together in numbers and get an idea of what it will take to make a profit and be successful.

Your projections will come from a forecast in which you predict sales, cost of goods sold, expenses, and profit month-by-month for one year.

Your analysis is dependent upon the accuracy of the revenue forecasts that you make (or the appropriated funds that you expect) as your expense projections flow from them. Your analysis needs to provide a worse case, best case, and expected scenario to illustrate the range of expected possibilities for this business case.

Profit projections should be accompanied by a narrative explaining the major assumptions used to estimate the activity's income and expenses.

Research Notes: Keep careful notes on your research and assumptions, so that you can explain them later if necessary, and so that you can go back to your sources when it's time to revise your plan. It is suggested that you take advantage of the "MWR Forecasting Tool – Business Case Analysis Guide" posted on the website to formalize your projections. You will notice on the various tabs of the spreadsheet that certain cells are colored yellow; this signifies the variables that you are responsible for estimating. The sheet has automatic calculations built in to provide estimated Return on Investment and profit figures. Keep in mind that these numbers are forecasts and positive forecasts should not be taken as "proof" that your venture will succeed. Approach these figures with a cautious optimism and make sure to explain verbally why your initial assumptions are valid.

Three-Year Profit Projection

While the 12-month projection is the heart of your financial plan, the three-year profit projection is important as it defines the sustainability of your proposal in the outyears. Remember, keep notes of your key assumptions, especially about things that you expect will change dramatically after the first year.

Along with this projection is a calculation of the Net Present Value. This is a measure of the discounted cash inflow to present cash outflow to determine whether a perspective investment will be profitable. The discount rate in the calculator provided for this analysis is 2%. This discount rate may change over time and is the rate of return that you want to earn on your investment. Any positive number is acceptable.

Risk Analysis

Projected Cash Flow

If the profit projection is the heart of your business plan, cash flow is the blood. Businesses fail because they cannot pay their bills. Every part of your business plan is important, but none of it means a thing if you run out of cash.

The point of this worksheet is to plan how much you need before startup, for preliminary expenses, operating expenses, and reserves. You should keep updating it and using it afterward. It will enable you to foresee shortages in time to do something about them—perhaps cut expenses, or perhaps negotiate a loan from your cognizant authority or CSC. But foremost, you shouldn't be taken by surprise. There is no great trick to preparing it: The cash-flow projection is just a forward look at your checking account.

For each item, determine when you expect to receive cash (for sales) or when you will have to write a check (for expense items). You should track essential operating data, which is not necessarily part of cash flow but allows you to track items that have a heavy impact on cash flow, such as sales and inventory purchases. You should also track cash outlays prior to opening in a pre-startup column. You should have already researched those for your startup expenses plan.

Your cash flow will show you whether your working capital is adequate. Clearly, if your projected cash balance ever goes negative, you will need more start-up capital. This plan will also predict just when and how much you will need to borrow.

Explain your major assumptions, especially those that make the cash flow differ from the profit and loss projection. For example, when you buy inventory or materials, do you pay in advance, upon delivery, or much later? How will this affect cash flow? Are some expenses payable in advance? When? Are there irregular expenses, such as liability insurance payments, maintenance and repairs, or seasonal inventory buildup that should be budgeted?

Loan payments and equipment purchases usually do not show on profit and loss statements but do take cash out. Be sure to include them. And of course, depreciation does not appear in the cash flow at all because you never write a check for it. Depreciation is considered a noncash expense. But bear in mind, although the MWR program does not depreciate its assets, you will eventually have to repair and replace them and cash will be needed for this. And remember, if your payback period of your investment is greater than the expected useful life of equipment that you need in your business, you may have to consider whether this venture has merit in the long term.

Break-Even Analysis

A break-even analysis predicts the sales volume, at a given price, required to recover total costs. In other words, it's the sales level that is the dividing line between operating at a loss and operating at a profit.

