

A Work Project, presented as part of the requirements for the Award of a Master's degree in
Finance from the Nova School of Business and Economics.

**Formulation of a Business Plan for VilacomVida on how best to implement and develop
the new project, Café Joyeux, in São Bento**

Vera Silva Pinto Marçal Y Pujol

Work project carried out under the supervision of:

José Miguel Pita

17-12-2021

Abstract

Based on Café Joyeux's cost structure, a realistic analysis without speculation was performed to understand the success of the coffee in the long-run. The first approach was based on a break-even analysis followed by a benchmark that led to the conclusion that Café Joyeux would only cover its costs with an average ticket price of 8,5€ and with 139 daily clients consuming. Secondly, a target profit analysis was performed to understand the possibility to achieve a profit with that same average ticket price. Results showed that with the current costs structure, Café Joyeux will only reach a profit of 10K.

Keywords (Social Impact, Financial Projections, Financial Implications, Strategic Recommendations)

This work used infrastructure and resources funded by Fundação para a Ciência e a Tecnologia (UID/ECO/00124/2013, UID/ECO/00124/2019 and Social Sciences DataLab, Project 22209), POR Lisboa (LISBOA-01-0145-FEDER-007722 and Social Sciences DataLab, Project 22209) and POR Norte (Social Sciences DataLab, Project 22209).

Evolution of Café Joyeux in Portugal and Financial Implications

RESEARCH QUESTIONS & METHODOLOGY

4.1

CAFÉ JOYEUX COST STRUCTURE

- How was the initial investment in Café Joyeux made?
- What are the relevant fixed costs that increase Joyeux's charges?
- What are the main fixed and variable costs of the coffee?

- Assessment of internal documents

4.2

BREAK-EVEN ANALYSIS

- Over the years what is the amount of revenues needed to reach break-even?
- Based on the average ticket price in France and in the break-even goal, what can we conclude in Portugal?
- In order to break-even what conclusions can we draw based on the average ticket price presented in the coffee's first weeks of activity?

- P&L Analysis
- Sensitivity Analysis
- Benchmark

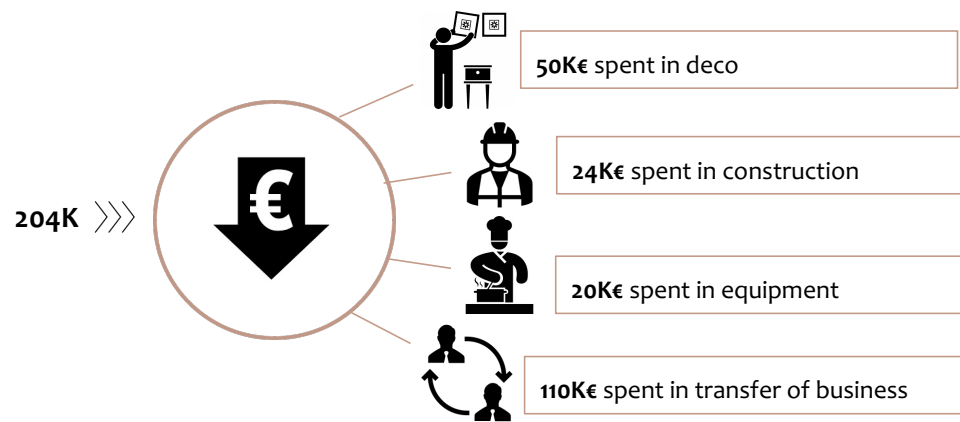
4.3

FORECAST ANALYSIS

- How will the forecast be made and what assumptions will be taken into account?
- How do the revenue projections look like for the different phases?
- What conclusions can be drawn from the different phases?
- What strategic and financial recommendations should Café Joyeux follow to improve its performance?

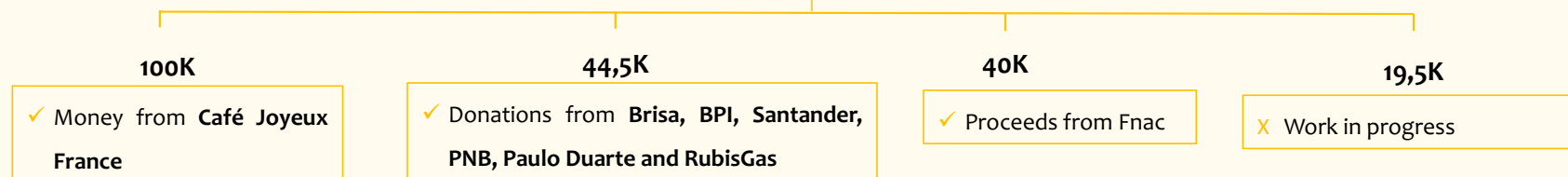
- P&L Analysis
- Benchmark

Concerning the CapEx, Café Joyeux spent 204K euros. It was necessary to raise funds from third parties to open the coffee since there was no cash available and the coffee did not want to borrow from a bank



- From the 204K euros of the investment of the coffee, only a part has been paid, however by next year, 2023, it is believed that will all be paid off.
- The money received from Café Joyeux France will have to be paid in the future, it is not a donation.
- Fnac is helping Café Joyeux in 2 ways. First with a fundraiser through Fnac customers who can donate the desired amount and with a solidarity concert where all the proceeds go to coffee
- **WIP:** Coffee will continue to find ways to raise money and pay what is still owed for Capex and other costs.

Café Joyeux obtained funds for this investment through



In addition to the initial investment, Café joyeux incurs in several necessary OPEX costs to guarantee the success of this new project

Personnel Costs



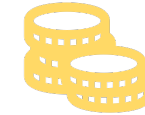
- 9 employees with disabilities, 1 kitchen supervisor, 1 room supervisor and 1 manager.
- When the coffee begins to generate enough revenues, it will also pay for VcV employees.
- Café Joyeux opened to support people with disabilities, and also to contribute to the sustainability of the association VcV.

Occupancy Costs



- Include the Rent of the space that will be leased with a 5-year contract, Energy & Fluids, Internet & Cables (offered by Meo during the first 2 years of the project), Insurances for Work Accidents and Multirisks (offered by Fidelidade for the first 2 years) and the Cleaning, Hygiene and Comfort.

Specialized Services



- Include the costs necessary to be able to play music in the coffee (Pass Music, Portuguese Society of Authors and Music Service), the HACCP costs and the costs related to accounting.

