Schmied Enterprises LLC
Flexible Working Spaces

5703 Meridian Avenue, San Jose, CA, 95118, USA
(669) 946 4687 hq@schmied.us
https://www.schmied.us

aiSPACE | BUSINESS PLAN

Coworking spaces have emerged as a significant trend in commercial real estate over the past decade, offering flexible workspace solutions for freelancers, remote workers, and small businesses. However, the industry has shown mixed results in terms of profitability, with major players like WeWork highlighting the challenges of traditional models. The conventional approach typically involves long-term lease commitments, high overhead costs for amenities and staff, and significant investment in premium locations. These factors often result in thin margins and vulnerability to economic downturns, making it difficult to achieve consistent profitability.

Our innovative approach reimagines the coworking concept by adapting the **proven business model of coffee shops**, where customers naturally gather to work while consuming beverages. Instead of following the traditional office-centric model, we're creating a hybrid space that prioritizes flexibility and efficiency. This approach eliminates the need for long-term commitments, complex membership structures, and extensive administrative overhead. By focusing on short-term, casual use patterns similar to coffee shops, we can maximize space utilization while maintaining lower operational costs.

To optimize operations and reduce labor costs, our model heavily relies on automation through strategic placement of vending machines for beverages and snacks. By utilizing retail spaces rather than office buildings, we benefit from both lower rent costs and higher foot traffic. The retail environment also allows us to generate additional revenue through food, electronics, merchandise, and beverage sales, creating multiple income streams. This approach significantly reduces the need for support staff while maintaining service availability 24/7.

The core of our revenue model centers on a ticket-based system where customers purchase beverage credits that include workspace access. Based on behavioral analysis, we project average stay durations of 36-42 minutes per visit, allowing for optimal space turnover while meeting customer needs. Our space planning allocates 55-60 square feet per person, which aligns with casual workspace requirements rather than dedicated office setups. By targeting retail locations with better rental rates, we achieve significantly lower overhead compared to traditional office space with higher rates per square foot in similar areas. This pricing strategy, combined with our automated operations and flexible usage model, creates a sustainable profit margin while maintaining competitive pricing for customers.

Project Financial Plan (2025-2027)

Income Statement		
Revenue	**Low**	High
Space Sales	$298,667	$269,100
Beverage Sales	$35,000	$40,000
Food Sales	$45,000	$50,000
Merchandise Sales	$20,000	$20,000
Catering Services	$5,000	$5,000
Total Revenue	$403,667	$384,100
Cost of Goods Sold (COGS)		
Beverage Ingredients	$17,500	$20,000
Salaries and Wages	**$50,000**	**$50,000**
Food Ingredients	$22,500	$25,000
Merchandise Cost	$10,000	$10,000
Total COGS	$100,000	$105,000
Gross Profit	$303,667	$279,100
Operating Expenses		
Rent	**$200,640**	**$162,000**
Management and Wages	**$20,000**	**$20,000**
Utilities	$10,000	$10,000
Marketing	$30,000	$25,000
Supplies	$5,000	$5,000
Miscellaneous	$10,000	$10,000
Total Operating Expenses	$275,640	$232,000
EBITDA	$28,027	$47,100
Interest Payments	**$8,000**	**$8,000**
Total Other Expenses	$8,000	$8,000
Net Income Before Taxes	$20,027	$39,100
Income Tax Expense (30%)	$6,008	$11,730
Net Income	**$14,019**	**$27,370**
Area sq ft	4400	4500
Annual cost	$45.60	$36.00

Market Analysis

Strengths

Our business model is strategically positioned to capitalize on several key market conditions in the Bay Area. The persistent vacancy rates in both retail and office spaces create favorable negotiating conditions for leases, allowing us to secure prime locations at advantageous rates. While major employers are pushing for return-to-office policies, many workers seek hybrid solutions or alternatives to both home and traditional office environments, creating a growing market for flexible workspace options. Our lean operational model, centered around automated services and minimal staffing, enables us to offer workspace solutions lower prices compared to traditional coworking spaces, which typically charge $300-500 per month for hot desk access. The dual-purpose nature of our business model – combining workspace with beverage sales – qualifies us for retail space leasing, which typically comes with lower per-square-foot costs and better foot traffic than office buildings. This retail classification also provides greater flexibility in location selection and often includes valuable street-level visibility. Furthermore, our automated service model aligns with the Bay Area's tech-savvy demographic, who are generally comfortable with self-service solutions and digital payment systems. By maintaining lower overhead costs through reduced staffing while generating revenue from both workspace and beverage sales, we can achieve profitability even at lower utilization rates than traditional coworking spaces require.

Weaknesses

As newcomers to the coworking industry, we face significant challenges with our limited experience and automated, low-staff model. While cost-effective, our approach may not initially meet all customer expectations, particularly those used to full-service spaces. To address these weaknesses, we're implementing data collection systems to track usage patterns, consumption, and customer feedback. We're dedicating 10% of revenue to marketing, focusing on digital campaigns and local partnerships to drive adoption during our crucial first 18 months. Our success hinges on balancing cost-effective operations with customer satisfaction, using regular feedback to inform service additions and pricing tiers while maintaining our competitive advantage.

Opportunities

The office market has been dominated by dense clusters of high-rise buildings in central business districts, creating prestigious addresses that feature premium rents. These architectural monuments, while expensive to construct and maintain, have traditionally justified their costs by attracting top talent for management and high-value positions, with their premium locations and amenities serving as powerful recruitment tools. However, this model's high square footage costs have become increasingly problematic for startups and emerging businesses, creating a significant barrier to entry in prime business locations. Our innovative approach leverages the evolving nature of work schedules, particularly among tech workers, entrepreneurs, and creative professionals who often prefer flexible arrangements over traditional 9-to-5 office commitments. By strategically positioning our spaces along major commute routes and in retail locations, we provide convenient access points that naturally integrate into our customers' daily routines. This strategic placement in retail spaces not only reduces our overhead costs but also offers our members the dual benefit of professional workspace and comfortable amenities at accessible price points, effectively bridging the gap between traditional office spaces and remote work environments.

Threats

A significant threat to our business model comes from the persistent adoption of home offices, as many professionals have invested in home workspace setups and established comfortable remote work routines during the pandemic era. This shift has created behavioral changes, with some workers showing resistance to any form of regular commute or fixed workplace arrangement. However, we're developing a strategic response by exploring expansion into lab and industrial spaces, which offer substantially lower square footage costs ($1.5-2.5 per square foot) compared to both retail and traditional office spaces. These locations could provide areas for physical prototyping, small-scale manufacturing, and technical experimentation that are impossible to replicate in home offices. By incorporating maker spaces, 3D printing stations, and basic lab equipment, we can attract engineers, designers, and technical founders who need occasional access to specialized facilities without the burden of long-term leases or expensive equipment investments. This evolution of our model addresses the home office threat by providing compelling reasons to leave home for specific activities while maintaining our core advantages of flexibility and cost-effectiveness, if needed. The industrial space strategy also appeals to hardware startups and technical freelancers.

2/4/2025

Miklos Szegedi

CEO | Schmied Enterprises LLC
hq@schmied.us

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