It is vital to remember that this estimation is not a static projection, a better analysis presents a range of revenue and expense figures to demonstrate how sensitive the projected profit figures are.

Command Endorsement

Will your command authorize the creation of your proposed activity? No matter how well thought out and how great of an idea you have, your command must be in favor of it if it is destined to happen. Many commands want to see the risk, how much it is going to cost, what benefits you will be providing, and how much work it will entail. If you can present a strong enough case with enough research and planning, you will greatly increase the chances of receiving your command's endorsement.

Has your command expressed interest in the proposed activity? If your command has expressed interest in it, this is a good sign they will be more likely to support you. If they have not expressed interest in it, try to get them interested and on board with your idea by showing them the financials and explaining why your unit needs this activity.

Is your command willing to provide the proper tools and resources necessary to ensure success? Try and get your command to provide support in whatever way they can. Whether through guidance or providing manpower, an involved command will greatly decrease the level of pressure and risk placed upon your activity.

Is your command able to provide support? If your command wants to provide support but lacks the means, have a plan in place to utilize outside resources within your local community, and understand the resources available to you within and outside of the military. Your cognizant authority or CSC will be able to help you with identifying Subject Matter Experts.

Conclusion

Your conclusion should be a quick summary and one last sales pitch for why your activity is needed, why it is feasible, and what will be needed to get it up and running. Remember you are trying to get your idea approved, and if they have not already made their decision, this is your last chance to sell them on it. Make sure your conclusion is not too wordy, and be sure it effectively restates your most important points and clearly articulates the goals of your activity across to the reader. Most importantly, as an objective document, if your analysis doesn't support the new or expanded service or product, state that based on your analysis. Not all ideas will look good on paper!

Appendices IV and V are examples of the use of the Point Based Value System and a BCA previously submitted, respectively.

Appendices

Appendix I – Mission Statement Examples

McDonald's Mission: to be our customers' favorite place and way to eat and drink. Our worldwide operations are aligned around a global strategy called the Plan to Win, which center on an exceptional customer experience – People, Products, Place, Price and Promotion.

Sweetgreen's Mission: Our mission is to inspire healthier communities by connecting people to real food. We know that Sweetgreen is a critical link between growers and consumers, and we feel a responsibility to protect the future of real food. To that end, we're committed to supporting small and mid-size growers who are farming sustainably, to creating transparency around what's in your food and where it came from, and to creating more accessibility to healthy, real food for more people. Because here at Sweetgreen, impact is not an arm of our business, it is our business, and it permeates everything we do, from what we source to who we hire and how we support local communities. We want to make an impact and leave people better than we found them, and we tailor our approach in each market to reflect the needs of the community.

The Nordstrom Mission: to provide outstanding service every day, one customer at a time. The customer should be offered the best possible service, selection, quality and value.

These are examples and may not constitute the current mission statements for these organizations. Organizations may update their mission statements over time.

Appendix II – Competitive Analysis Example

Competitive Analysis

FACTOR	Me	Competitor A	Competitor B	Competitor C	Competitor D	Importance to Customer
Products	3	1	4	3	2	5
Price	5	3	2	1	4	4
Quality	4	2	4	2	5	4
Selection	2	2	1	4	3	3
Service	4	3	2	3	3	2
Reliability	4	2	5	1	3	4
Stability	5	4	1	2	3	1
Expertise	2	2	5	1	2	4
Company Reputation	5	1	4	2	2	2
Location	3	4	1	5	2	5
Appearance	5	2	2	4	1	4
Sales Method	1	4	2	4	2	2
Credit Policies	3	4	4	2	5	1
Advertising	2	5	4	1	2	3
Image	5	3	1	2	4	3

Based on the analysis above, you can see that our activity is a leader in price, service, reputation,

stability, appearance, and image. We struggle in advertising, expertise, and sales methods.

