

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.



## **BOM DIA LISBOA BUSINESS PLAN**

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# 1. Executive Summary

Bom Dia Lisboa (BDL) is a ready to go breakfast solution, to be present in commuting transportation systems (mainly in the subway system) and offering high value menus at very competitive prices (priced from €1 to €2,5). A point of sales will be located in subway stations, on strategic places near people traffic flows, offering an extremely fast service and premium low cost menus, with a very positive and fresh image. A secondary service of the company will be advertisement (in its bags) and performing promotional marketing campaigns in stations, taking advantage of its high sales volume. The advertisement market is valued €210 Million, while the breakfast market value is estimated to be €215 Million. Adding to this, the fact that the Lisbon subway system has transported 171 Million users in 2010, pointed out an opportunity to the founders that became clear when they saw indicators showing that 7%-10% of people don't take their breakfast because they lack time. The target customers are young (15-40 years), modern and middle class, with a very demanding routine and giving extremely high value to time and convenience.

The management team is composed by four passionate and hardworking entrepreneurs, educated by Nova SBE, which have following main objectives:

- Launch a pilot experience in one station to prove the business concept.
- Raise €100.000, expand to 10 stations and starting advertisement campaigns (year 2).
- Create a food chain with 18 stands in the subway, a parallel advertisement offer, generating of €2.847.874 by 2014 and being present in 3 Lisbon commuting systems.

This business opportunity success rely on economies of scale, low point-of sale investment costs, scalability and aggressive growth to achieve its full potential, having a NPV of €91.919, an IRR 19,89% and a break-even of 16 months.

### 2. Business Idea

In January 2011, Tiago Neves, current Bom Dia Lisboa CEO, went to Madrid on a Nova School of Business and Economic study trip, along with 40 other students to understand the international business environment. One day during that week, Tiago wake up late, having no time to have breakfast. With the other students already waiting on the lobby Tiago told the professor that he would go ahead to the subway station, so that he could take breakfast. When at the subway coffee shop the student faced a long line, and wondered if he could take his breakfast at all, before the rest of the group passed by him. It was at this exact moment that all came up to the entrepreneur mind “ Why not a ready to go breakfast to serve people just like me in a hurry? The subway should be the perfect place for this type of service...” Moments after, when the group passed by, Tiago told his idea to his two other colleagues, Alexandre Rocha and Duarte Mourão, and the three started right away developing new ideas around this innovative concept. They thought immediately that this kind of service should be cheap, extremely fast and directed to masses. It was then that it came up the idea of taking advantage of the place and type of service to do advertising in the bags.

When in Lisbon, after performing the first financial evaluations and after the first field trips to the Lisbon subway, the three students invited a fourth team member, Diogo Monteiro, and started in early March conducting an exhaustive search and study to understand the feasibility of the concept and to develop a sustainable business model. The students started by performing interviews in the subway, talk to professors, entrepreneurs, experts in some fields and finally with suppliers to try to implement their project.

### 3. Business Description

#### 3.1 Concept

Bom Dia Lisboa is a ready to go breakfast solution, to be present in commuting transportation systems and offering high value menus at very competitive prices (see Appendix 1.1). Besides this, the concept includes an extremely fast and friendly service, according to the commuters needs, and with a young, fresh and positive image. By implementing such a premium low cost and a mass breakfast solution for commuters, the Bom Dia Lisboa founders expect to establish a solid and significant sales volume so that in a second phase they can take advantage of that, through high value advertisement campaigns, both to companies and customers. This would be a secondary service provided to companies that want to have a more personal and close approach to their marketing campaigns, while generating added value for consumers, through discounts, free products and services. This is expected to be part of the concept success; therefore at this stage BDL will have a specialist team responsible to launch specific, marketing campaigns that should benefit both consumers and companies without damaging the brand equity.

#### 3.2 Vision, Mission and Value Proposition

With the vision of becoming in 3-5 years the leading player in the Portuguese breakfast market, expanding then to other segments and markets, BDL team had relied in the following attributes of its concept to fulfil this vision:

- **Convenience:** Nowadays time's value is increasing



continuously and for that reason people are valuing solutions that give them back the power of time. People that live in the city feel the pressure of time and that's why they will benefit from Bom Dia Lisboa service, because it'll allow them to save 20 min in

the morning to stay in bed or to start the day more relaxed, knowing they'll have a quality breakfast waiting for them right at their passage provided in an extremely fast, friendly and convenient way.



- **Value for the money:** As the result of the recession and international crisis that we are living, people are starting to reduce costs and consumption. However eating is a basic need and for those who don't have time to eat at home, BDL presents itself as an excellent value for the money alternative (see the menu prices in Appendix 1.1).

- **Quality lifestyle:** It's common sense that the breakfast is the more important meal of the day. For that reason BDL offers 4 menus adapted to the majority of the people needs. Despite this Bom Dia Lisboa is much more than a breakfast, it is a lifestyle, a way of starting in a very pleasant, cheerful and relaxing way a good working day.



