

Couch & Brunch

The Breakfast Chain Business Model

A Project carried out on the Business Model Design Field Lab with the supervision of:

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Executive Summary

In an increasingly health-conscious society, a market gap pops up in the Portuguese restaurant business sector. Indeed, one may notice the inexistence of an attractive specialized breakfast provider, hampering the realization of what seems to be claimed, the most important day meal, in what health and diet are concerned. Hence, the objective of this work project is to build a complete business model for a breakfast chain, a brand new market concept, offering in fact, an overall charming morning experience to customers, rather than a simple meal. One can already find some breakfast specialized chains in the U.S.A restaurant market, such as Rise & Dine currently planning to expand operations to Canada. Indeed, inspiration for this business concept comes not only from within but also from some foreign observable trends.

This project is structured in five chapters. Initially addressing the business idea in the first chapter; one will subsequently approach the value proposition and the operating model. Linkages will be established in the third chapter, proving that those connections assure the expected value delivery to the customer. Finally, some conclusions will be presented; so that in the last chapter, major business risks can be assessed and an array of relevant recommendations proposed. Aiming to gather the necessary data, a survey and interviews were performed, articles and books were researched, and internet data was collected, always supported by bibliographic references on strategy.

The closure of the project leaves the business model in its journey to success which will be coursed in a phased manner. Firstly launched in Oporto, the chain will then establish operations in Lisbon in a first phase. Subsequently, franchising opportunities will be pursued in the second phase so that in the third phase the company can also continuously grow organically or open the firm's capital structure.

Chapter 1: The Business Idea

1.1 The market opportunity - Problem

In a society characterized by increasing healthy diet concerns, a particular meal is attaining a considerable superior attention: breakfast. Several studies proved the significance of breakfast for weight loss and management; nutritional articles and health experts emphasize its importance for replenishment of glucose levels, essential for daily brain and physical activities.¹ Markedly, breakfast is being proclaimed to be the most important meal of the day and conquering people's thought. Conversely, increasingly busier lifestyles and the inexistence of an attractive specialized service hazard the compliance of these topical health recommendations. Thus, an emergent gap arises; a valuable and specialized service capable of providing a diversified balanced and complete breakfast in a convenient manner and enlarged schedule. Indeed, this will be the overall point of Couch&Brunch, to be the first firm in Portugal, specialized in this business niche and being able to differentially fulfill the emergent customer need.

1.2 The key stakeholders and the Industry map

The firm will be involved in an assorted network of relationships with both internal and external stakeholders. The internal stakeholders, company's partners² and general human resources, will develop with the firm mutual interactions, involving inputs and benefits to the relationship from both parties. Reciprocal relationships will be grown as well, with the majority of external stakeholders: authorities³, customers, competitors⁴, financing agents, suppliers and the cooperative artists. Fundação Calouste Gulbenkian

¹Those benefits are stated in multiple nutritional articles such as in Belly Bytes, a nutritional web resource (<http://www.bellybytes.com/articles/breakfast2.shtml>)

² The company's partners interacting with the business will be Sara Geraz, Ana Geraz and André Coelho.

³ The firm will develop interactions with authorities such as ASAE, the City Hall or the Government.

⁴ Main competitors impacting the business are bakeries, pastries and coffee stores, Starbucks, Il Caffè di Roma, Magnolia Caffè or Bemhaja among others, according to the analysis performed in the subchapter 1.6 Competitive Assessment.

will be the unique external stakeholder developing a one-direction relation, meaning that the institution will be a merely recipient of firm's donations (Consult Appendix I).