Appendix III – SWOT Example

Activity: Dry Dock Restaurant at United States Coast Guard Academy

Strength: Dry Dock is very convenient for cadets, personnel, parents, and visitors to eat when visiting the campus. It is located on base and is within walking distance of any location on Academy grounds. Prices are typically lower compared to other similar establishments, which encourages customers to choose the Dry Dock rather than going off base to eat somewhere else. The atmosphere is very relaxed, with televisions and large windows overlooking the river and athletic fields. This atmosphere encourages customers to stay longer, enjoy themselves, and come back to eat again. There is also a bowling center next to the Dry Dock which attracts customers as well year, many of whom eat food from the Dry Dock while they bowl.

Weaknesses: Dry Dock is cash only which is very inconvenient for anyone that does not have cash on hand. Even if the Dry Dock were to begin accepting payment cards to increase convenience, food prices would increase to cover fees associated with using noncash methods. The increased prices would deter most cadets and customers from utilizing the Dry Dock. The food can take quite a long time to be prepared and lines can get very long. This is a major turnoff for many people because they either do not want to wait for their food, or simply do not have the time.

Threats: Dry Dock directly competes with the Wardroom on base. The Wardroom requires cadets to eat there for breakfast and lunch and is free to cadets as they do not get charged a fee as they get their meals. The Wardroom is also located inside the barracks, making it closer and more convenient for the large cadet population. 1/c and 2/c cadets have more liberty, more money, and more ways to commute to places. The Dry Dock struggles to compete for upper class patronage as they often travel off base to local restaurants with equally low prices and more selection. Major competitors include dozens of local restaurants, delivery restaurants, the Wardroom, and the O-Club.

Opportunities: Dry Dock opportunities include expanding operating hours for cadets. The Wardroom closes at 8pm, and cadets do not have liberty past 10pm on weekdays. If the Dry Dock had some form of snack bar or night time shift they could capitalize on dozens of cadets seeking food after the Wardroom closes and liberty expires. If the Dry Dock once again resumed their practice of selling alcohol many more upperclass cadets would return to the Dry Dock as a place to drink on base. Naturally due to the concerns regarding alcohol sale and consumption, this would have to be a decision made at the Superintendent level. The Dry Dock could host

events during sports seasons and offer sales while playing games on the televisions to attract larger groups of cadets down there and keep them there for the duration of the game. If the Dry Dock once again opened the cadet lounge with televisions and pool tables, many more cadets would return to the Dry Dock for food while they enjoyed the amenities the cadet lounge provided.

Mitigation: One way to mitigate the inconvenience of using cash only is provide an ATM inside Dry Dock. This would allow people to much more easily get cash while they are there. One way to reduce the wait time for food could be pre-ordering before a customer arrives. If the customer could call in or place orders online and reduce the physical number of customers in the restaurant it would greatly increase the speed at which customers received food.

Capitalization: To capitalize on low prices, the Dry Dock needs to increase advertising to remind cadets about the variety and low prices of its menu. The use of gift cards may also be an enhancement to patronage of the Dry Dock. Hosting a Super Bowl or NBA tournament event at the Dry Dock to pull customers in is also an opportunity. Cater events that happen on base as many people do not want to leave sporting events or do not know where the Dry Dock is. Catering could bring the restaurant to the customers instead of forcing them elsewhere.

Note: This is an example of a SWOT analysis and not necessarily representative of all facts regarding the operation of this food and beverage operation.

Appendix IV – Guardian Café’ Example

Guardian Café Risk Analysis

(Test Run)