- **Balance:** The Company positioned itself as a balanced alternative when compared to traditional coffee shops. It's not healthy in a "light" sense, instead it has nutritional balanced menus according to nutritionist's and Directorate General for Health & Consumers study advice<sup>1</sup> (see Appendix 1.3).



Therefore Bom Dia Lisboa mission is "to offer a range of high quality, fresh food products through an extremely fast, reliable and quality service. All of this at competitive prices, with a strong and positive brand and in the most convenient locations."

### 3.3 Products and Services

In terms of service and product offer BDL will start by combining the standardization of a fast food chain with 32 menu combinations, while providing a fast and convenient

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<sup>1</sup> Candeias, Vanessa; Nunes, Emília; Morais, Cecília; Cabral, Manuela; Ribeiro da Silva, Pedro, "Princípios para uma alimentação saudável", Direcção geral da Saúde, 2005

<sup>2</sup> BDL subway Interviews, to 180 passengers, march 2011 (see appendix 1.2)

service to its customers and the product quality and freshness that local bakeries have. BDL achieves this by establishing partnerships with the leading suppliers in each product category. The company will start by focusing in the traditional breakfast (aiming at value for money) with a market penetration strategy, first gaining customer trust and market share so that in a second stage start shifting towards a differentiation strategy, developing an unique kind of breakfast. This approach was determined by the characteristics of the breakfast market, which is the most routine meal of the day and where people like to eat the same type of breakfast everyday (contrasting with lunch and diner). The products offer had in account, consumer preferences stated in several studies: BDL subway interviews<sup>2</sup>, Kellog's Portuguese Breakfast Study<sup>3</sup> as well as current nutritionists recommendations stated in DGS "healthy diet principles study"<sup>4</sup> and also recommended by some renowned nutritionists.

***P&S Differentiation and Sustainability:*** The main factors that will protect the concept from replication are easy identifiable by management, as sustainable or short term competitive advantage, and are aligned with the company overall strategy:

- **Sustainable:** The sustainable competitive advantages are related to the *preferential / convenient point of sale location*, extremely convenient and near to consumer masses; *Strong and positive image*, with a certain emotional value (Positive and balanced/healthy lifestyle) to consumers and representative of the premium low cost offer; *Cost leadership* justified by the high value for the money offer when comparing to competition and guaranteed by given the volume and inherent economies of scale.

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<sup>2</sup> BDL subway Interviews, to 180 passengers, march 2011 (see appendix 1.2)

<sup>3</sup> Torres Abrantes, Raquel, Kellog's Study "O pequeno almoço em Portugal" with Faculdade de Motricidade Humana collaboration, 2009

<sup>4</sup> Candeias, Vanessa; Nunes, Emília; Morais, Cecília; Cabral, Manuela; Ribeiro da Silva, Pedro, "Princípios para uma alimentação saudável", Direcção geral da Saúde, 2005.

- **Short-term competitive advantage:** These advantages are explained by the *First mover opportunity*, since in Lisbon it doesn't exist any concept with these specific characteristics and prepared to take advantage of such location and masses. The *economic crisis and the VAT increase of restoration* will also translate into a relative competitive advantage against coffee shops and restoration concepts, since BDL it's not affected by these increases (its business category is retail instead of restoration).

In the future the founders expect to achieve *product differentiation* (adding some trade secret and exclusivity of products) and *service differentiation* based on technology innovation (be known as the fastest and convenient selling process in the market).

**P&S Diversification. Future Products and Services:** The purpose of the management team is to create a special connection between customers and the brand, so that in the future, opportunities of products cross-selling, discounts and advertisement campaigns may present themselves. The founders believe that the combination of the location, concept, strong partnerships and strong brand may create something different that no other concept has, were the product distribution and active marketing come together in a way that improve both company's marketing efforts (by establishing a closer and more meaningful impact for customers) and customers enhancing their experiences in terms of overall service and products value (for example, by enjoying product offers and / or discounts from other brands).

	Year 1	Year 2	Year 3
<b>Core Products</b>	- Four breakfast menus	- Four breakfasts menus - BDL breakfast introduction (milkshakes, cakes)	- BDL Breakfast Menus - Lunch Menu - Snacks
<b>Secondary Products</b>	- Newspapers	- Newspapers - Movies and theatre Tickets	- Newspapers - Movies and theatre Tickets
<b>Additional Services</b>		- Advertising	- Advertising - Promotional Marketing Campaigns

Table 1- P&S offering



## **4. Business Environment**

In order to understand the market environment the four students gathered several studies about breakfast, advertisement market, consumer behaviour, and subway system usage evolution, as well as new food concept launching. Also they relied in some personal connections and previous experience in retailing Industry to get the full picture about the Environment.

### **4.1 Market Context**

The Turism represents around 10% of the GDP, and the restoration (along with accommodation) represents around 75% the tourism sector, which gives an idea of the importance of the sector to the country. Moreover the Lisbon restoration represents the higher percentage in the country. Also related to BDL concept, the fast food sector has been in the recent years, the only one able to maintain a steady growth rate (in 2009 achieved 2,1% growth to €595 million, against the rest of the market<sup>5</sup>). In terms of the breakfast market niche, there isn't a big player and neither in the fast-food breakfast market (traditionally this niche is constituted by small and traditional coffee shops with low concentration ratio).