1.3 Firm Description

The company will be established in 2012 in Oporto (Boavista) and Lisbon (Marquês de Pombal)⁵ and commonly recognized for quality breakfast menus and an elegant high-quality and innovative atmosphere. The chain will be named Couch&Brunch, thoroughly chosen according to the business concept and considering customers' preferences⁶. Additionally to the coffee shop business, operations will be extended to the home-delivery segment.⁷ The company's mission serves its leading principles (see appendix II) and remarkable focus on client. Couch&Brunch is dedicated to provide a complete, unforgettable and delightful 'morning' experience, privileging product-value, quality service and convenience for customers and distinctively offering a wide range of breakfast products and menus. Moreover, the firm is devotedly committed to help talented artists to prosper⁸, reflecting social responsibility and positive impact in the elegant environment of the chain. Aiming to achieve sustainable and valuable growth, the business will be devotedly committed in fulfilling its vision: to be the leading and preferred breakfast service experience in Portugal by 2015, providing exceptional Product&Service offer, outstanding quality service, distinctiveness and value, offering customers an everyday unique and charming experience. Hence, an evocative and

⁵ The locations chosen to the stores in these two cities were obviously selected having in mind competition, street traffic and visibility, yet lastly chosen through the survey results (Consult appendix XV).

⁶ The name of the brand was chosen through the survey, where 35% of the inquired people agreed that Couch&Brunch would be the most appropriate name (Consult appendix XV). Its originality was assured through a cautious research in the international database from Instituto Nacional de Propriedade Industrial.

⁷ The survey performed exposed that 68% of the people rated the delivery service between 7 and 10 which exposes the potential value of the segment. Moreover, 49% of the inquired individuals confessed that they would be interested in combining both purchase methods (home delivery and consumption in the coffee stores).

⁸ The social responsibility mission is reflected in the company's effort in helping young artists prospering by exposing their works to customers and through donations for the cause.

memorable corporate mantra was built: ‘Delighting your long mornings’. Within the strategic planning, challenging, yet attainable strategic objectives were defined:

Strategic Objectives	
✓	Avoid the entrance of copycat brands and remain the <u>unique</u> brand specialized in breakfast
✓	Attain community membership (website) of <u>10,000</u> in one year
✓	Attain top of mind brand awareness of <u>70%</u> in one year
✓	Accomplish the sale revenues objective in the order of <u>83 Million Euros</u> per year. (Consult Appendix III)
✓	Being recognized as <u>leader</u> in product innovation, attaining earlier design-to-market timing than competition.
✓	Establish seasonable products to boost brand attractiveness. (<u>2 to 3 menus</u> for season)
✓	Expand <u>geographic coverage</u> after two years of activity in Portugal and abroad (Western Europe)
✓	Build <u>brand equity</u> (build strong reputation and loyal customer base, provide superior service and high quality products according to the brand conceptual mapping built in Appendix IV)
✓	Negotiate <u>lower costs</u> , better terms and discounts with main suppliers aiming to build a trustful and long term relationship in the first months of activity.

Furthermore, within the store space of Couch&Brunch, a trendy service will be offered:

the performance of art exhibitions. Artists will be invited to show and sell their work in the stores appropriating 80% of those sales, whereas 10% will be donated to FCG.⁹

Couch&Brunch will compromise itself in this corporate social responsibility project, subtly improving its own business, potentially outperforming competition, endorsing visibility and transmitting superior standards to general stakeholders. After the second year of activity, the company will promote the franchise model, providing interested franchisees the right to explore the business under the brand, strictly respecting the organization culture, the business concept created and processes optimization.¹⁰

Franchise will not only help covering the initial investment but also allow a continuous expansion, enhancing market share, diminishing entry risk by copycat brands and the level of investment needed and making the organization brand increasingly identifiable.

1.4 Environmental Context

Some new trends concerning breakfast have arisen that will unavoidably shape market demand. Proclaimed to be the most important meal of the day, the breakfast subject is

⁹ FCG stands for Fundação Calouste Gulbenkian, a Portuguese institution compromised in promoting art, charity, science and education that will receive 10% of the art work sales as a donation to the promotion of that cause. Only 10% of those sales will constitute revenues for Couch&Brunch.