Transportation Costs



- These costs are related to displacements that were made to provide services for Café Joyeux such as caterings and takeaways

Marketing Costs



- Marketing expenses will begin to decrease by 40% in 2024 as Café Joyeux will have its position better established and recognized in the market.

POS System

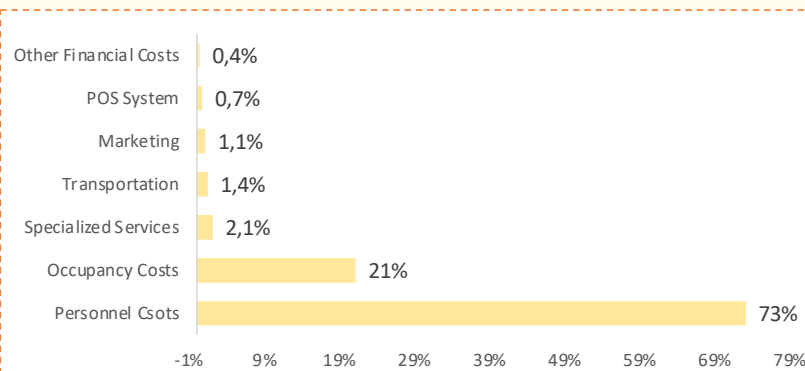


- The POS system will not require the initial hardware investment since the coffee will reuse it from the "Café com Vida" project. As such, the software for the restaurant's POS system will only have a fixed cost per month.

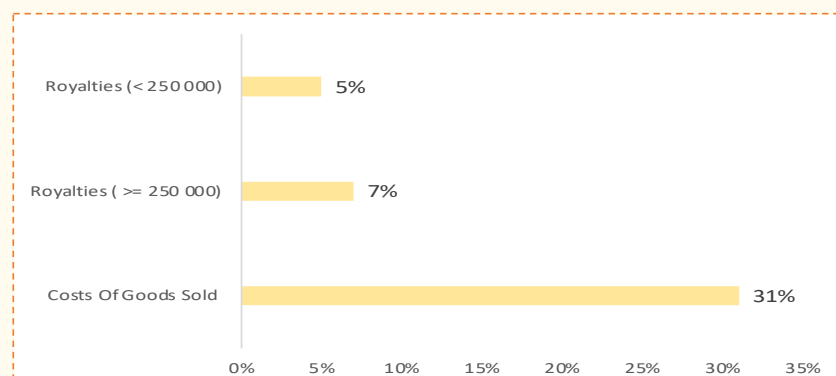
The Opex cost structure is quasi-fixed, the costs will not vary a lot throughout the years. The first 2 years can be classified as a "light" cost structure since Joyeux will benefit from some financial aid concerning Insurance and Internet

Regarding the OPEX, 2 types of costs arise in this business

Fixed Costs (as a % of Fixed Costs)



Variable Costs (as a % of Revenues)

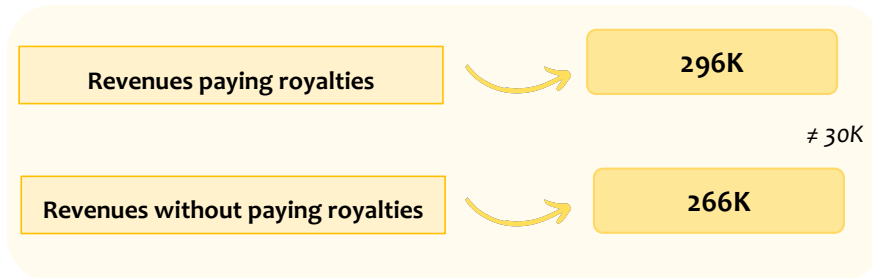


- Regarding fixed costs, **Personnel & Occupancy costs represent the main and highest costs of Café Joyeux**, 94% of the Total Fixed Costs. They cannot be avoided because without these costs the coffee could not operate efficiently.
- **Cost of Goods Sold** is also a major cost of the coffee, accounting for 31% of Café Joyeux's gross revenues. This variable cost is a fact, based on the restaurant industry.
- In addition, the coffee as a **franchisee of Café Joyeux France pays royalties**. Café Joyeux Portugal pays 7% of its revenues to France if their revenues are equal or higher than 250,000€, otherwise it pays 5%.
- In 2024, two years from now, **Insurance and Internet costs will start to be paid by the coffee**, however their amount is not very significant. An additional cost may arise if Café Joyeux decides to start paying VcV employees, **leading to a much higher cost structure as the personal costs will increase to 80%**.

From a break-even analysis, the royalties paid to France require Café Joyeux Portugal to increase its revenues, on average, by 32,000€ per year

2022 – “Light Structure”

Café Joyeux’s **Minimum Revenues** must be the following in order to breakeven:



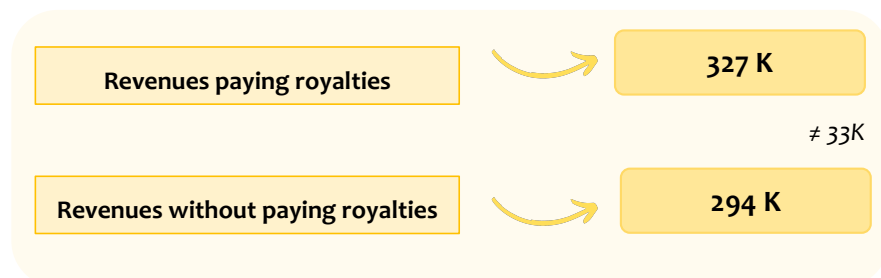
In order for the **revenues cover all the costs**, the coffee is obligated to increase its revenues by **11%** due to the large cost of the royalties



The contract made between Portugal and France adds in average an **additional cost of 22K** per year for Café Joyeux Portugal

2024 – “Heavy Structure”

However from this date on, without any financial aid Café Joyeux will have to **increase its revenues to obtain the same result**:



In 2024, revenues will have to increase due to the onset of Insurance and Internet costs. With royalty payments, Revenues **will have to increase by 3175€ more** than in case the royalties were not paid.



