CASTAWAY
3-way business modelling

COFFEE SHOP EXERCISE – PART 2

The Scenario

You're considering an opportunity to start a new coffee shop in your local area. You've spotted a good location, sketched out some designs for the interior and put together your wish list for equipment.

Now it's time to develop the business case for this opportunity. You'd like to start with a simple Castaway forecast to give you a sense of whether this coffee shop could be financially viable.

The Objective

In Part 1 of this exercise, we created a simple Chart of Accounts in Castaway and then added some basic best-guess numbers.

However, there is real uncertainty about the growth profile for sales in this business. Before deciding whether to go ahead with this opportunity, you are keen to analyse the financial performance under a range of **different** sales growth scenarios.

In Part 2, we'll change the simple forecasting methods used in Part 1 to a more dynamic approach for better analysis of different growth scenarios. Focusing just on the Coffee Sales and Cost of Sales elements, we'll do this by using the Enter Formula method to multiply several Driver elements together:

- Coffee Sales will be calculated as: Days per Month x Cups per Day x Price per Cup
- Cost of Sales will be calculated as: Days per Month x Cups per Day x Cost per Cup

This means you will need to create 4 new Driver elements in your forecast.

The Assumptions

After creating the Driver elements, your assumptions for each are:

1. *Days per Month:* you plan on operating this coffee shop seven days per week with (Hint: you might find the automatic Days in the Month calculation method in Driver elements useful here)
2. *Cups per Day*: you have estimated the growth profile for the number of cups of coffee sold per day as:

Jul21	Aug21	Sep21	Oct21	Nov21	Dec21	Jan22	Feb22	Mar22	Apr22	May22	Jun22
0	200	250	300	350	400	350	350	350	350	350	350

3. *Price per Cup*: the average selling price per cup of coffee will be $4.00
4. *Cost per Cup*: you expect the average cost to make each cup of coffee will be $1.20