‘Maybe we should start our own business.’ As soon as Paul said it, his two friends put down their coffee and stared at him. Paul Clermont, Sarah Odell and Christina Healy were second-year hotel and restaurant management degree students and they were looking over the business and travel news and lamenting the sluggish job outlook in their chosen field. They had always joked about starting a business together, but this time Paul was serious. With few prospects in the job advertisements, the three friends were worried that travel and entertainment wouldn’t pick up by the time they graduated. They’d begun their job searches in the autumn but weren’t interested in the available positions. So, like many other young people, they considered heading out on their own and becoming entrepreneurs.

‘Well, you know that I’ve always wanted to open a restaurant eventually, Paul,’ said Sarah. ‘I love being a chef. But aren’t we getting ahead of ourselves? How could we get enough cash together to rent a place and staff it? Rental space is really expensive locally and we don’t have the funds to pay anyone right now. We still have student loans to pay off when we graduate.’

‘What about a pushcart in the university concourse?’ suggested Christina. ‘We could start small and take turns manning it ourselves. That’d keep our labour costs and store rental low. Besides, you’re always complaining about the greasy food at that burger place, Sarah. We could offer better alternatives to burgers and fries. The student concourse has been improved recently with new benches and tables, too. It’d be a perfect spot to open a small lunch business. All we would need is permission from the University Director of Services.’

‘We’d still need a business plan to get a loan for start-up,’ Paul advised. He was excited about organizing a new firm, but knew they needed a detailed plan. ‘We have to think everything through carefully and show people that we know what we’re doing, or we’ll never get off the ground.’

Sarah laughed. ‘You’re good with facts and figures,’ she said to Paul. ‘Must be the business and finance modules you took. With my restaurant management background, I’d love to develop the new menu. That’s the fun, creative part of this for me. Christina, you have so many contacts through your student union experience. That could come in handy down the road, don’t you think?’

‘Looks like we each have some strengths that could help us get started,’ observed Christina. ‘So, what do you think? Shall we try it?’

The three friends stood up and raised their coffee cups in a formal toast to the new business – Better Bites.

Assessing business needs

When Paul, Sarah and Christina agreed to start their business, they had no clear idea of the amount of work involved. They each had certain skills to contribute – innate skills and skills they had polished in their modules – and they were excited about becoming entrepreneurs. But as they continued to meet to sketch out their plans, they quickly realized they’d need to collect quite a lot of information and allocate responsibilities:

● They needed facts and figures on the local lunch business to draft a business plan.
● They needed to negotiate an agreement with the university to set up their cart and rent the cart itself.
● They needed to ensure that they met health and safety regulations.
● They needed to plan a menu and price items and then track which offerings generated the most revenue.
● They needed to advertise their business and print menus.
● They needed a system to record food inventory, plastic serving utensils, paper wraps and serviettes – both costs and quantities.
Keeping track of so much information could be a headache, but computer systems would provide part of the solution. The three friends had grown up using computers in their classes, surfing the Web for fun and sending emails and instant messages to their families to keep in touch. But this was different. For the first time they were seeing computers as a critical tool for their success. Computer systems could track and store information they collected, help them calculate financial information, create forms and documents and even assist in future planning and forecasting. The entrepreneurs knew they needed to become proficient in information systems so that they could concentrate on their real business – running the lunch cart and attracting customers. They were determined not to take shortcuts and if information systems could help them, they would use them.

Formulating a plan

Paul Clermont had gained some restaurant experience through his family. His uncle owned a small French restaurant in the city that was open for lunch and dinner. Paul thought his uncle might be persuaded to allow the three entrepreneurs to use the kitchen early in the morning to prepare their cold sandwiches – for a small fee. So the three met with Paul’s uncle, Philippe, and convinced him that they were serious about their business and would not interfere with his; he was adamant that they had to leave the kitchen spotless and be out of the way by 10.00 each morning. They also agreed on a rental fee to compensate Philippe for use of his facilities.

Sarah and Christina had participated in the University’s Future Chefs lunch programme, in which cooking and nutrition students prepared and served hot lunches to paying staff members – to simulate a restaurant experience. Sarah loved selecting main dishes and their accompaniments and hoped some day to become a chef. Christina liked the organizational aspects of planning and wanted to concentrate on management.