Given the amount saved per year by not paying royalties, **is it worth keeping the agreement with Café Joyeux in France?**

To perform an accurate break-even analysis, the average ticket price for Café Joyeux Portugal was calculated as a deflation of the price for Café Joyeux France

Once the average ticket price in France was known, the Big Mac index was used to calculate the average ticket price in Portugal and drive some conclusions about the occupancy rate and customer turnover



Average price of a Big Mac

France	6,0 €
Portugal	3,9 €



The average price in Portugal is 35% lower than in France.



Average price of Café Joyeux

France	9,52 €
Portugal	6,19 €



- To understand the **differences in consumer purchasing power between Portugal and France**, the price of a big mac was compared, and it was understood that in France the **same hamburger is 65% more expensive** than in Portugal. This means that the average ticket price in Café Joyeux Portugal will be much lower than in France.
- The average ticket price for the Café Joyeux was calculated based on these differences **and was rounded up to 6€**.
- Throughout the break-even analysis done in the next few slides, different sensibility analyses were performed to understand the feasibility of the project.

With an average ticket price equal to 6€, at least a 70% occupancy rate must be achieved to obtain the required minimum daily revenues of 1184€ for break-even

- The daily revenues of Café Joyeux were calculated taking into account different **average ticket prices and the occupancy rates**.
- Knowing that, **the minimum revenues required to break-even is 1184€**, below this value the project will not cover the costs and therefore will not succeed.
- It was necessary to know **the total number of seats within the space which is equal to 32 and the number of times a chair can rotate in a working day which is 9 times** assuming that each person stays, on average, for 1h.
- Seat turnover value was computed by dividing the total number of hours the coffee will be open by the average time spent per person consuming at the coffee (9h/1h).
- With an **average ticket price of approximately 6€** and with **each seat rotating nine times a day**, Café Joyeux Portugal will need to have a **minimum daily occupancy rate of 70%** to break-even. This will lead to a **total daily revenues equal to 1210€** which is higher than the 1184€ needed to reach the desired goal.



Sensitivity analysis to understand the minimum average price and occupancy rate to reach the daily revenues to break-even

Data table of the daily revenues in function of the average price and occupancy rate | In Euros (€)

		Occupancy Rate												
		40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
average price	€5,5	634	713	792	871	950	1030	1109	1188	1267	1346	1426	1505	1584
	€6,0	691	778	864	950	1037	1123	1210	1296	1382	1469	1555	1642	1728
	€6,5	749	842	936	1030	1123	1217	1310	1404	1498	1591	1685	1778	1872
	€7,0	806	907	1008	1109	1210	1310	1411	1512	1613	1714	1814	1915	2016
	€7,5	864	972	1080	1188	1296	1404	1512	1620	1728	1836	1944	2052	2160
	€8,0	922	1037	1152	1267	1382	1498	1613	1728	1843	1958	2074	2189	2304
	€8,5	979	1102	1224	1346	1469	1591	1714	1836	1958	2081	2203	2326	2448
	€9,0	1037	1166	1296	1426	1555	1685	1814	1944	2074	2203	2333	2462	2592
	€9,5	1094	1231	1368	1505	1642	1778	1915	2052	2189	2326	2462	2599	2736
	€10,0	1152	1296	1440	1584	1728	1872	2016	2160	2304	2448	2592	2736	2880

Not enough revenues Enough revenues

For the previously set price and assuming that an occupancy rate of 70% will be reached, each Café Joyeux chair will have to rotate nine times a day in order to reach the break-even

The table below shows the number of times each chair needs to rotate in a day to reach the break-even, taking into account the different combinations of average ticket price and occupancy rate

- From this sensitivity analysis we can conclude **how many times during the coffee's opening hours it is necessary to rotate a seat** to obtain the minimum amount of revenues to break-even.
- With an occupancy rate of 70% and an average ticket price of 6€, we confirm that **each seat must rotate 9 times a day** for revenues to cover all costs.
- A 70% occupancy rate means that only **22 tables out of the total 32 are occupied**. Additionally, since the coffee is open 9 hours a day, and on average **each customer spends 1 hour in each seat**, in terms of capacity it is realistic to say that Café Joyeux can reach the break-even scenario.



Sensitivity analysis to understand the seat turnover to reach the daily revenues to break-even

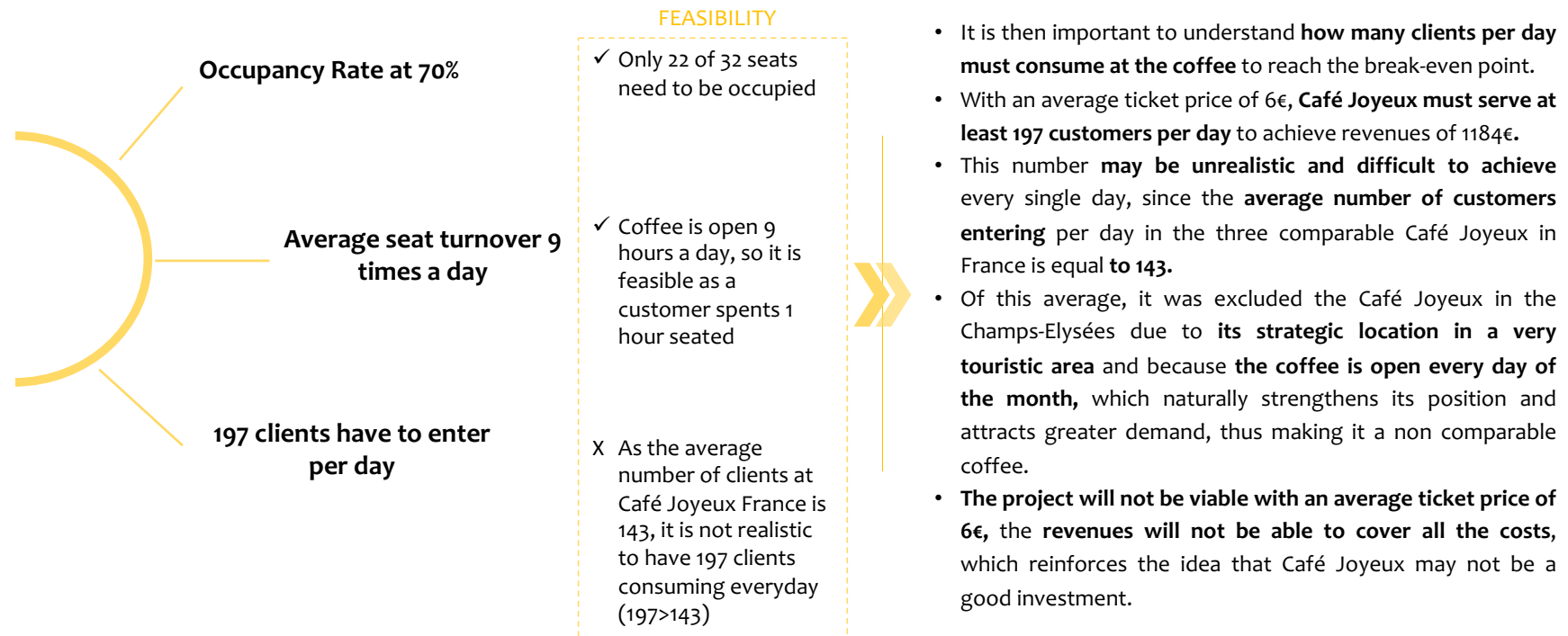
Data table of the seat turnover in function of the average price and occupancy rate | In quantity

