
Rich Roast Cafe and Restaurant

Rebecca and John Ogilvie have just received some investment money from their father to start a new cafe and restaurant. The siblings (sister and brother) have been working at jobs in Victoria, BC for several years. Their family is very entrepreneurial and both Rebecca and John are eager to start businesses on their own as they are the last of the children in the family to have their own businesses. They want to start a business together and they want their first business to be a success. There is a certain amount of competition between the 5 grown children in the family. Rebecca and John want to show their other brothers and sisters that they, too, can be successful.



They decide to start a combination cafe and restaurant because there were no coffee shops and only two other restaurants in the area of Greater Victoria where they live. The reason there are few options for people in the area is that this section of the metropolitan area is newer. There are increasing numbers of homes, town home complexes, and apartment buildings in the area, built over the last 3 years. Before this time the land had been used for industrial purposes, warehousing, some scattered homes, and some farmland. The rapid growth of the city of Victoria as a whole means that their area has been built up very quickly and services such as grocery stores, restaurants, coffee shops, specialty shops, and fitness places are just starting to open. The population of the area now justifies these services.

Details of the population of the area are included in Appendix A.

A suitable location for the café/restaurant has been found in a newer commercial complex. It is a good location because:

- There is lots of parking
- There is good visibility from main roads
- There is easy access from main roads, and many people walking and driving past the location.
- There are bike lanes on the streets leading to the location. Bike lanes are now part of newly developed areas of the city.

Rebecca and John have a friend who is an interior designer. The interior designer has created a café/restaurant layout for them.

The layout is included in Appendix B.

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Questions

1. What important business concept and strategies must John and Rebecca think about before they open, from the case information provided and your understanding of how coffee shops, café's, and restaurants operate?
2. Should Rebecca and John create a combination café/restaurant, a café only, or a restaurant? Why?
3. Assuming they are going to open a restaurant, what type of restaurant should they start, based on the 3 choices noted in the appendices?
4. Using the numbers provided in the appendices of this case, and your choice of type of restaurant (3. Above), calculate whether Rebecca and John's café/restaurant can make a profit every month. Assume there is no "seasonality" – every month of the year has the same sales and costs.
5. What mistakes should Rebecca and John avoid as they plan and start the business?

Appendix A

Some demographic information about the area of Victoria Rebecca and John are considering:

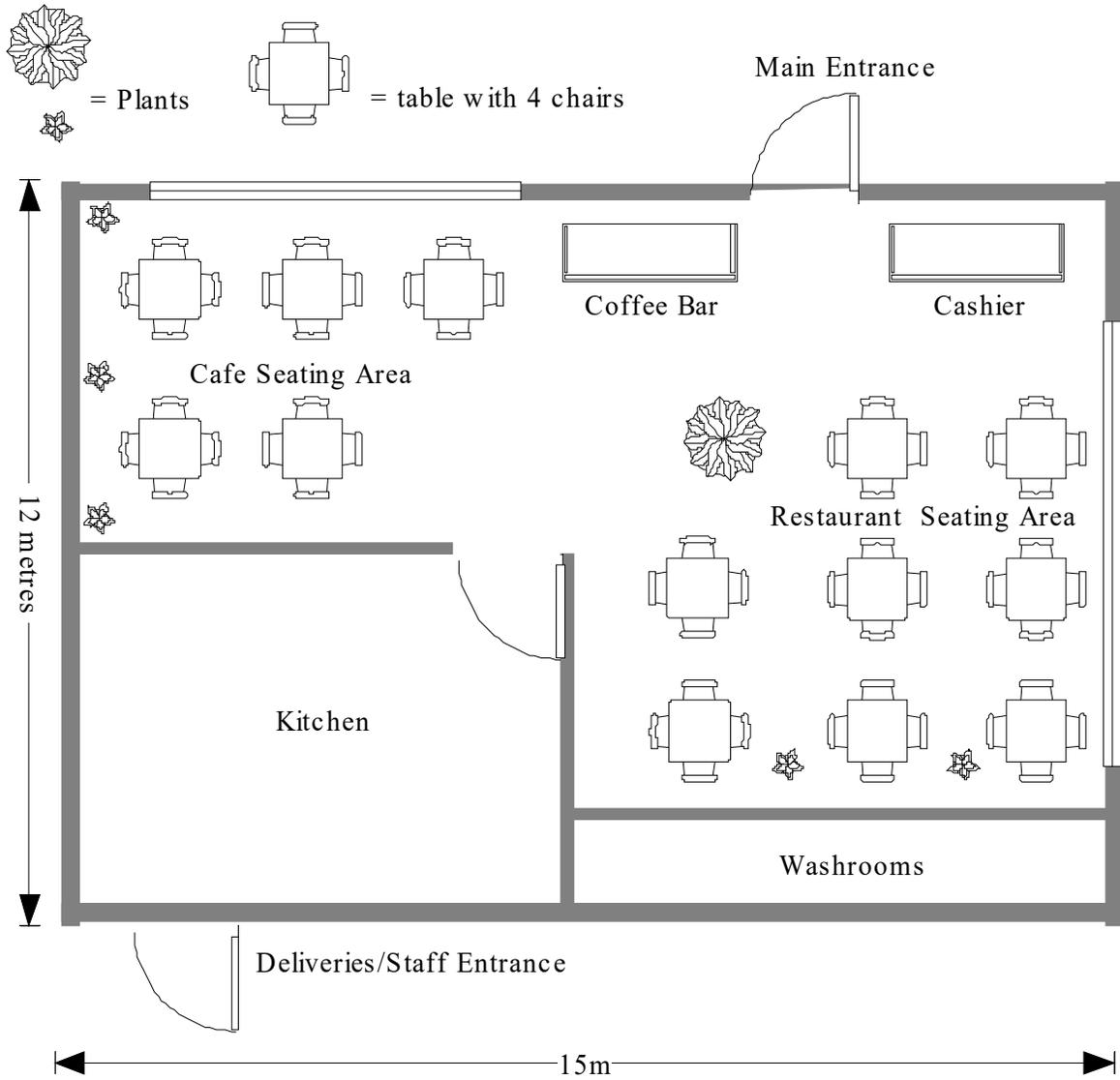
Total Population of the area		45,000 (growing)
Ethnic groups:	Caucasian	38,000
	Asian and East Indian	4,000
	All other groups	3,000
Age groupings	<10 years old	10%
	11-18 years old	20%
	19-35 years old	30%
	36-50 years old	20%
	>50 years old	20%
Average income levels	(adults)	CAD \$42,000
Restaurants in the area	White Spot (Canadian)	1
	Noodle bowl/box (Asian)	1
Grocery stores	Red Barn Market (deli/specialty)	1
	Groceries Plus (small)	1
	Thrifty Foods (large)	1
Restaurant meals per month (average – of all types)	Caucasians	5
	Asian and East Indian	3
	All other groups	1
Café visits per month (average – 95% adults)	Caucasians	15
	Asian and East India	10
	All other groups	2