In terms of trends, mainly on fast food industry, the last concepts have been characterised by being healthy (vitaminas, casa das sopas and go natural) and premium low cost (H3 hamburger gourmet) being able to maintain a sustainable growth over the years above the industry growth rate (specially H3). Another verifiable trend is the increasing consumption of national products consequence of the economic crisis that the country is facing presently.

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<sup>5</sup> Barros, Marc , ““Fast food” ganha terreno em Portugal”, Vida económica on web March 2010.

All these factors point out to a healthy and dynamic market with good opportunities to new entrants and a new concept like Bom Dia Lisboa.

## 4.2 Market Assessment and Market Potential

The founders focused on the two main markets they will enter, the out of home breakfast market and the advertising market.

**Breakfast Market** - Because there isn't specific and accurate information about the Lisbon breakfast market the BDL management team, relied in a renowned firm market study<sup>6</sup> to estimate the market size following three different approaches (see appendix 1.5 for detailed explanation) so that the most reliable and accurate market size estimation could be made:

	Food Industry Market	Average Breakfast price Estimation	Coffee shops Market	
<b>Portuguese Market Value</b>	19.335M€*	2.075M€	4.242M€*	
<b>Lisbon Market (24%)*</b>	4.640M€	481,8M€	1.018M€	
<b>Breakfast weight/ value</b>	10%	€0,55	25%	<b>254.5 M€</b>
<b>Overall Breakfast Market Value</b> (In-home and out of home)	464M€	481,8M€	509M€	

\*Source: Nielsen Annual Report 2009 - Food

**Table 2 - Breakfast Market Value**

Given this method of the three approaches, the overall market value should be around 484 Million. The method considered that a breakfast price in-home is 25% of a breakfast out of home (0,55€/2,20€) and that the volume distribution is 75% in home and 15% out-home. Given the difference in volume and price the market value distribution between the two categories is 55,6% In home market (€269 Million) and 44,4% to out-home market (€215 Million).

<sup>6</sup> Nielsen Annual Report- Food, 2009

**Advertisement market** - In 2010, the Portuguese advertising market decreased in 2010 from €1000 million to about €700 million, according to Deloitte 2010 report of media revenues in Portugal<sup>7</sup>. Despite this contraction the market distribution had changed substantially in the previous 5 years. It can be observed a clear shift from the traditional media (Press, Radio and TV) to the new media (new/innovative forms of advertisement). In just 4 years (from 2005 to 2009) the “Other” segment of advertisement had grown from just 7% to 30% to a total of 210 million euros in 2010, contrasting with the TV segment decline of 65% to 38%. BDL Management verified that there is a clear opportunity to new forms of advertisement and that was a growing niche within advertising overall market. (see appendix 1.6).

### 4.3 Lisbon Subway System in Numbers

Lisbon has a subway system constituted by 39,4 km, 4 routes and 52 stations. It's considered one of the best systems in Europe, in terms of infrastructures, and has an occupation coefficient rounding 20%. The Lisbon subway system has transported 171 million passengers in 2010<sup>8</sup>, which represented a growth of 3,51%. According the 2010 data, the top 5 stations in terms of traffic are (with the following average n° of passengers, between 06:45-12:00, BDL working time): 1) Cais de Sodré (19.506), 2) Campo Grande (19.486), 3) Entre Campos (17.072), 4) Jardim Zoológico (16.981) and 5) Oriente (14.988). Odivelas where it's going to be the first experience comes in 15<sup>th</sup> place (9.993).

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<sup>7</sup> Deloitte Portugal Media Study, “Estudo das receitas dos media em Portugal”, 2010

<sup>8</sup> Laranjeiro, Ana. "Número de passageiros no metro de Lisboa aumentou mais de 3,5% em 2010" Jornal de Negócios on the Web 26 Jan. 2011.

### 4.4 Market Needs and Segmentation

The Bom Dia Lisboa Management team, according to a research performed in the subway system (see appendix 1.2) and interviews with marketing specialists of *RedBridge* (a marketing communication firm) deeply believes that there are two main segments of customers that will demand this new breakfast experience:

A Primary segment constituted by young (15-40 years old), modern, middle class, consumers, with a very demanding routine, either academic, professional or personal, giving extremely high value to time and convenience. At the same time this segment is characterized by its level of information about the market, valuing brand image, health and environmental concerns and by demanding the highest value for their money.

A Secondary segment of similar age as the first, but with less disposable income and therefore more price sensitive and less time sensitive. In this case this persons will look to BOM DIA Lisboa as a way to improve their lifestyle without compromise too much of their disposable income, in a certain way like a small and affordable luxury, of taking breakfast outside home but without spending too much money. This segment will take the decision deliberately and will be much more demanding in terms of product quality because it has less disposable income and a higher opportunity cost. Also it will consume less often than the primary segment.

