

15 coffee

Coffee Shops Current Situation in Taiwan

Coffee has become necessity for people in Taiwan recently. Apart from coffee chain stores, such as Starbucks, Mr.Brown Cafe, and 85°C Bakery Cafe...etc, coffee shops have sprung up everywhere from streets to schools. According to the survey, Taiwan has at least 5.4 million people drink coffee. It is obvious that there's a competitive coffee shop market in Taiwan.

Types of Coffee Shops

1. Cafe

Typically, they focus on selling coffee drinks, and usually offer lunch and dinne.

They're actually closer to being a full service restaurant, and may have to be licensed as such. This is the case we're going to discuss further.

2. Coffee Bar

Coffee bars focus on selling brewed coffee rather than beans, and often offer baked goods — cookies, muffins, coffee cakes and the like. If they offer seating at all, it will only be a few tables. They're ideal for high traffic locations such as malls and bus stations, and can be very profitable on a minimal investment.

3. Coffeehouse Chain

Most of these have signature specialties and all are well-known within their communities though in some cases all over the world. For example like, Starbucks, Mr.Brown Cafe, and 85°C Bakery Cafe.

Location Analysis for Coffee Shops

A great location is obviously of great important for attracting customers when opening a coffee shop. However, the most central locations are not necessarily the best for business plan.

1. Foot Traffic and Visibility

Malls and other high traffic locations typically have the highest rents and often the most competitive. Storefronts are excellent locations for coffee shops they have the highest visibility, and the rents are usually lower than in malls.

2. Consider The Less Obvious Locations

Also, opening coffee shop near office buildings and cooperating with firms are feasible choices, since most of the customer base are white-collar workers. In our case, the coffee shop chose otherwise, that is, cooperating with university. Taking into account the percentage of households that own coffeemakers and buy coffee, the household average spend on coffee, coffee shops per capita, and the percentage of people who drink coffee are ways to determine whether the location is right for coffee shop.

CVP Analysis

1. FC (based on operating hours, by normal cost system):

A. Coffee machine, predicts to use 12 years.(reference to

<https://www.youtube.com/watch?v=N5IDBOBSvLk>):

Total hours used amount =12years*12 months*22 days*7.5 hr=23760 hr

Allocation rates =\$300,000/23760≐\$12.63/hr

Cost per month=\$12.63*22*7.5≐\$2083/month

B. Refrigerator, predicts to use 15 years.

(<https://www.zixundingzhi.com/all/12559553da5c1e07.html>):

Total hours used amount = 29700

Allocation rates $\hat{=}$ \$ 7.41 /hour

Cost per month $\hat{=}$ \$ 1222/month

C. Tables and chairs, predicts to use 5 years.

Total hours used amount = 9900

Allocation rates $\hat{=}$ \$ 3.03

Cost per month $\hat{=}$ \$ 500/hour

Total FC per month=70,000(Personnel costs)+17,000(rent cost)+

2083+1222+500=\$90,805

1. $VC = \$128,788 + 10,000(\text{Utility fee}) = \$138,788$

Calculation:

The sales amount of every kind of dishes per month*(food materials costs+ Utility fee)

→COGS= VC=\$138,788

2. Revenue=\$289,570

Calculation:

The sales amount of every kind of dishes per month* price

3. CVP

(1) Gross margin=\$289,570-\$138,788=\$150,782

(2) CM=\$289,570-\$138,788=\$150,782

(3) Operating income=\$150,782-\$90,805=\$59,977

(4) $CM\ percentage = \$150,782 / \$289,570 \approx 0.52$

(5) $Operating\ leverage = \$150,782 / \$59,977 \approx 2.51$

(6) $BEP = \$90,805 / 0.52 \approx \$174,625 / month$

4. related reference of catering:

- (1) The convention of catering to calculate COGS is only take ingredients, condiment and utility fee into consideration. (<https://wiki.mbalib.com/zh-tw/%E9%A4%90%E9%A5%AE%E4%B8%9A%E6%88%90%E6%9C%AC>)

Problems They Face

1. Their profit grows at a slow speed.

The best time for sales is at lunchtime and the worst time for sales is during the class time.

2. Because many students and professors are not usually in the university on weekends, they loss large parts of their customers.
3. Due to the incident of the former owner, the bad reputation affect significantly on their revenue, even it had been for a period of time. (Revenue declined by NT\$120,000-200,000 from September to October)
4. The worst selling product may not be sold during the whole day. For example, coke.

Recommendations to the Business

1. They can lower their cost, e.g., change the package of hot dog burgers, from aluminum foil (鋁箔紙) to normal plastic bag, which is much cheaper. In addition, they can make some promotions during the class time to attract students and professors who have no class.

2. Shorten the operating time on weekends. For example, opening only at meal times on weekends could save many costs on rent expense and wage expense.

3. Making some changes for operating type. For example, rename by the new owner, refurbish the booth, or sell somewhat different kinds of food and drink.

By doing so, they could build a whole new reputation. Even they could make use of social media to promote themselves, e.g., if customers check in their vendor on Facebook or Instagram, they can get some discount.

4. We suggest that they can delete the product or make some difference to attract people to consume. For instance, coke, is accessible in everywhere, no incentive to customers to buy at the vendor. However, if they create some new product, like cola float, which is an ice cream mixed in the cola, we think that it may attract to some people and so that can improve the sales volume.