		Occupancy Rate												
		40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
average price	€5,5	17	15	13	12	11	10	10	9	8	8	7	7	7
	€6,0	15	14	12	11	10	9	9	8	8	7	7	6	6
	€6,5	14	13	11	10	9	9	8	8	7	7	6	6	6
	€7,0	13	12	11	10	9	8	8	7	7	6	6	6	5
	€7,5	12	11	10	9	8	8	7	7	6	6	5	5	5
	€8,0	12	10	9	8	8	7	7	6	6	5	5	5	5
	€8,5	11	10	9	8	7	7	6	6	5	5	5	5	4
	€9,0	10	9	8	7	7	6	6	5	5	5	5	4	4
	€9,5	10	9	8	7	6	6	6	5	5	5	4	4	4
	€10,0	9	8	7	7	6	6	5	5	5	4	4	4	4

How many clients will have to enter the coffee in this scenario? Will Café Joyeux have such demand?

If the average ticket price of Café Joyeux Portugal is the adjusted reflection of the average spent in France, the coffee may not be able to break-even in the first year, meaning it would not represent a good investment

In order to understand whether it is achievable to have 197 customers per day, a benchmark was performed using information from Café Joyeux in France. This comparison is possible since it is very likely that the coffee in Portugal will be as successful as it is in France



* See the appendix tables for more detailed information

Nevertheless, there are reasons to believe that the average ticket price in Portugal will reach 8,5€, thus increasing the possibility of success for Café Joyeux

The information gathered since the opening of Café Joyeux in Santos has led to a new scenario regarding the average ticket price for the coffee in Portugal

Although the Big Mac index deflated the price in France and estimated the average ticket price at Café Joyeux Portugal, it is believed that an average ticket price of 6€ does not reflect reality. With the new approach, the average ticket price **reaches the 8.5€**.

WHY??

Café Joyeux in Portugal will stand out from its competitors due to its solidarity mission and possibility to experience a very unique atmosphere of happiness. This, adding the quality of the food, leads to a higher adherence.

During the last weeks of November, **Café Joyeux Portugal had an average ticket price of 8.5€**. This value is more realistic than the previous one since it's a fact delivered by Café Joyeux based on their sales.

Implications in the break-even analysis

- The minimum required **occupancy rate will be much lower**, still assuming that, on average, each chair **will rotate 9 times per day**.
- It means that to cover all costs, the coffee will have to **serve less clients per day**, increasing the possibility to have a reachable demand per day, thus a realistic scenario.
- So, with an average ticket price adjusted to its position in the city **Café Joyeux could be a succesfull project**.

With an average ticket price equal to €8.5, the occupancy rate required for break-even decreases to 50% in order to obtain the same minimum daily revenue of €1184

The average ticket price of Cafe Joyeux Portugal needed to be adjusted to 8,5€ based on information provided by the coffee two weeks after its opening, leading to a new analysis of the occupancy rate and the number of clients required

- Under the same conditions as explained in the previous slides, the total number of seats, the seating rotation and the time that each person will stay at the coffee, the daily revenues of Café Joyeux were calculated.
- With this higher average ticket price and knowing each seat rotates nine times per day, Café Joyeux Portugal will need to have a minimum daily occupancy rate of 50% for break-even. This will lead to a total daily revenue equal to 1224€ which is higher than the 1184 euros needed to reach the desired goal.
- But in this scenario how many customers will be needed to reach the break-even? The number of clients needed will be close to 143, which is the benchmark for a realistic scenario?