### 4.5 Industry Analysis

- **Industry Mapping:** Bom Dia Lisboa will try to position itself in the industry in a way that balances industry forces into its favour. For example, predictable pressures by regulators, will be balanced by establish cooperation

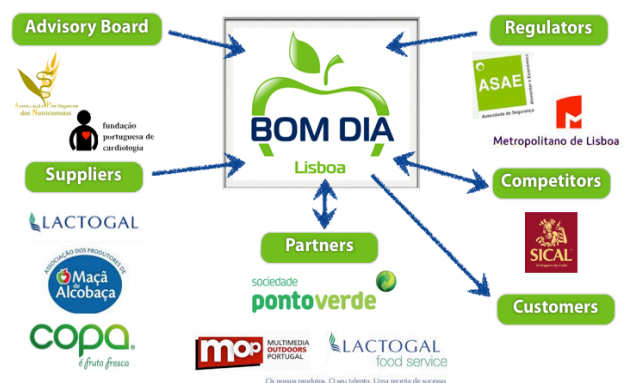


Figure 1 - Bom Dia Lisboa Industry Mapping

with entities like *Sociedade Ponto verde*, *Sinálise* (HACCP consultant) and a nutritional advisory board, to ensure all regulation regarding food and environmental concerns. Another example are the partnerships with big and known suppliers giving distribution exclusivity and using the preferential distribution channel like metro in order to get some protection against possible competition, at the same time that will receive preferential conditions.

- **Partnerships:** The value of the business concept is enhanced by the subway system location and exposure as a way of communication and distribution used to its full potential. Because of that the four entrepreneurs agreed that from the possible partnerships both Lactogal and MOP would be a perfect fit to the concept.

**MOP** – MOP is the publicity agency that has the exclusivity rights on the subway system advertising concession space. Because of this, the founders intend to partner with this company to benefit from its expertise in the market and client network. MOP would provide the advertisement rights, client management, and BDL would provide the logistic needs for campaigns. The companies and the client would design the campaigns together sharing the revenues (70% to BDL, supporting all the costs and 30% to MOP).

**Lactogal** – Is the leading provider of dairy products in the Iberian Peninsula (see appendix 1.11) and because of that it had interest in an exclusivity partnership with BDL Company, because of the intangible marketing benefits. It is the main partner of the company and it's the one who'll benefit the most with the product exposure.

- **Porter's 5 forces analysis conclusions:** After performing the Porter five forces analysis (see appendix 2.1) the team, understood that the competitive rivalry within the industry was medium balanced by the high threats of new entrants (despite the limited

rental space and the first mover advantage) and the low bargaining power of customer. Besides this, the threat of substitute product is medium (because its dependent from the service convenience and brand strength) and the supplier that apparently would be high, but due to the strength of the distribution channel is medium. Therefore and because the competition (coffee shops) concentration ratio is low the competitive rivalry is medium.

- **Competition:** According to the competition analysis, (see appendix 1.7) there isn't any concept that combines the high quality products, with the low price, convenience, image, and the quick service that Bom Dia Lisboa will offer. However and because there is a history of restaurant concepts booming some new competitors there is the possibility that similar concepts arise after the entrance of BDL. The coffee shops may try to capitalize the location and convert their concept to a more one more close to Bom Dia's. Also successful retailing chains may see this as an opportunity to expand and diversify their offer and try to enter this niche market because they already have the resources and experience needed. The fact that Bom Dia Lisboa has the first mover advantage in this specific segment, despite not being sustainable by itself, is usually a factor to leverage and capitalize the market opportunity that exists.

### 4.6 PESTEL Analysis

**Political and Legal** - VAT increase from (13% to 23%) in the restoration sector relatively increases competitive advantage, because BDL is a retailing company and not a restoration one (prices of BDL products will become relatively cheaper than the coffee shops). The government intent to privatize the subway system can lead to changes in the space concession and therefore is a business risk.

**Economical** – While on one side economic recession is resulting in a contraction of the food market for the first time in the decade (of 2%)<sup>9</sup> reducing overall market potential, on the other side this will reduce competition and making the market more flexible and open for new entrants, resulting in a good time to enter the market.

**Social** – Due to the economical crisis people are much more sensitive to injustice, to difficulties and social gaps and because of this CSR may prove to be a good alternative to initial marketing campaigns which in this difficult times are much more valued and provide extremely brand awareness.

**Technological** – Cloud based IT systems development in the last years increase competitive advantage of BDL, ensured scalability and control of the project and reduce the IT gap to bigger companies. Also the technological evolution of materials, equipment's and design allowed the creation of a minimalistic and mobile stand. This area will be the bet of the company in a near future, to revolutionize the way of serving consumers, creating a selling network within the subway system constituted by selling points and mobile vendors, with the capacity of serving both cooled and heated products.

**Environmental** – The increased awareness for environmental concerns makes extremely important to have a strong environmental practice and image, specially concerning the packaging of products. In this sense the founders thought of establishing a partnership with *Sociedade Ponto Verde* and have already a communication and packaging solution outlined to communicate the company concern (see appendix 1.8).

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<sup>9</sup> Silva, Ana Rute. "Supermercados com encerramentos pela primeira vez numa década." Público on the Web 5 Dez. 2011.

