

CHAPTER 5 OPERATIONS PLAN

5.1 Operating Cycle

The service load for the café would increase during these periods:

- i) Peak times during breakfast, lunch and dining hours. This does not apply to shopping malls as customers walk in at no fixed interval or time.
- ii) The first and the last week of the calendar month. This is in tandem with consumers receiving their monthly salary during these 2 weeks.
- iii) Weekends starting with Friday evenings to Sunday evenings compared to weekdays.
- iv) Public holidays no matter what day it falls in the week

The number of service staff would depend on the location and the time of day. For instance, a minimum of three service staffs would cater to outlets located at shopping malls and business districts while a minimum of two service staff would man the outlets at townships as the traffic volume is lower. For weekends, part-timers would be encouraged to apply to work two days in a week.

5.2 Geographical Locations

Based on the location survey conducted among our main competitors, we proposed to set up outlets at the following areas:

5.2.1 Shopping malls

Volume of sales has increased by 10 to ~~20~~ per cent in the last quarter of 2001 compared to the same period in 2000. The biggest shopping mall, Mid Valley registered about 85,000 cars every Saturday and Sunday and 40,000 cars on weekdays (New Straits Times).

- a) MidValley Megamall (City Center)
- b) KLCC (City Center)
- c) One Utama (Damansara)

- d) the current under construction shopping mall in Klang Valley would be Berjaya Time Square property project in Jalan Imbi.
- e) Tesco hypermarket (joint venture project between Sime Darby and Tesco's of UK). The joint venture plan to invest RM1.2 billion to open 15 stores in Malaysia. The flagship store would be in Puchong (commencing middle of 2002) with 5 more outlets within Klang Valley in the pipeline.

The advantages of setting an outlet at shopping malls are the high volume of consumer traffic, easy access to public transportation, a one stop venue for consumers to do almost everything from shopping to banking to paying utility bills etc. Shopping malls also provides convenience to shoppers as well, e.g. covered car parks, day care centres for parents, laundry services etc.

On the other hand, the disadvantages would be the high cost of rental, competition within the shopping malls from other cafes and high transportation cost of bringing in materials to the city centre.

5.2.2 Business districts

- a) Phileo Damansara (Petaling Jaya)
- b) KLCC
- c) Berjaya property project:

Advantages are close rapport with frequent and regular customers, service customisation for regular customers, lower rental prices compared to shopping malls and easy access to public transportation. Disadvantages are the volume of consumer traffic would only be concentrated during breakfast and lunch hours as business districts are "people dead" in the evenings.

5.2.3 Shopping districts within a township

We proposed upcoming townships with the following population profile:

- i) Middle age working adults
- ii) middle upper income
- iii) married couples with 2 kids per household

a) Kota Kemuning (between Shah Alam and Subang Jaya)- land area of 1,820 acres with a total of 8,000 units of various built of houses. The heart and soul of Kota Kemuning is its 300-acre business and commercial centre set besides a lake.

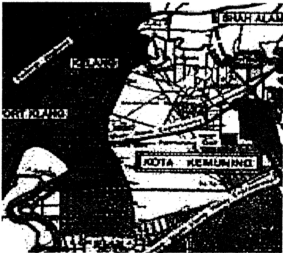


FIGURE 3: KOTA KEMUNING

b) Bukit Jelutong (Shah Alam)- land area of 1439.4 acres with a total of 6279 units of various built of houses. A total of 180.2 acres has been set for commercial property.

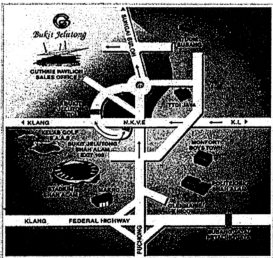


FIGURE 4: BUKIT JELUTONG

c) Damansara Perdana (Petaling Jaya)-
land area of 750 acres.

This integrated township will include
about 7,000 homes, corporate offices,
shop-offices, a medical centre, colleges,
schools and shopping centre.

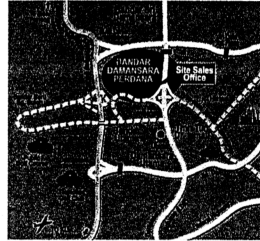


FIGURE 5: DAMANSARA PERDANA

Advantages would definitely be the closeness to our customers and the relationship built with them, moderate cost of rental and we could seek labour from the residents living around the vicinity. Furthermore, residents of these three areas mentioned above are middle-upper income earners who have extra spending income to indulge in leisure activities and enjoy the luxury in life.

Disadvantages would be the lack of public transportation as residents of these areas would most probably have a car each for the parents. Those without a car, e.g. individuals below the age to obtain a driving license and the older generation group would have a problem in visiting our outlets. Consumers would need to drive themselves to the outlet and the problem of ample parking space would then arise.

5.3 Shopping Floor Outlet Rental

The following table provides the floor rental fee of major shopping space in Klang Valley. Information is valid from January to June 2001.