¹⁰ Reasonable investigation concerning the overall requirements will be processed in order to assure the existence of training and personal characteristics and financial resources to operate the franchised business.

often being brought up by press and nutritional articles due to the several researches that were dedicated to the issue recently.¹¹ According to studies, 91% of the Portuguese people do not renounce having breakfast everyday¹². The topic is ubiquitous aiming to conscious people about the remarkable benefits of having a full breakfast, not only concerning health and diet motivations but also regarding intellectual and physical efficiency.¹³ The external context involving the market might be shaped by an array of key drivers¹⁴ structured in the following PEST analysis:

Political Drivers	The most significant forces are entailed in state and local government controls, such as the licensing of the space or the HACCP policy and the employment laws that impact the business.
Economical Drivers	Some economical factors are brought up by the ongoing financial crisis, unavoidably affecting customer purchasing power. In addition, the economic instability can also lead to volatility in commodities costs impacting products such as milk, coffee or wheat (bread) that are important to Couch&Brunch business. Nonetheless, those possible adversities can be attenuated by the fact that a constant demand for food is assumed to exist. The upcoming economic situation may however influence the success of the brand development, not only concerning the opening of new stores by partners but also the franchise initiative
Social-cultural drivers	Social cultural factors are significantly relevant to Couch&Brunch business. Increasing healthy diet concerns, the swelling attention given to the breakfast meal itself or the publication of several studies and articles on the subject are factors that are expected to shape customer demand. Additionally, a context of busier lifestyles, adding requirements concerning time management, flexibility or convenience and increasing pursue for leisure, relaxing moments and alternative solutions revolutionize the market. Customers are nowadays requiring much more than a simple meal, pursuing diversification, style, quality, culture, sophistication or cosmopolitanism.
Technological drivers	Technological issues are susceptible of improving operational efficiency in logistics and creating new communication ways with consumers. For instance, internet is a key platform for customer service, through the use of web customer opinion inquiries or allowing information availability about the company and its services in the website. Technological upgrading, for instance, allows the development of a recording system device in the client fidelity card of usual customers' preferences and the creation of a clients' portal.

1.5 Market Analysis

The size, value and growth rate of this particular market are not straightforwardly scrutinized, since there is not a defined breakfast market in Portugal.¹⁵ Yet, some empirical facts regarding the overall restaurants market can support some pertinent conclusions. At the outset, one can conclude that the general restaurants market, including the market that fulfills the breakfast need, faces monopolistic competition,

¹¹ Some nutritional experts claim that this meal should assure 30% of the daily required calories and at least 15 minutes should be reserved to breakfast.

¹² Fact revealed by a study made by Kelloggs and Laboratório de Exercício e Saúde da Faculdade de Motricidade Humana da Universidade Técnica de Lisboa.

¹³ People are becoming increasingly aware of breakfast importance and the age range between 25 and 29 years old is the one that most believes breakfast is the most important meal of the day. Nevertheless, there is still a long way to go in what concerns changing mindsets, since 63% people still believe lunch is the main day meal and confess to dedicate less than 15 minutes to breakfast.

¹⁴ Those key drivers are susceptible of having a positive or negative impact on the market.

¹⁵ There is not a defined market as one can identify in the U.S.A, where breakfast specialized companies are already common.

since several companies operate; using location, product mix and features, such as store atmosphere or innovative services, to differentiate themselves and mitigate competitive pressures. Despite the 5.4% decline in revenues in 2009 in the Portuguese restaurants business sector, a further less pronounced decline is predicted for 2010 and in 2011 the market is expected to start recovering.¹⁶ This market is a considerably sizeable business sector, where about 30.000 firms operate conjunctly attaining revenues of 4.81 thousand million Euros in 2009.¹⁷ These trends and general facts should be taken into account, when analyzing, in particular, the breakfast market. Moreover, one can also recall the evolution of the breakfast market in the U.S.A., already quite developed and specialized, which was pointed recently as one of the fastest-growing sectors in the industry, given its impressive growth before the economical crisis hit.¹⁸ Breakfast demand is known by traditionally managing to remain quite stable during recessions, notwithstanding the decline in demand for other day meals.¹⁹ Moreover, the restaurant business growth rate is predicted to be reestablished and the juncture required for the creation of this new specialized service is expected to be instigated in 2012.²⁰

1.6 Competitive Assessment

As referred before, several companies operate in this market, in the sense that they as well, can fulfill the customer breakfast need. Nevertheless, Couch&Brunch is the first breakfast specialized chain in Portugal²¹ (first mover advantage opportunity) and will operate seeking a high degree of differentiation regarding the overall distinct experience

¹⁶ This unfavorable trend was contradicted by fast food companies that managed to maintain a positive growth on sales due to its competitive pricing.