- **Mission/Vision – 6**
 - o Strong vision for what they are trying to accomplish by providing an affordable food service in place of the closed contract galley.
- **Business Type – 3**
 - o Food service startups in the private sector are considered high risk. MWR Data seems to indicate that food service Cat C Activities tend to be profitable, so that’s why I am assigning no higher than a five.
- **Outside Competition – 3**
 - o There is competition from the Seven Eleven across the street, as well as several nearby restaurants including coffee shops and Starbucks.
- **Marketing Analysis – 5**
 - o Satisfactory analysis. Includes sections for marketing strategy, objectives and controls; target market; marketing mix; advertisement and promotion.
- **Staff Experience/ Competence – 3**
 - o The business plan states the activity will be operated by a team comprised of two senior enlisted Food Service Specialists and 5-7 civilian personnel including a contract book keeper. The CSC pointed out a flaw that in this category C activity, food service specialists are permitted to work as managers only rather than cooks or general workers. In order to comply with policy the staffing model must be overhauled, and so the risk score has been worsened until this factor can be resolved.
- **SWOT – 6**
 - o Detailed SWOT analysis contained in business plan. Big issues/ takeaways from SWOT analysis include a vacuum for this service due to the closure of the contract galley, but also ample competition to include competing with the “ghost” of the contract galley which was cheaper than even the most competitive prices offered by the Guardian Café.
- **Financial Forecasting – 1**
 - o High risk factor. The business case contains three years of financial projections, to include two separate scenarios that differ in how many employees are required. One turns a profit almost immediately while the other operates at a loss for the first 16 months due to higher salary expenses. Upon inspection by CSC, the financials turned out to be a major red flag in the business plan. There were significant unaccounted for personnel expenses, and there was no way

to verify their fluctuating revenues and growth rates. For this reason, they were asked to rework the financial section, but it ultimately still led to the CSC's recommendation to not go through with the plan. Base Boston accepted the feedback and moved forward to carry out the plan with caution anyway because of the sincere need for the service to be provided by the Guardian Café.

- **Risk Tolerance/ Break-even Point – 2**

- o There is moderate risk due to timeline of ROI. Further analysis of the Guardian Café's financial forecast suggests a break-even point of 1 to 16 months (Depending on two future staffing scenarios. Sixteen months is assuming Scenario Two for future staffing – more employees, greater salary expense, longer ROI timeline). However due to the flawed financials and unaccounted personnel expenses this becomes a more at risk activity.

- **Command Endorsement – 6**

- o Command seems to be in full support of the initiative. They support it to the point of going against CSC's professional advice that it is not a viable business model due to their financials. Budgetary and man-hour burdens may jeopardize the longevity of this strong support.

- **Base Interest – 4**

- o The data suggests there is moderate base interest in a new restaurant on base. There are nearby alternatives, albeit more expensive than the Guardian Café. Some members may benefit from the convenience of an on-base, grab-and-go option. Base interest is hurt by the fact that the old contract galley was far cheaper than even the most competitive prices offered by the Guardian Café.

The Point Based Value System

Point Based Value System

1	2	3	4	5	6	7
Mission /Vision						
○	○	○	○	○	●	○
Business Type						
○	○	●	○	○	○	○
Outside Competiton						
○	○	●	○	○	○	○
Marketing Analysis						
○	○	○	○	●	○	○
Staff Experience/Competence						
○	○	●	○	○	○	○
Financial Forecasting						
●	○	○	○	○	○	○
Risk Tolerance / Break-even Point						
○	●	○	○	○	○	○
Command Endorsement						
○	○	○	○	○	●	○
Base Interest						
○	○	○	●	○	○	○

Numerical Scale	
0-20	Very High Risk
21-40	Operational
41-60	Low Risk
26.3	

Appendix V – BCA Example

U.S. Department of
Homeland Security

United States
Coast Guard



Commanding Officer
United States Coast Guard
Community Services Command

Battlefield Technology Center 1
510 Independence Pkwy, Suite 5000
Chesapeake, VA 23320-2681
Phone: (757) 842-4903
Fax: (757) 420-0569
Email: Gary.S.Scheer@uscg.mil

1710
5 Nov 2012

MEMORANDUM

From: 
R. E. McKenna, CAPT
CG CSC

Reply to Mr. Scheer
Attn of: (757) 842-4903

To: CG TRACEN Cape May

Subj: REQUEST TO ESTABLISH A CATEGORY C ACTIVITY

Ref: (a) Your memo 1710 of 21 Oct 2012
(b) Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST
M1710.13C