Sarah began thinking about Better Bites’ menu. She thought that limiting their food to cold sandwiches, drinks and side dishes simplified food preparation and storage – they would only need to keep items cold, not cook them on the spot. She discussed the menu with Paul and Christina and decided that wraps and small side dishes would work well for the cart – they weren’t too bulky and would be healthy, lighter alternatives to burgers or pizza, which were sold nearby. Sarah also had heard about a computer application that could track and print calorie and nutritional information; that program would be useful for their menu later.

Christina, with her student union experience, had attended University Council meetings where she had heard of the Business Start-up Scheme. Local venture capitalists would consider loaning funds for small, student-lead enterprises.

Writing a business plan

Once Paul, Sarah and Christina had their initial plans set, they turned to the task of writing a business plan. They knew a business plan would be the key to obtaining the seed capital from the University Business Start-up Scheme. The plan would be scrutinized in every detail to be sure that the three students were worth the risk and were reliable. A good plan would also need to catch the interest of the lender – to generate excitement so that it would stand out from the other loan applicants. So, they began work, fleshing out the sections of the plan to provide an overview of their business.

The Executive Summary provided a general synopsis of who the three entrepreneurs were, what business they planned to start, when they planned to start their operations, why they were qualified to own the business, why there was a need for it and where they planned to place their lunch cart. It also explained their enduring interest in the restaurant industry and their eagerness to bring their ideas to life in the new business.

The Introduction stated the general concept of the business, its purpose and general objectives and gave an overview of the lunch business in the area. They also included general information on their own backgrounds – education, experience and training.

The Marketing section outlined the target market, the business’s main competitors and plans for advertising, pricing, food and supply procurement and preparation and location of the pushcart. They also included information and statistics on the growing trend towards more healthy alternatives to fast food and the lack of healthy, organic lunch options near campus. Finally, they mentioned their autumn start-up date, the start of the academic year and how they would then take into account
Christina ensured that the fact that the university intended to move towards two-year degrees with teaching over the summer was mentioned in this section.

The Financial section detailed equipment and kitchen rental fees, the pushcart leasing fee, and initial food and supply purchase costs. The partners explained their plan to staff the cart themselves and so avoid additional labour costs. They included a budget forecast, the estimated total lunch business market in the area and the percentage they thought they could capture with their new business, the need for start-up capital and a plan for spending the funds.

The curriculum vitae (CV) section completed the plan, listing all three partners’ backgrounds, experiences and references.

Ruth Phillipson from the Business Start-up Scheme reviewed their plan and was impressed with the work the three had done. She met with Paul, Sarah and Christina and discussed their completed business plan. She told them she thought they had provided critical information overall, but she requested more details on foot traffic counts at the student concourse and nearby lunch business competitors to be sure the cart could generate enough customers to be profitable. Also, she asked for more specifics on pricing details versus the competition and the point at which the three projected to break even on their business and begin earning a profit. Those details would help Ruth determine whether the business was a good risk and when the loan would be paid off.

Paul, Sarah and Christina did additional research and recorded the details in the revised plan. Then they provided Ruth with this additional information. Their hard work paid off. The loan was approved – they were in business! The three partners were excited but realized they needed to get started immediately to open their business in only four short months.

Business challenges

In the next three chapters, you will learn what Paul, Sarah and Christina need to know to get started: how to harness information technology to help build and grow their lunch business.

• In Chapter 1, ‘Business Information Systems: An Overview’, you will learn what your role in information technology might be, which types of information systems you would need whether you are running a large or small business and what information you need, in what form you need it, where you might find it and how to process it. You will also learn what computer-based information tools you need to build a business and some of the major ethical and societal concerns about acquiring, using, storing and reporting potentially sensitive information.

• In Chapter 2, ‘Strategic Uses of Information Systems’, you will learn how to use information strategically, how to initiate strategic moves and how to deal with competitive challenges.

• In Chapter 3, ‘Business Functions and Supply Chains’, you will learn how you might best use information technology to help manage a business, whether you need to order inventory and track sales, generate financial statements, or automate payroll systems. You will also learn how all the various business information systems work together.