## 5. Competitive Strategy

### 5.1 Objectives

With the objectives established in the first three years BDL structured a competitive strategy in three well defined phases: 1) Establish brand awareness, 2) Market penetration, 3) Service and product diversification.

Year 1	Year 2	Year 3
- Create brand Awareness	- First advertisement campaigns	- Be established as a major player in national breakfast market.
- Establish a distribution chain in the subway (8/10 stations)	- Growth to 50% of the subway system and to be present in 3 Lisbon commuting systems	- Diversify to other markets (free newspapers)
- Start expansion to other Lisbon commuting systems (Trains, Boats...)	- Reinforce strategic partnerships	- Start internationalization
- Start product diversification	- Start national expansion and expand to other market segments (lunch, snacks...)	

Table 3 - Strategic Objectives

### 5.2 Marketing and Sales Strategy

Given the overall strategy, Bom Dia Lisboa will rely on different marketing tools to communicate its value to customers, so that they feel eager to try the service.

**Place** – The stand will act as one of the main communication channels of the business since will have one of the most privileged places of Lisbon (exposed to million of potential users per year).

**Pricing** – BDL will practice a very attractive and competitive target pricing (Appendix 1.1). This will be part of the concept, the menus will start from 1€ and will not pass 2€ unless the customer desires to upgrade the menu with a natural juice. Also price was rounded, reducing change logistics and improving service time.

**Product** – Only the leading products of each category (leading dairy products, leading natural juices...) were selected, guaranteeing a low-cost premium concept. The products that had the possibility to have BDL own Brand (Fruit





salad, Bread and Croissant) were branded accordingly (see appendix 1.8). Also all the products are National, following the current consumer trend to prefer national products and to support the economy in times of crisis. The company is already a member of the campaign “Compro o que é nosso”.

**Promotion** – BDL adopted a very positive and young brand, extremely fresh because of it’s target and because it wants to communicate the value of a good and balanced breakfast to everyone’s health, as part of a good and positive day (to contradict the negative feeling caused by the economic crisis). Promotion will be made mainly through the bags that will package the breakfast menus and that will have extremely visibility through the subway system. Also social networks promotion will have significant impact since the target is young. Management will also try to generate word of mouth by obtaining interviews and free publicity, since the concept is new, the team is young and the time is not favourable to launching business which would be able to put the business



in the spotlight, on short term. All the marketing and promotion that will follow will be made in a very personal basis, for example, by adapting the brand to each subway station

(for example: Bom Dia Saldanha or Bom Dia Campo Grande).

Still regarding promotion, two subjects have been specially thought out by management: Corporate Social Responsibility and Environmental Awareness, so that customers understand the brand in a way of creating value for society. In terms of the plastic bags it will be communicated (see appendix 1.8) on the bags that these are plastic to increase the recycled packaging percentage. This way, it’s easier to recycle without separating

the several product packages (all products and bags are recycled in the yellow container).

With these tools BDL will try to achieve the most benefits possible both to the brand and customers with relative low costs, achieving its positioning in consumer minds:

“Bom Dia Lisboa is the only brand that provides a quality and nutritional balanced ready to go breakfast meal in seconds at the lowest price, so that busy young people can take the most of their day, everyday!”

In the future with the development of heating mechanism in the stand, the company will bet in sensorial marketing as a way to increase sales in about 20% (founders estimation).

## 6. Processes and Operations

Because the business concept is highly operational, based on economies of scale, the success relies on the details and on the operational excellence that will allow offering more to customers at a lower price.

### 6.1 Sales Operation Network

To ensure scalability, efficiency and innovation in the service, the BDL management thought of creating a selling network within the subway system itself constituted by three levels: Main warehouses, points of sale in strategic stations and mobile vendors.

In the first year the company will start with just two levels, but is already studying the alternative of getting licenses to have mobile vendors allocated to point of sale and selling directly in train platform (increasing potential customers conversion rate). This service innovation along with technology development to simplify the payment method (by mobile phone or Lisboa viva card) as well as the development of specific

equipment's to heat up BDL products (both beverages and pastry) will give Bom Dia Lisboa competitive advantage.

**Main Warehousing and Transportation:** One strategic aspect to obtain cost leadership relatively to competition is to perform most of the transportation by using the subway system that is a much more efficient way (in terms of time and costs) than to transport products by truck. The transportation will be 70% performed by the employees that will work in the selling point by carrying an isothermal car from the warehouse to the subway system and some restocks will be done by truck during the operating period (30%).

**Point of sale:** The point of sale will be the main communication channel to customers. It will have a clean image, attractive, and easy to understand. The service will be pleasant and cheerful and its designed to be extremely quick since the menus are previously packed (are only put together in the moment in a small attractive bag), while the pricing was thought to reduce the change logistic, and also there are only 4 menus types (appendix 1.1) in order to ensure efficiency trough standardization. The four partners believe that a menu will be sold in average in 15/20 seconds.



Subway stations for expansion should be chosen according concentration of target customers, concentration of the competition (in the station and around the area), type of station (entry, exit or transfer), and the possibilities to have the stand near traffic areas.