1. Per reference (a), your request to establish a Coffee Shop in the TRACEN Cape May Exchange is approved. This approval is contingent on your assurances that your facilities engineering staff will be overseeing the site preparation and all safety and health concerns regarding this activity will be addressed.
2. Please report this activity separately on your morale fund financial statement results of operation. All other provisions of reference (b) will apply to the operation of this activity.
3. I appreciated the opportunity to talk with you recently regarding the opportunities for a Boys & Girls Clubs of America-affiliated youth program at your command. I stand ready to assist you with this project should you consider to pursue this opportunity.

#

U.S. Department of
Homeland Security

United States
Coast Guard



Commanding Officer
U.S. Coast Guard
Training Center Cape May

1 Murro Avenue
Cape May, NJ 08204
Phone: (609) 898-0901
Fax: (609) 898-6805

1710

OCT 21 2012

MEMORANDUM

From: *W.G. Kelly*
W. G. KELLY, CAPT
CG TRACEN Cape May

Reply to (609) 898-6927
Attn of: LCDR Covert

To: R. E. MCKENNA, CAPT
CG CSC

Subj: REQUEST TO ESTABLISH A CATEGORY C ACTIVITY

Ref: (a) Coast Guard Morale, Well-Being, and Recreation Manual, COMDTINST
M1710.13C

1. In accordance with reference (a), I request authorization to establish a Category C Coffee Shop onboard Training Center Cape May.
2. A business plan for the Coffee Shop has been included as an enclosure.
3. Please refer any questions concerning this request to LCDR Justin Covert, telephone (609) 898-6927.

#

Enclosure: Training Center Cape May Coffee Shop Business Plan

TRACEN CAPE MAY COFFEE SHOP BUSINESS CASE

Executive Summary

Despite substantial demand, there is no convenient place to buy freshly brewed coffee onboard Training Center Cape May (TCCM). In order to meet this demand, TCCM proposes to open an MWR-run Coffee Shop that is conveniently located. With an investment of \$10,000, TCCM can initiate this project in February 2013 and open in March 2013. The estimated break-even point is in the 4th quarter of Morale Year 2015, approximately three years from start-up.

Methodology

The concept of a coffee shop had been under consideration for many years, with no reasonable/cost effective alternatives, until the re-development of the existing Coast Guard Exchange took place. A team of four seniors from the Coast Guard Academy completed a business case study on this project in April 2012. Following its submission to TCCM, a Coffee Committee consisting of approximately 20 members from the TCCM community was formed, with the goal of ground-truthing the cadet research proposal. A survey was administered, and 229 respondents provided detailed feedback regarding their coffee purchase and consumption behaviors as well as their expectations for coffee offerings, pricing, and overall coffee shop features aboard TCCM. This business case reflects the blending of the cadet project, the many inputs received from survey respondents, recommendations from the coffee committee, and a financial analysis (Appendix 1) to ensure a profitable Category C coffee shop can be operated and maintained.

Background and Vision

Construction work, in conjunction with the CGX Marketplace project, is currently underway to transform the existing office space in the Coast Guard Exchange building into combined Coast Guard Exchange and TCCM MWR office space. After the renovation work is complete there will be excess space, suitable for a small Coffee Shop (Appendix 2).

The available storefront is 338 square-feet; measuring 15 feet x 22.5 feet. The plan for a TCCM Coffee Shop would be to start conservatively with only the operating hours and product mix with the highest chance of success. Once operations are proven successful, the Coffee Shop will investigate the potential to expand its opening hours and product options as appropriate.