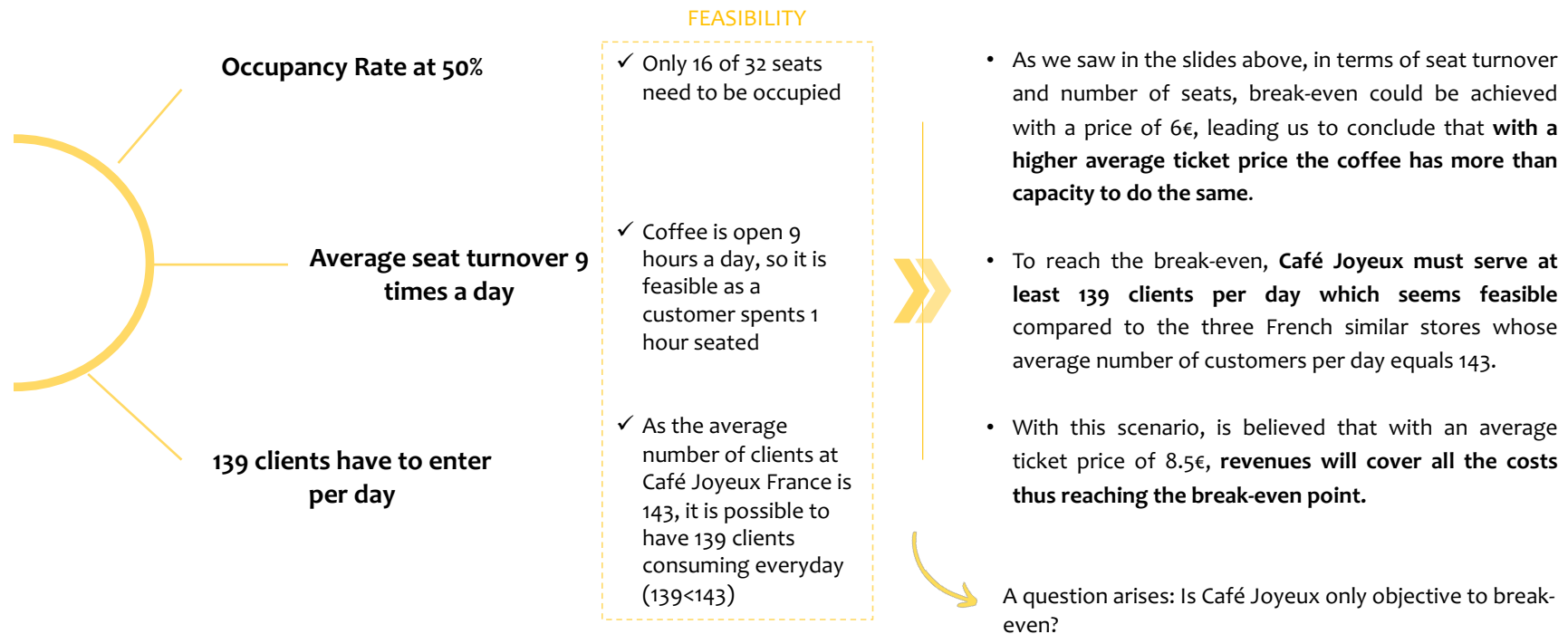


Sensitivity analysis to understand the minimum average price and occupancy rate to reach the daily revenues to break-even

Data table of the daily revenues in function of the average price and occupancy rate | In Euros (€)

		Occupancy Rate												
		40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
average price	€5,5	634	713	792	871	950	1030	1109	1188	1267	1346	1426	1505	1584
	€6,0	691	778	864	950	1037	1123	1210	1296	1382	1469	1555	1642	1728
	€6,5	749	842	936	1030	1123	1217	1310	1404	1498	1591	1685	1778	1872
	€7,0	806	907	1008	1109	1210	1310	1411	1512	1613	1714	1814	1915	2016
	€7,5	864	972	1080	1188	1296	1404	1512	1620	1728	1836	1944	2052	2160
	€8,0	922	1037	1152	1267	1382	1498	1613	1728	1843	1958	2074	2189	2304
	€8,5	979	1102	1224	1346	1469	1591	1714	1836	1958	2081	2203	2326	2448
	€9,0	1037	1166	1296	1426	1555	1685	1814	1944	2074	2203	2333	2462	2592
	€9,5	1094	1231	1368	1505	1642	1778	1915	2052	2189	2326	2462	2599	2736
	€10,0	1152	1296	1440	1584	1728	1872	2016	2160	2304	2448	2592	2736	2880

In this scenario, the coffee will only have to serve 139 different clients per day, that comparing to average clients per day in similar Café Joyeux in France is feasible having to enter less 4 clients each day



To conduct a forecast analysis without speculating, three possible profit scenarios were analysed using goal seek tool in excel to withdraw the amount of revenues Café Joyeux needs to reach depending on their cost structure

- Café Joyeux's drivers of meal revenues are **occupancy rate, average ticket price and seat turnover**, as for drivers of other products, they are **the quantities sold and their price**.
- The forecast performed was not made by speculating the revenue drivers, but **rather by targeting a fixed profit**, with the main objective of understanding the **feasibility of the coffee to reach a certain profit** and, as a result, the success of the project.

2022 & 2023

Phase I



- **Scenario A:** No Insurance and Internet & Cable costs but including royalty payments.
- **Scenario A' :** No Insurance and Internet & Cable costs and also excluding royalty payments.



From 2024 onwards

Phase II



- **Scenario B:** Includes costs for Insurance, Internet & Cable and royalty payments.
- **Scenario B':** Includes costs for Insurance and Internet & Cable, but no royalty payments.



Whenever is possible

Phase III



- **Scenario C:** Here all costs are shown, including the salaries of VcV employees and royalty payments.
- **Scenario C':** It includes all costs, even salaries of VcV employees, with the exception of royalty payments.



Target Profit

- For each phase, it will be conducted an analysis to understand how the amount of revenues change as the cost structure varies to reach a certain profit. **Profits will be fixed at 10K, 20K or 30K.**
- These three different values for profits were chosen based on what is believed that **the coffee net income can reach at an early stage.**
- Conclusions based on **the feasibility of achieving the required amount of revenues** will also be conducted.

The revenues needed to reach a profit of 10K euros increase as the costs increase. This amount could be less if the coffee did not have to pay royalties to France

Target Profit:

10K

20K

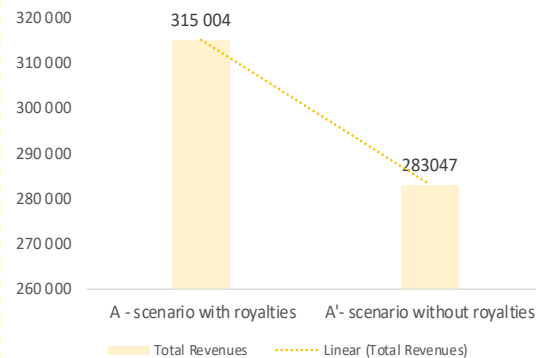
30K

Without Insurance and Internet & Cable costs

Phase I

The total amount of revenues needed to reach a net income of 10K **has to be 31,957€ higher in scenario A than in scenario A'**. This means that revenues in scenario A **should be higher by 128€ per day**.

Annual Results In Euros (€)

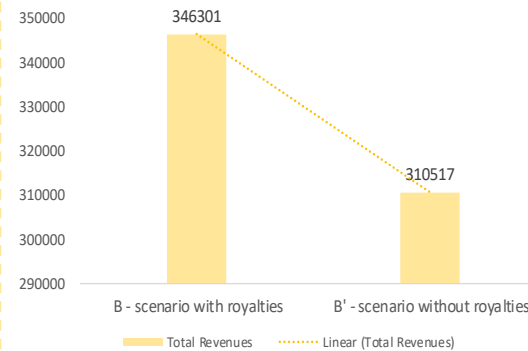


With Insurance and Internet & Cable costs

Phase II

The revenues required at this stage **differ by 35,784€** comparing the two scenarios with and without royalty payments. This means that without royalties a **10% decrease in revenues would be possible**.