### **Mobile seller:**

BDL is aiming to develop a system where its vendor may sell in the subway itself providing the best service level to passengers and being able to adapt to every station logistic needs. The seller would transport the products in isothermal cars and beverage dispenser backpacks, while selling through a mobile PDA equipped by mobile payment or Lisboa Viva card payment method.



### **6.2 Information Systems**

All the operational aspects will be managed through the Portuguese leading software in restoration, integrated in a back office ERP. This way all the process will be thoroughly controlled from the stocks in the warehouse, through repositions and sales in real time. Each point of sale will be connected to the internet, transmitting information in real time to the central warehouse (while functioning also offline with synchronization depending on internet connection) allowing to adjust stocks and control daily sales and estimate demand. This will also allow the management team to plan, control, manage and improve all operational elements in an integrated system.



Future developments are already being studied and related to the payment method so that the revenue process may be optimized and the service time improved to 5/10 seconds. In order to do that, the founders are studying the possibilities of charging their menus through mobile payments systems as well through the subway system card (Lisboa Viva). The goal is to have a service so efficient that can keep up with the rhythm of the subway turnstiles so that no one chooses not to buy the products because of time issues.

This will be particularly important in exit stations when people will come at the same time.

### 6.3 Advertisement Operations

In terms of advertising, in the first year, once the selling network is established consists of taking advantage of the bags to do advertising while performing some promotional marketing with specific products (new beverages, cereal bars, gums, for example). The costs and operational complexity increase is not relevant comparing with the return it may provide because the logistic infrastructure is exactly the same in terms of the bags advertisement and directly scalable regarding the promotional marketing campaigns.



## 7. HR and Management

### *Team*

Four entrepreneurs will compose the management team (appendix 1.9): Tiago Neves (CEO), Alexandre Rocha (COO), Diogo Monteiro (CFO) and Duarte Mourão (CMO). They will launch the business in the first months as a way to gain expertise and feedback for the costumers, to then expand the concept to the whole subway system and re-launch the brand. There will be an advisory board composed by nutritionists, industry experts and professors. This will guarantee a perfect mixture between experiences and will to successfully launch the business.

### *Human Resources Management*

The human resources management will be one of key aspects of the concept because of the importance of the service time. Employees will have a high percentage of variable pay based on performance indicators (menus sold) and also surprise qualitative assessments (performed mystery clients) to guarantee both efficiency and quality

service. Also employees will have 3 training sessions per year and there will be a career development model to employees in order to maintain the most value employees in order to capitalize the training and experience into the expansion plans of the company.

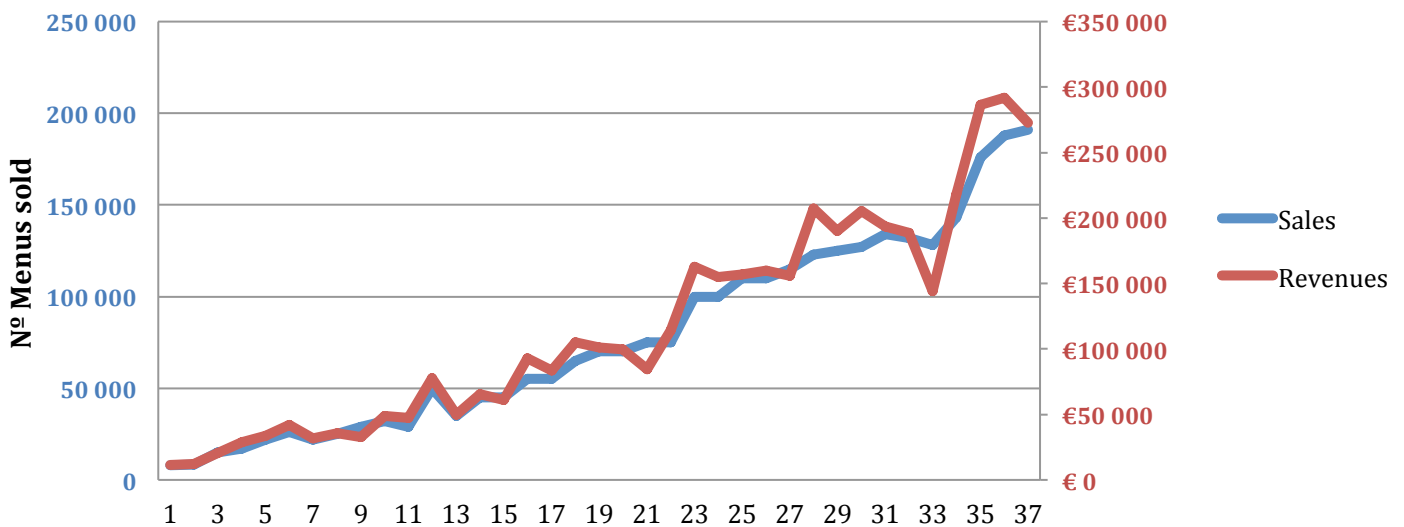
## 8. Financials

### 8.1 Business Model

There are some important factors in Bom Dia Lisboa Business model that guarantee the financial sustainability of the concept:

- **Sales Volume and Economies of scale:** The fact that the business is dimensioned to be sales and volume driven, will allow the company to have substantial gains in economies of scale practising a very competitive price and gaining market share from the beginning.