The proposed Coffee Shop has four main goals:

1. Provide a convenient and economical option for freshly brewed coffee on base during those times with the most demand;
2. Provide another location on base where eligible patrons can relax, socialize and recreate;
3. Through collocation, increase patronage at the new CGX Marketplace and TCCM MWR offices;

4. Add money to the TCCM MWR Fund through establishing and maintaining profitability.

Market Analysis

There are two main customer groups the Coffee Shop would target:

1. TCCM Workforce – There are approximately 1,000 employees that routinely work on board TCCM. Several of these individuals drink coffee every morning as evidenced by a survey that was recently conducted (see Appendix 3). Of these coffee drinkers, most tend to make their own coffee. However, a large portion of them purchase coffee on their morning commute to work. These customers value both convenience and cost.
2. Guests of Graduating Recruits – Each year approximately 42,000 people visit TCCM. Almost all of these visitors are here to watch a loved one graduate from recruit training. The typical guest of a graduating recruit arrives at 0815 and is occupied with activities until their recruit finishes graduation at 1100. Most then visit the CG Exchange and tour the base before departing. An opportunity exists to sell freshly brewed coffee to these guests while they are shopping at the CG Exchange.

The TCCM Coffee Shop will start out with limited hours of operation consistent with the two major customer groups. For the TCCM Workforce, the Coffee Shop will be open from 0630 to 0900, Monday through Friday. On Fridays with a recruit graduation scheduled, the Coffee Shop will also open from 1100 to 1300.

Competitor Analysis

The TCCM Coffee Shop would have three different types of competitors:

1. Various Coffee Messes – There are several coffee messes scattered throughout the base. While all of the participants of these messes are potential customers, they are not the targeted customer base. Most coffee mess users are motivated by cost. Since coffee messes are operated at cost, the Coffee Shop could never compete with their price.
2. TCCM Dining Facility – Each morning eligible patrons can have breakfast, including coffee, for \$2.25 at the dining facility on base. While a seemingly great deal, many patrons do not want a full breakfast. Furthermore, the coffee available at the dining facility is produced individually through a machine and not freshly brewed.
3. Commercial Competitors – There are three main commercial competitors nearby: Wawa, Starbucks and Dunkin Donuts. The largest competitor is Wawa given its price and location. It is located only 1.7 miles away and along the same route that most commuters must drive past to enter/exit TCCM. In addition, Wawa coffee is competitively priced at \$1.55 for a large cup.

The Coffee Shop will have two main advantages over its commercial competitors - location and association with the Coast Guard. While conveniently located on base, it will also be able to take full advantage of being collocated with the new CGX Marketplace and TCCM's MWR Offices. In addition,

customers will be motivated to buy coffee on base given that the profits are more likely to benefit them through the MWR program. While priced similar to its most economical competitor, Wawa, it should be able to capture market share through capitalizing on its convenient location and association with the Coast Guard.

Products and Services

Coffee will be the main item for sale. The Coffee Shop will employ a Wawa-style operation (see Appendix 4) where coffee is made behind the counter in bulk and then placed in airpots for convenient self service. The coffee options will be limited to regular, decaf and one special type that changes periodically. It will not offer specialty coffee options such as espresso. The Coffee Shop will, however, offer a small selection of teas, pastries and miscellaneous food/drink offerings. The goal is to maximize the extremely small space available through providing limited food/drink options that minimize preparation requirements and spoilage.

Organization and Management

Multi Functional Space – The space containing the Coffee Shop would also be utilized as part of the MWR consolidated support service offices. It would house relevant MWR information such as local/regional activities and tickets. In addition, this space would serve as a meeting facility for various groups on base including the Morale Committee and Health and Well-Being Committee both during and outside of normal business hours. Given its multi-utilization purposes, appropriated funds would be used to procure Category A-type items such as appropriate seating, decorations, television cable, and wireless services. However, the coffee operations and associated equipment would be paid for with NAF funds.

Staff – The Coffee Shop would be directly managed by the Food Service Specialist First Class Petty Officer currently assigned as Assistant Manager of the Harborview Club. This individual will oversee two to three NAF employees in total. Most likely, only one NAF employee will be needed to operate the coffee shop during open hours.