Annual Results In Euros (€)

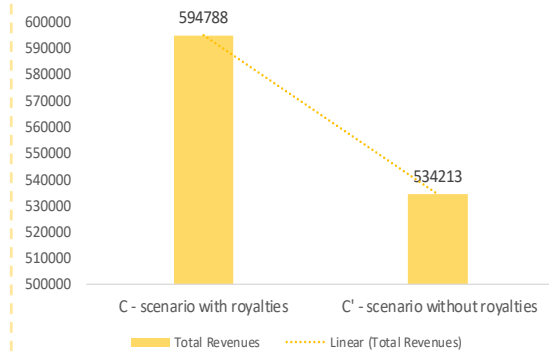


With all costs and Vcv employees' salaries

Phase III

When royalties are paid, revenues **must be higher by 60,576€**. In this phase when the payment of VcV employees takes place, the coffee has to **increase its revenues almost to the double** of the revenues obtained for phase I.

Annual Results In Euros (€)



To make an annual profit of 20K with the royalty costs, Café Joyeux needs to have a revenue amount between 340K and 614K, depending on the cost structure

Target Profit:

10K

20K

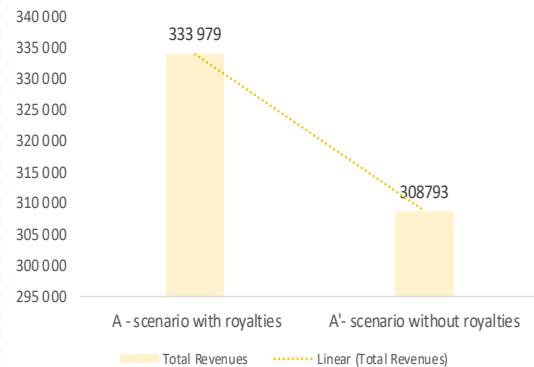
30K

Without Insurance and Internet & Cable costs

Phase I

The difference between the revenues needed to achieve the desired net income **will equal 25,186€**, meaning that Café Joyeux has to increase its sales by 8% to compensate the additional and not very necessary cost of the royalties.

Annual Results In Euros (€)

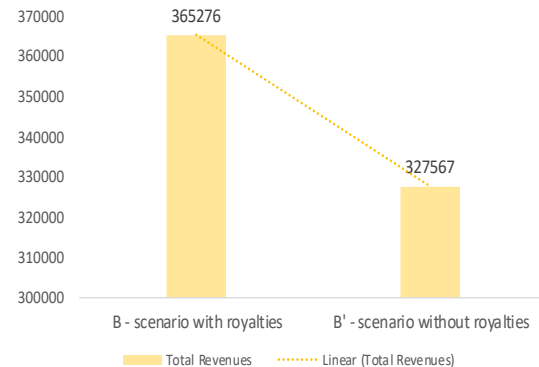


With Insurance and Internet & Cable costs

Phase II

In this phase, Café Joyeux will incur in more expenses meaning that it will **have to increase its revenues by 31,297€**. Although it will be more advantageous if the coffee did not pay royalties, making a difference of less 12% of the revenues to reach the same profit.

Annual Results In Euros (€)

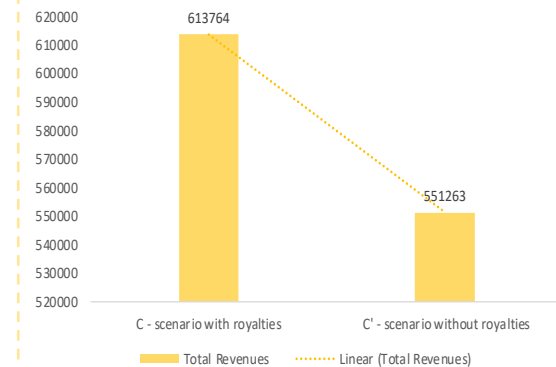


With all costs and VcV employees' salaries

Phase III

To pay for the VcV employees, Café Joyeux **has to work even harder to increase its sales by 83%**, representing more 217,286€ in amount. Royalties in this scenario have a huge weight, they oblige the coffee to increase its revenues by 62501€, eating thus all the profit.

Annual Results In Euros (€)



To achieve a profit of 30k, Café Joyeux will have to increase its sales even more, having to reach an amount between 353K and 633K while the coffee is paying royalties to France

Target Profit:

10K

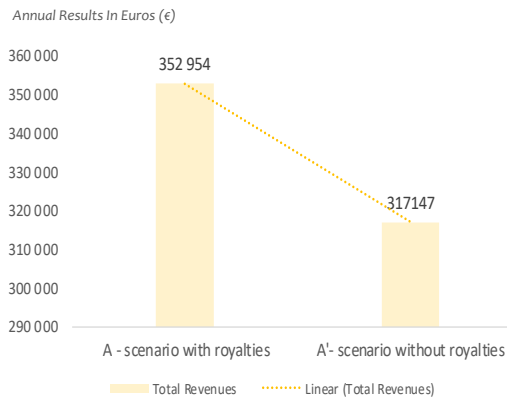
20K

30K

Without Insurance and Internet & Cable costs

Phase I

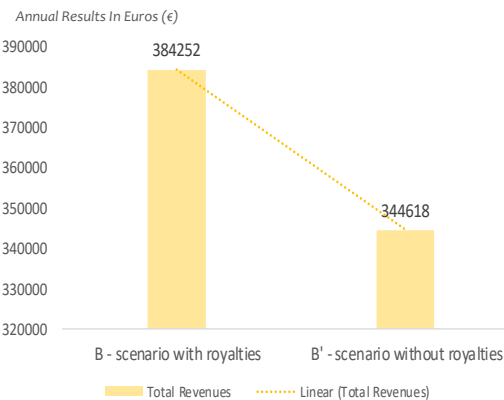
In this first phase, revenues for the scenario with royalty payments **should be higher by 35,807€**. This amount is **11% higher** than it could be without the franchisee cost.