**Graphic 1 - Sales forecasting**



- **Low Point-of sale investment costs, scalability and aggressive growth:** The investment on the selling unit is thought in a way that allows rapid expansion and scalability. The founders believe that by each unit added (after the first year) the sales of other units will grow by 3% because of the increased awareness of the brand on average consumer.

- **Different revenues sources:** Besides the product selling, after the first year, BDL will start having revenues from advertising, which will ensure financial stability and the possibility to grow the number of selling points at an steady rate.

### 8.2 Major Revenues and Cost structure Assumptions.

**Revenue assumptions:** Sales revenues were conservatively estimated based on the lowest menu contribution margin, while the volume sold estimates an average penetration rate / per station of: 3,56%, 3,61% and 3,77% in the first three years respectively, which correspond to a general penetration rate of Lisbon subway system users of 0,41%, 1,14% and 2,04% in the same three years. <sup>10</sup>

**Seasonality:** Because of seasonality has a relevant impact in subway usage, it will influence, stock management and cash flows (therefore expansion). Also seasonality will affect the consumption of different products within the product offer, according to the time of the year. (Calculated according to 2010 numbers).

**Cost structure:** The cost structure estimated was around 80% for variable costs (decreasing until 76%) and 10% to fixed costs (decreasing to 5%) with scale economies.

**Warehouse and distribution capacity:** Regarding to warehousing and distribution capacity it was considered that the first warehouse has the capacity to supply seven stations point of sale with a 3 day stock rotation. After that expansion to a second warehouse will be necessary. Regarding the distribution, it was estimated that 70% of beginning of the day would be made trough the subway system itself, while the other 30% would be done by trucks (each truck can supply 4 station POS).

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<sup>10</sup> This estimate was based on the 10% of potential customers who said they didn't had breakfast merely because of lack of time in the subway interviews (see appendix 1.2)

**Labour:** Labour costs considering a proportional wage for 6 hours of work (BDL working time). The costs combine outsourced workers, in a form of an hour bank contracted to a third company and internal hires, at market prices.

### 8.3 Financing

The investment required to open the main warehouse and the first two points of sales (60.000€ start-up investment) is going to be funded by the four partners themselves. After that a second round of €100.000 is needed to expand the chain to 10 Points of sale. The entrepreneurs already made a first contact with some Business Angels (through VC ES Ventures) who already showed interest in investing after the pilot experience.

### 8.4 Key Performance Indicators

Considering all the assumptions on revenues and costs described in 8.2 and the financing requirements explained in 8.3, it may be observed that the investment opportunity is considerable attractive, because of the low investment, the market size and growing niche (fast food), a NPV of €91.919 with a very attractive breakeven point (16 months) and with a financial situation very good by having a negative net working capital, which basically means that the company receives first from the consumers before having to pay to suppliers and the state. This last condition is essential to the investment decision since there have been extreme restrictions to credit, due to the financial crisis.