Important Notes:

1. Assume that customers visit only the restaurants in their own geographic areas on a regular basis.
2. Assume that the above demographic information is the most important relevant information for this situation.

Appendix B

Layout suitable for a Cafe/Restaurant



Appendix C

Some data on cafe and restaurant types in the city:

Cafe	Examples: Starbucks, Second Cup
Food & drink types	Coffees, teas, juices, pre-made sandwiches, baked goods.
Average order value per customer	\$ 6.25
Average order cost per customer	\$ 1.60
Average food production time per order	3.5 minutes
Average number of customers per day	400 (200 takeout)
Average opening days per month	30 days (open every day)

Fast Food/Cafeteria	Examples: McDonald's, local cafeterias
Food types	Burgers, milkshakes, sandwiches. A shorter menu
Average order value per customer	\$ 7.75 (including beverages)
Average order cost per customer	\$ 2.00
Average food production time per order	10 minutes from the time the customer orders to the time the customer receives his meal.
Average number of customers per day	550
Average opening days per month	30 days (open every day)

Family restaurant	Examples: White Spot, Chinese.
Food types	American style menus and common Chinese foods
Average order value per customer	\$ 14.50 (including beverages)
Average order cost per customer	\$ 6.50
Average food production time per order	20 minutes from the time the customer orders to the time the customer receives his meal. (10% take-out customers)
Average number of customers per day	225
Average opening days per month	30 days (open every day)

Premium restaurant	Examples: A restaurant with a nice interior and a large menu and excellent food
Food types	Premium meals, ethnic foods.
Average order value per customer	\$ 22.00 (including beverages)
Average order cost per customer	\$ 7.50
Average food production time per order	30 minutes from the time the customer orders to the time the customer receives his meal.
Average number of customers per day	125
Average opening days per month	26 days (open 6 days per week)

Appendix D

Average staffing and operating costs for BC, Canada:

Cafe	
Average number of waiters/servers/table cleanup staff	0.5
Average number of “baristas” (coffee makers)	1.5
Average labor costs per month per employee	\$ 2,200
Cafe operating costs per month (total of all costs except labour)	\$ 5,000

Fast Food/Cafeteria	
Average number of waiters/servers/table cleanup staff	1.5
Average number of cooks/food preparers	3
Average labor costs per month per employee	\$ 2,500
Restaurant operating costs per month (total of all costs except labour)	\$ 7,000

Family restaurant	
Average number of waiters/servers/table cleanup staff	3
Average number of cooks/food preparers	3
Average labor costs per month per employee	\$ 2,800
Restaurant operating costs per month (total of all costs except labour)	\$ 8,500

Premium restaurant	
Average number of waiters/servers/table cleanup staff	3
Average number of cooks/food preparers	4
Average labor costs per month per employee	\$ 3,000
Restaurant operating costs per month (total of all costs except labour)	\$ 9,000