With Insurance and Internet & Cable costs

Phase II

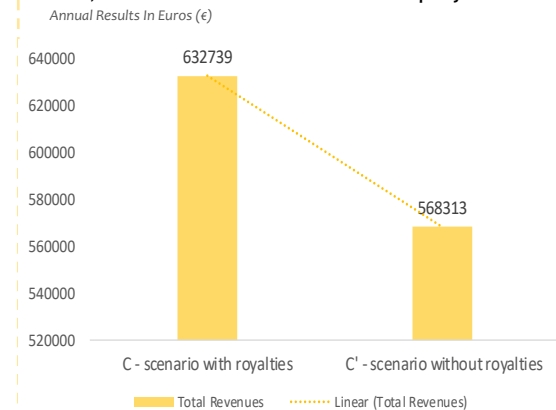
Since costs will increase, revenues will have the same tendency in order to reach the desired net income. The **difference between scenarios B and B' equals €39,634** (a large amount that could be avoided without the franchise contract).



With all costs and Vcv employees' salaries

Phase III

The difference between the scenarios with and without royalty payments **will equal 64,426€**. The variation between phase I and phase III required revenues **in both scenarios is about 77%**, which is explained by the inclusion of all costs, even those related to VcV employees.

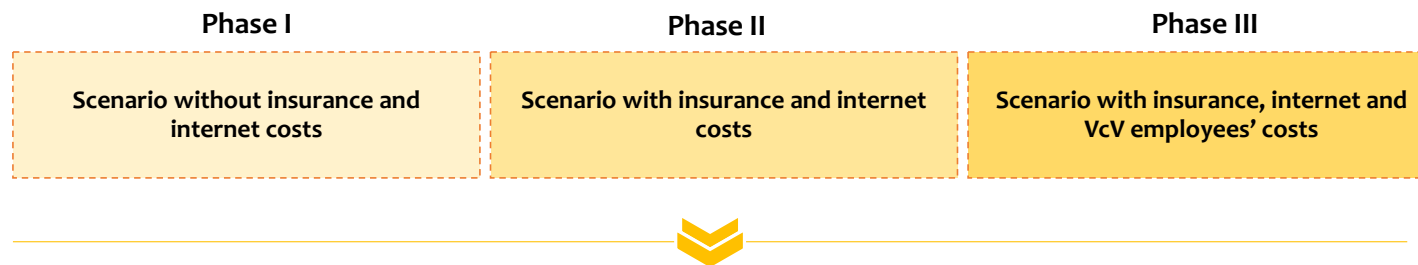


In order to achieve the desired profits, it is necessary to understand the reachability of the previously calculated revenues taking into account the different cost scenarios

It is already known the amount necessary of revenues to obtain the different profits for each phase. However a question arises: **Will Café Joyeux be able to obtain those values of revenues in each scenario?**



The number of clients coming in everyday to reach those revenues must be analysed assuming the average price of 8,5€ as explained before.



As stated before, the **benchmark used to understand if the number of clients that must enter the coffee is reachable**, was the average of clients entering the successful coffees Joyeux in France.

The information provided by France resulted in an average of **143 clients per day** considering only the coffees with **the same working days per year and space capacity**.

In the following slides each phase will be analyzed **based on the average ticket price of 8,5€** given by VilacomVida, in order to take out the main conclusions about the future of Café Joyeux Portugal, and additionally some recommendations to implement a lucrative business.

Even if Café Joyeux is able to maintain financial aid in the future concerning the insurance and internet costs, the franchisee coffee while paying royalties, is only able to reach a profit of 10K per year

In this slide, the possibility of reaching the different target profits for scenario A and A' is studied, taking into account the payment or not of royalties.

Phase I: without insurance and internet & cable costs

Analysis in a scenario with royalty payments:

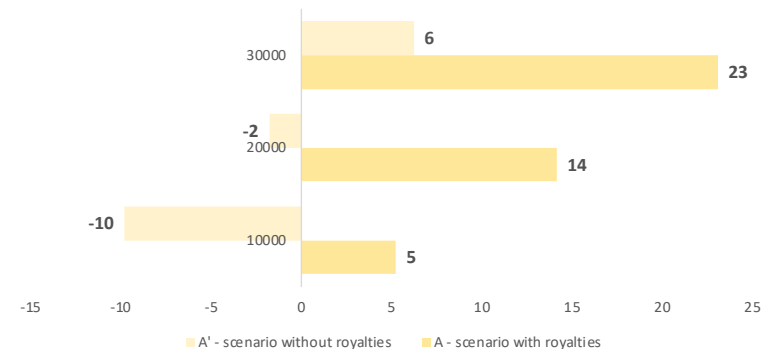
- Café Joyeux **will only be able to make a profit of 10K**, if the business goes very well, and the coffee is able, in addition to the 143 clients, **attract 5 more clients per day**.
- In order to make a profit of 20K or 30K, the difference in customers needed to achieve the required revenues is **very distant from France's benchmark**, making it almost impossible to achieve.

Analysis in a scenario without royalty payments:

- If this scenario is possible, **Café Joyeux would be in a much better place in terms of profit**.
- The coffee can **easily reach a profit of 10K or 20K** by having to serve, respectively, less 10 or 2 clients per day compared to the benchmark in France.
- additionally **reach the 30K by only serving less 2 and 10 more customers per day, respectively**.

HTA Variation of the number of clients compared to the benchmark in France to reach the different profits

Phase I scenario costs | In quantity



In the second phase, with insurance and internet costs being charged, Café Joyeux will not achieve any of its target profits while still paying royalties to France

Possibility of reaching the different target profits for scenario B and B', taking into account the additional costs of insurance and internet and the payment or not of royalties.

Phase II: with insurance and internet & cable costs

Analysis in a scenario with royalty payments:

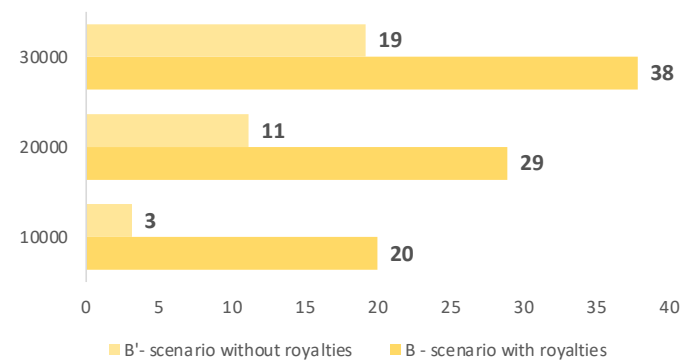
- It will be **very hard for the coffee to have a profit** while paying royalties, insurance and internet costs.
- In fact, for Café Joyeux to make 10K of profit it must **have an average of 163 clients a day**, more 20 customers than the average in France which is already quite high.
- It will not help the costs related to VcV's goal of making the association sustainable in the future.