Table 5.1 Retail space rental

Location	Floor Level	Rental Range Per Month (RM / square meter)
Mid Valley Megamall	Lower Ground	80 - 215
	Ground	108 –240
	First	86 - 172
KLCC	Lower Ground	183 – 377
	Ground	150 – 323
	First	161 – 260
Bukit Bintang	Lower Ground	103 – 285
	Ground	178 – 317
	First	102 – 145

5.4 Estimated Rental Fee For Borneo Cafe

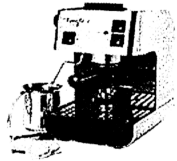
The size of a Borneo Café will range from 80m² to 120m², average at 100m². Taking the mean rental of RM 200 per square meter, the rental fee for Borneo Café is ranging from RM16, 000 to RM24, 000 per month. This estimated rental fee is for outlet situated in the Kuala Lumpur city prime location.

5.5 Facilities and Improvements

Facilities needed would be:

- i) operating space (a minimum of 1500 square feet for sitting area and another 500 square feet for kitchen and service counter).

- ii) food and drink processing machinery and facilities such as espresso machine, ice cube maker, blenders, drink dispensers

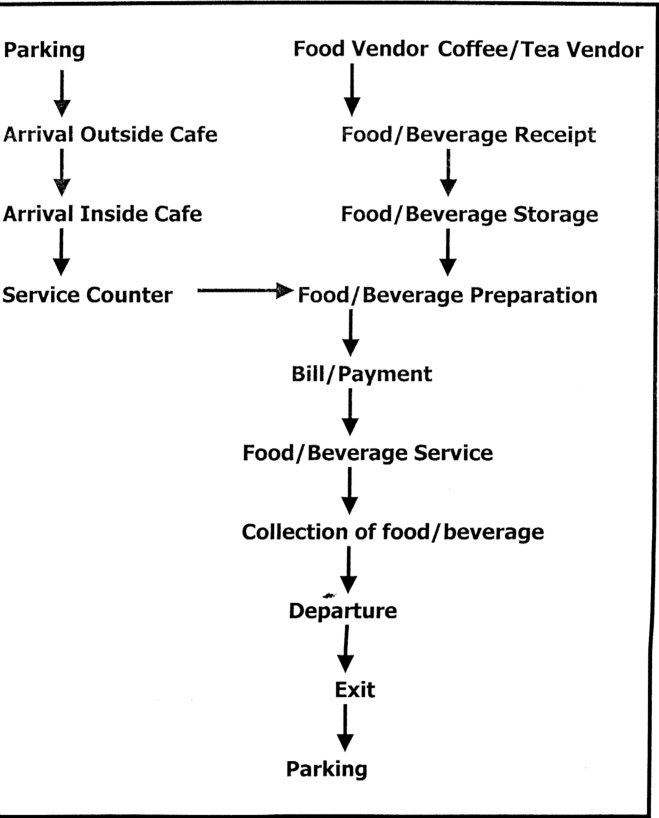


- iii) tables, chairs and decorations for the outlet such as plants, photos and posters on the wall etc

All equipment would be bought new as to minimise the cost of maintenance and to qualify for refinancing. Both equipment and the operating space would be financed and rented as to minimise our fixed costs and capital outlay.

5.6 Service Flow Chart

Table 5.2 Flow Chart



5.7 Floor Plan

All our outlets are self-service. Customers entering the outlet will be guided by signage informing them to place orders at the service counter. The service counter would be situated next to the entrance. Facing the service counter would be the sitting positions. (Refer to appendix for graphic display of floor plan)

5.8 Strategy and Plans

5.8.1 Service Design and Delivery Systems

Service design and development plays a very important part in creating value and satisfaction for the customer. The most important service encounters occur when a service is delivered. These involve the customer, the service provider (Borneo Café), the delivery system, the physical evidence and the service itself.

Customers do not buy goods or services- they buy solutions to their problems or satisfaction for their needs or benefits they enjoy. Borneo Cafe creates value by creating solutions (example: Borneo Café, a wholly incorporated local speciality café serving the best in local fares and a venue for meetings and get together), satisfactions (example: relax ambience in the cafe creates physical and mental calm, pride of patronizing a local speciality cafe) and benefits (example: convenient locations, fast service, great food) for its customers. For Borneo Café to succeed, a well-designed service system is a pre-requisite. Not resting on the existing services available, Borneo Cafe must create new services or improve existing ones, because customers' needs are changing rapidly and new needs are emerging. At the same time, a service design is easily copied by competitors as services are not patented or protected by copyrights.