Financial Projections – With an initial investment of \$10K to purchase equipment and starting supplies, the TCCM Coffee Shop is estimated to break-even in the winter of 2015, approximately three years after opening. See Appendix 1 for a more thorough analysis.

#

- Appendix 1: Coffee Shop Financial Projection
- Appendix 2: Coffee Shop Location/Floor Plan
- Appendix 3: Survey Results
- Appendix 4: Picture of a Wawa Coffee Operation

Coffee Shop Financial Projections

Financial Data on Each Item

	Coffee (20 oz)	Coffee (16 oz)	Coffee (12 oz)	Tea	Oatmeal
Revenue	\$ 1.75	\$ 1.50	\$ 1.25	\$ 0.75	\$ 0.50
Cost of Goods Sold					
Coffee Grounds	\$ 0.79	\$ 0.63	\$ 0.48	\$ 0.28	\$ 0.26
Caps	\$ 0.06	\$ 0.05	\$ 0.05	\$ 0.06	\$ 0.26
Sleeves	\$ 0.04	\$ 0.04	\$ 0.04	\$ 0.04	
Lids	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	
Stirrer	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	
Creamer/Sugar/Etc	\$ 0.13	\$ 0.10	\$ 0.08	\$ 0.00	
Water Filter	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Gross Profit	\$ 0.69	\$ 0.64	\$ 0.57	\$ 0.33	\$ 0.24

Weekly Financial Performance

Morning Session (0630 to 0900 M-F)	
Weekly Revenue	\$ 557.51
Weekly Cost of Goods Sold	\$ 319.70
Weekly Labor (\$12 per hour)	\$ 180.00
Weekly Profit	\$ 57.81

Based on survey data & conservative assumptions.

Assume average coffee size purchased is 16 oz.

Recruit Graduations (1100 to 1300 F)

Weekly Revenue	\$ 54.00
Weekly Cost of Goods Sold	\$ 30.97
Weekly Labor (\$12 per hour)	\$ 24.00
Weekly Profit	\$ (0.97)

Based on conservative assumptions.

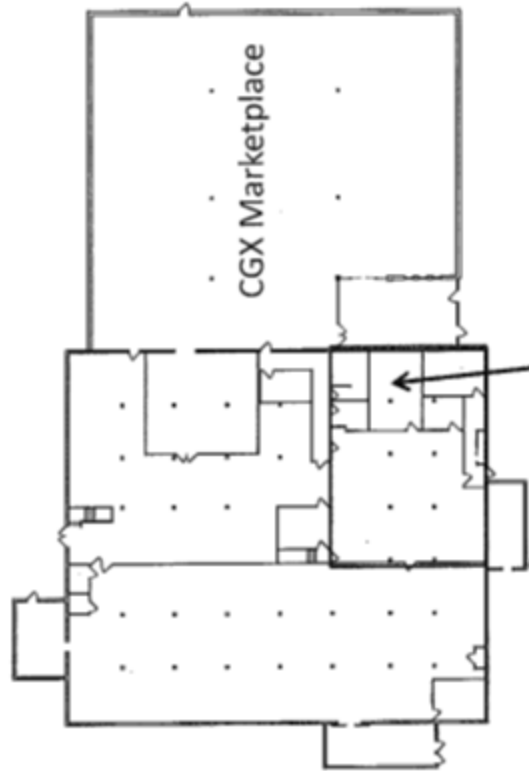
Assume average coffee size purchased is 16 oz.

Annual Financial Performance

Total Annual Profit	\$ 3,729
Equipment Required for Start Up	\$ 10,000
Years to Breakeven	2.68

Coffee Shop Drawing

Overhead of CGX Marketplace Building



CGX Marketplace

Overhead of New MWR/CGES Office Spaces with Coffee Shop



Location of Proposed Coffee Shop

Picture of a Wawa Coffee Operation