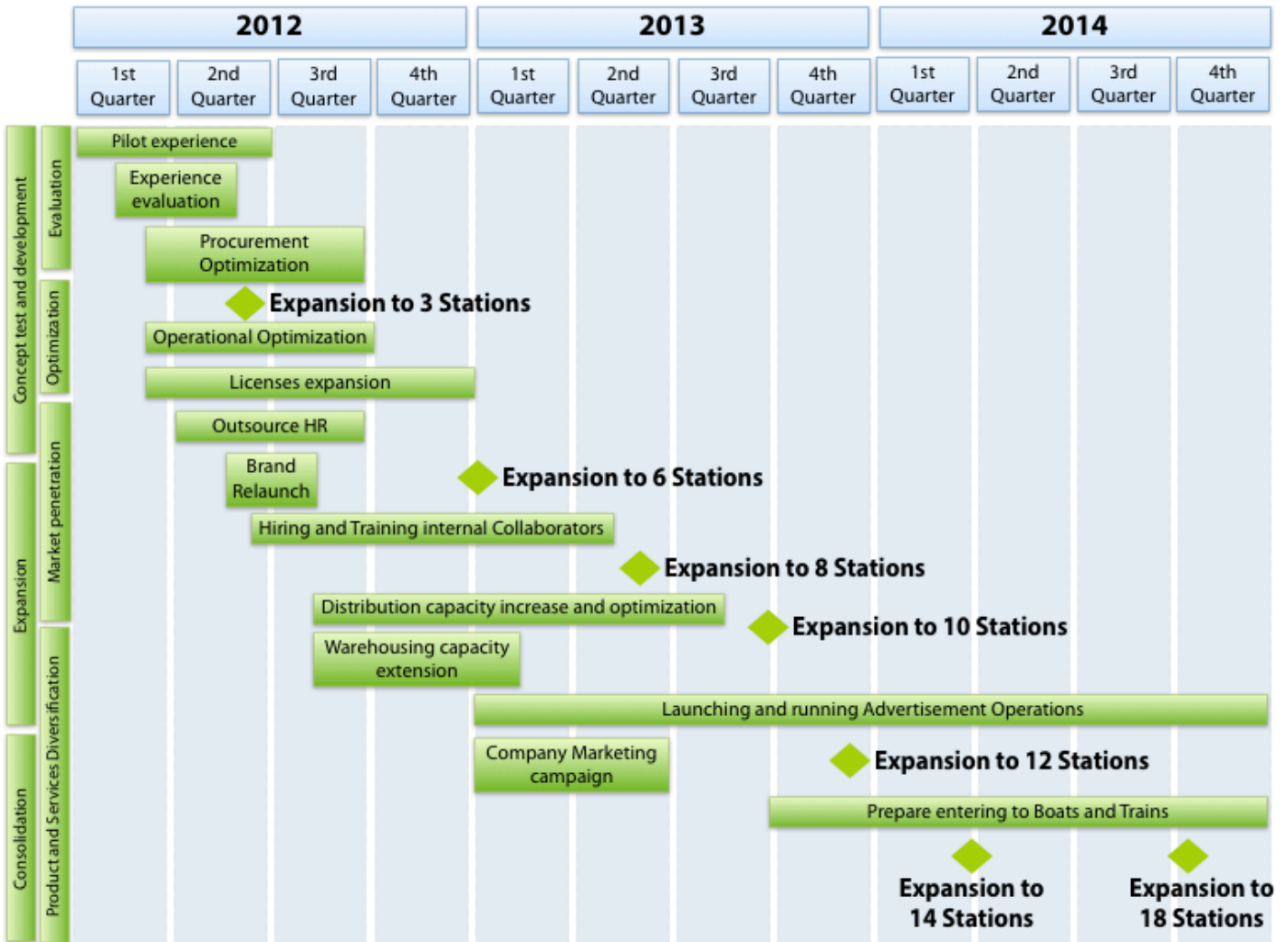
	Year 1	Year 2	Year 3		
<b>Return on Equity</b>	77%	79%	55%	<b>Capital Opportunity Cost</b>	10%
<b>Return on Assets</b>	22%	51%	43%	<b>Net Present Value</b>	91 919 €
<b>Financial autonomy</b>	29%	65%	77%	<b>IRR</b>	19,89%
<b>Return on sales</b>	10%	24%	20%	<b>Breakeven (Months)</b>	16

Table 4 - Main Financial Indicators



The main ratios appear to point in the same way of profitability, financial health and relatively low risk (when comparing to similar investments), which convinced the four entrepreneurs to pursue this business opportunity with confidence that they have everything to make an impact in the breakfast adding value to all stakeholders.

### 9. Implementation Plan



### 10. Risk Analysis

The founders evaluated the following risks as the main factors that may harm the business concept and prepare some general contingency measures accordingly:

**Economic Recession deterioration** - In case of economic conditions deterioration the founders may look to similar markets and try to raise funds to implement the concept

abroad after testing it. Countries like Spain, Brazil and Poland are good opportunities due to similarities and easiness of entry into the market).

**Competition reaction** – Because there isn't one big player in the breakfast market, it may be attractive for a major retailer to try to capture the market value. In that case there is the option of selling the company to one of this player or react by strengthen partnerships that ensure greater protection.

**Wrong perception of the business concept** – In case of bad perception of the concept by consumers the management team intend to reinforce communication trough marketing campaigns in order to properly communicate to consumers the service value. In this case it will be used known Portuguese celebrities to serve as a model and an example to the average consumer.

## 11. Conclusions and Recommendations

When analysing the business opportunity the industry strategic mapping as well as the positioning that Bom Dia Lisboa aim to establish in the Industry, I found some key fundamental conclusions that are sustained from the TOWS analysis (see appendix 2.2) and the porter five forces (see appendix 2.1):

**Aggressive growth, strong image, pricing and positioning:** Since the concept is not to difficult to copy, an aggressive growth strategy will be necessary as well as a strong image since these two are best way to prevent copying.

**Strengthen partnerships:** Partnerships are key to the concept so that the company on one side is protected by competition and on the other side have greater conditions to grow at a higher rate.

**Develop a sustainable competitive advantage:** None of the sources of competitive advantages is truly sustainable so in the short term (1year), the company should develop

a sustainable competitive advantage based on a combination of service and product provided. Technology should be part of this competitive advantage and for that reason collaboration with engineering universities should be started trying to achieve a service model that ensures sustainable competitive advantage.

***Internationalization:*** After developing a system that has a sustainable competitive advantages based on quality products, service and technology factors is a good option to try to internationalize to countries with cultural similarities and bigger markets since the business concept is based on volume, bigger markets represent opportunities to increase economies of scale and bargaining power.

Concluding in a nutshell, having all factors in mind, this is indeed an innovative concept that discovered a valuable niche opportunity and therefore should be pursued however, the concept still needs to be further developed in order to guarantee it is going to be a sustainable successful venture. Reading the complementary Appendixes is recommended.

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