Analysis in a scenario without royalty payments:

- Here, there is a **change for the coffee to be lucrative** even paying insurance and internet. It is credible to think that Café Joyeux will **reach a profit of 10K if the agreement with France is discontinued**.
- Still the coffee will have to **work harder to be able to serve more 3 clients per day** compared to the France benchmark.

ATF Variation of the number of clients compared to the benchmark in France to reach the different profits

Phase II scenario costs | In quantity



Paying the VcV employees in addition to the others costs and still making a reasonable profit will never be possible with only one Café Joyeux in Portugal since it will require a very high number of customers per day

After an analysis of all phases in terms of revenues, costs and feasibility, it is concluded that Phases II and III are impossible to achieve with only one Café Joyeux in Portugal.

✓ Phase I



- From a realistic point of view, the phase I scenario will never be possible, since there are no “free lunches” forever. At some point, Café Joyeux will start paying insurance and internet costs, leading to the phase II scenario.

✓ Phase II (without royalties)



- The phase II scenario could work if there were no royalty payments, however this cost has to be paid since an agreement has been signed. Moreover, one of Café Joyeux’s goals is to ensure the sustainability of VcV by helping them pay their employees’ salaries.

X Phase III



- Reaching the phase III scenario is an objective of VilacomVdia. Nevertheless, this will never happen with only one Café Joyeux in Portugal, as it requires either a very high number of customers entering the coffee per day or an average ticket price so high that cannot be achieved.

Regarding the royalties, some recommendations were developed in order to lead Café Joyeux to a successful and consolidated business



Royalties

- **Royalties** represent a large cost for Café Joyeux Portugal which **drags profits to the bottom** without adding any source of value to the coffee in Portugal.
- In fact, Café Joyeux is a well-known brand in France, but **the same is not true in Portugal**. From 100 people, only 74% know about Café Joyeux, as it was confirmed through an online survey conducted by the team. In this sense, the brand image given by Café Joyeux **does not justify the amount of royalties paid**.
- Additionally, the relationship between the franchisor and the franchisee should be strategic and strong, since both parties gain from the success of the coffee. However, this is not happening, **the franchisor often delays in providing the franchisee with information and support**.
- A change is therefore necessary, nevertheless it is important to keep in mind that the coffee in Portugal **uses not only the name but also the image of the French brand**. Moreover, a heavy investment was made to be consistent with the Joyeux brand, so it is understandable that **breaking the contract may not be possible** at this time.

VilacomVida should end its contract with Café Joyeux France:

- The organization would incur in losses but in the long run, the right thing to do is to end the contract and start an own VcV brand, as it was previously done with the pilot project “Café com Vida”.
- **Limitation:** dishonest attitude since they have already taken advantage of some of Café Joyeux's procedures and information.

Financial recommendations

Knowing that the contract will be in effect for 3 years, **VilacomVida must renegotiate, as soon as possible, the contract with France:**

- As the franchising is eating all its profits, the percentage charged on the coffee revenues should only happen **when the net income is positive and is not affected by the royalty costs**.
- As for the amount charged by France, it **should decrease to lower percentages** since in comparison to other franchise schemes, like McDonald's, which is a very well-known brand and whose probability of success is very high, Café Joyeux is asking for a much higher percentage of the revenues.

If a successful implementation of the financial recommendations is executed, Café Joyeux will not only be able to maintain and grow its own business, but also to sustain the association VilacomVida in the future



Coffee Expenses

- During the first years, Café Joyeux benefits a lot from the **“light cost structure”**. In fact, Meo and Fidelidade **supported the project** by offering the internet and insurance costs.
- This led to much **lower costs and a much higher chance to achieve high profits**, as observed in the previous Profit & Losses analysis.



- Always try to **find companies that support the cause** and offer help with the coffee costs such as rent, insurance, internet, among others.

Financial recommendations



VilacomVida Employees' Expenses

Café Joyeux goal is not only to include and integrate people with disabilities into society but also **to ensure the financial sustainability of VcV**.

- If the above recommendation is not achievable, costs will increase over the years in a first stage due to Insurance and Internet & Cables expenses and after that **due to the intention to pay VcV employees**.
- These last costs will be really high, and **it is not feasible to cover them** with the revenues from the current Café Joyeux Portugal alone.



- **More coffees must be opened** in tourist areas so that the coffee can pay all the seven VcV employees.
- However, a new Café Joyeux should only be open when the **break-even of the existing ones has been achieved**, as it is not prudent to invest in opening new coffees when the existing ones have not yet proven that they are capable of covering all the costs they incur.

Evolution of Café Joyeux in Portugal and Financial Implications

KEY TAKEAWAYS

CAFÉ JOYEUX COST STRUCTURE

4.1

- Café Joyeux's initial investment was obtained **through fundraising and donations** rather than by taking on a debt with the bank.
- **Personnel and occupancy costs** represent the main coffee fixed expenses (94% of Total Fixed Costs).
- Regarding the variable costs, COGS are calculated as 31% of revenues and royalties will vary between 5% of revenues if they are less than 250,000€ and 7% otherwise.

BREAK-EVEN ANALYSIS

4.2

- The required revenues for break-even will increase from 2022 to 2024 since **insurance and Internet costs will start to be charged**.
- The **true average ticket price in Portugal is 8,5€** as observed in the first 2 weeks of the Café Joyeux and not the 6€ that corresponded to the deflation of the average ticket price from France.
- Regarding the realistic approach, **139 customers must enter the coffee per day**, in order to cover all the costs, which is consistent with the average number of daily clients in France.

FORECAST ANALYSIS

4.3

- With royalty payments, Café Joyeux can only achieve **the net income equal to 10K** out of the three targeted profits.
- Regarding the **royalty payment agreement with France, it should be renegotiated**: royalties should only be paid when net income is positive, and the percentages charged on the Portuguese coffee revenues should be reduced.
- For Café Joyeux to sustain VilacomVida, **more coffees should be opened**, but keeping in mind that this should only happen when the break-even of the existing ones has already been reached. Moreover, the coffee should try to find companies to help them with occupancy costs, such as rent, insurance or internet.