New services or improvement to existing ones could be done through:

- i) **Major innovations-** these are new services which markets are as yet undefined. Example would be ordering foods and drinks from Personal Digital Assistant (PDA) from your table without needing to queue at the service counter
- ii) **New products for the currently served markets-** example would be paying for the coffee from membership cards issued by Borneo Café and points gained from using the cards can be exchanged for free drinks or merchandise.
- iii) **Product line extensions-** additions to the existing line-up of services. examples would be the availability of personal computers for patrons to surf the net while enjoying a cup of coffee.
- iv) **Product improvements-** consist of changing certain features of a service to give customers better quality or increased value. Example would be customers getting to listen to different choice of music from the selections available through headsets at each table.
- v) **Style change-** the most modest but often highly visible forms of service improvements, for example new uniforms, new logo etc.

The approach to construct a service design and delivery system for Borneo Cafe is concurrent engineering. The advantage of this approach is that all functions (design, procurement, distribution, marketing, etc) are represented on the design team and communicated with each other. Concurrent engineering could avoid and solved problems early in the process.

For service design and development, participation of the front-line employees is equally important for various reasons (Schneider and Bowen)

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- i) front-line employees are psychologically and physically close to customers and therefore are able to identify customers needs as new service is develop.

- ii) employee involvement increases the chance of acceptance and understanding of the new services.
- iii) warn management against the possibility of organisational efficiency concerns to overwhelm the needs and interests of the customer.
- iv) good source of useful ideas for improvements in service quality.

To be among the best in the industry, Borneo Café would benchmark its service design and delivery systems against Coffee Bean and Tea Leaf and Starbucks. It is an approach of setting goals and standards for improvements in products and services by searching for the best-in-class practise in the coffee industry.

5.8.2 Borneo Café general principles for designing and developing services

- i) **Know our customers.** This implies learning everything possible and relevant about our target markets.
- ii) **Determine which of the customers' needs to be satisfied.** Core service such as friendliness, helpfulness, fast and reliability of the front-line employee will meet the most basic and important customer need while supplementary services would add benefits to customers. Supplementary service is customised to individual customers.
- iii) **Develop a service strategy, and position the service for competitive advantage.** Differentiation in terms of ambience, product and service is our major vehicle of competitiveness.
- iv) **Design service processes from the customers/employee's perspective.**
- v) **Minimise handoffs.** In processing of the customer, only one employee should be involved from the start to completion of service if possible. The employee could ask for assistance from the others but he or she must make sure that the customer is satisfied.
- vi) **Determine the extent of customer contact and participation.**
A balance between service rendered and customer's involvement would profit both parties. Increased customers involvement may imply

higher risks for mistakes and may require a higher level of customisation and higher costs.

- vii) **Design employee and customer loyalty into the system.** Fair compensation, benefits, treatment and a pleasant place of work are the main ingredients for employee satisfaction. For the customers, it would be implicit and explicit benefits offered by Borneo Café.

5.8.3 Design Process

Scheuing and Johnson suggest a four stages design process:

- i) **Direction-** consist of formulation of a new service objectives and strategy, idea generation and screening. Borneo Café objective is to provide consumers a complementary venue to Coffee Bean and Starbucks to enjoy drinking coffee incorporating local ingredients and shop design. Our strategy would high standards in service offered to satisfy the needs of consumers.
- ii) **Design-** consists of concept development, concept testing, business analysis, project authorisation, service and process design and testing. These are covered in their respective parts within the business plan.
- iii) **Testing-** our first concept café would be the test ground to determine consumer acceptance and to make the necessary refinements and adjustments based on the feedback from customers.
- iv) **Introduction-** with the entire test completed and adjustments made, Borneo Café would be ready for a full-scale launch.

5.8.4 Outlet Expansion Plan

Commencing of business - Borneo Café flagship outlet at a shopping mall to introduce Klang Valley residence to our brand name.

Middle of Year 1- 2 more outlets within Klang Valley (Shopping Mall)

Total number of outlets at the end of Year 1: Three (3)

Year 2- 3 outlets within Klang Valley (Shopping Mall)

Total number of outlets at the end of Year 2: Six (6)

Year 3- Domestic Expansion with two (2) outlets in Penang and one (1) in Johor Baru Total number of outlets at the end of Year 3: **Nine (9)**

Year 4- Domestic Expansion with Two (2) outlets in a business district within Klang Valley Total number of outlets at the end of Year 4: **Eleven(11)**

Year 5- Domestic Expansion with two (2) outlets in a residential business district within Klang Valley
Total number of outlets at the end of Year 5: **Thirteen (13)**

Table 5.3 Comparison with the foreign specialty cafes

Cafes	Year Incorporated in Malaysia	Number of cafes in Malaysia as of 2001
Coffee Bean and Tea Leaf	1999	29
Starbucks Coffee	1998	20
San Francisco Coffee	1999	14
Gloria Jeans Coffee	1999	15

5.9 Regulatory and Legal issues

Before commencing operations, the management of Borneo Café would need to acquire the following licences from the local council:

- i) Business Licence
- ii) Advertising License
- iii) Premise License
- these three licences would need to be renewed annually.
- iv)Payment of Income Tax, SOCSO and Employment Pension Funds to the employees
- v) Copyright and Trademark laws