¹⁷ Pertinently, 30% of these businesses are concentrated in Lisbon and 25% in the north of the country.

¹⁸ This impressive growth was reflected in a sales increase of 64% in a five years period.

¹⁹ Kathy Hasty, senior director of an American international chain, 7-Eleven, avowed those breakfast particularities, although confessing that the deepness of this economical crisis has damaged the previous explosive growth on breakfast sales in U.S.A.

²⁰ Economical recovery is expected to be proceeding and according to the article in <http://www.hipersuper.pt/>, DBK forwards that the restaurant market will slightly recover in 2011 and Couch&Brunch will launch operations in 2012.

²¹ It will be also the first breakfast provider simultaneously operating in the delivery and store segments.

provided. In the coffee-store business, the major direct competitors considered were Magnolia Caffé, Starbucks and Il Caffé di Roma, bakeries, pastries and coffee stores²². A competitive assessment was performed to analyze the companies that, even though not having the same positioning as Couch&Brunch, can be considered as competing directly with it. The competitive assessment was focused in the evaluation of an assorted range of categories²³, in order to generate a final grade to each competitors, based in a weighted average methodology, as exposed in the following table:

	Bakeries, pastries and coffee stores in general		Starbucks		Il Caffé di Roma		Magnolia Caffé	
	Description	Score	Description	Score	Description	Score	Description	Score
Core business (15%)	Snacks, bakeries and pastries for all the occasions	3	Coffee and coffee related drinks	2	Lavazza coffee and a range of coffee-based recipes	2	None in particular: From breakfast to snacks or lunch to dinner, from a simple cocktail to a coffee break.	3
Customer²⁴ Opinion (15%)	The inquired people believe those are good places to have breakfast(25% rated these stores with 10)	5	25% of the people do not have an opinion and there is a concentration in the average scores	3	39% of the people do not have an opinion and there is a concentration in the average scores	3	51% of the people do not have an opinion and there is a concentration in the average scores	3
Product Variety (15%)	High	4	High	4	High	4	High	4
Price (15%)	Low/medium	4	Premium price	2	Premium price (but not so high as Starbucks)	3	Medium	4
Quality of service (15%)	Traditional products, variable customer service	3	High quality products, good customer service	5	High quality products, good customer service	5	High quality products, good customer service	4
Quality of the space (15%)	Variable, but traditionally not an important point in the business	3	It is a "third place," somewhere between work and home	5	Cozy environment, evoking the Italian coffee store concept.	4	Cosmopolitan, chic, a comfortable and cultural space	4
Locations (5%)	Everywhere - Hundreds of stores exist in Porto and Lisbon	5	6 stores in Lisbon	3	18 Stores in Portugal / various in Lisbon and one in Porto	4	7 stores in Lisbon, one of them in Restauradores	3
Working Hours (5%)	Usually, everyday, from 7 a.m. to 8 p.m.	4	Variable (Starbucks Armazéns do Chiado opens from 9.30 a.m. to 23 p.m.)	3	Variable (Il Caffé di Roma Armazéns do Chiado opens from 9.30 a.m. to 23 p.m.)	3	Variable: Magnolia branch in Restauradores opens from 8 a.m. to 10 p.m.	4
Total Score	3,75		3,45		3,50		3,65	

²² Magnolia Caffé, Starbucks and Il Caffé di Roma were considered as main competitors, since besides offering breakfast to customers, the store atmosphere concept they recreate is also somehow similar to the one Couch&Brunch is proposing itself to offer. Moreover bakeries, pastries and coffee stores in general were also analyzed since they are known to be traditional choices in what concerns breakfast consumption in Portugal.

²³ Categories appraised include the core business of the company, customer opinion, the variety of its products, the price and the quality of the service, the location and the working hours and each one graded with a score ranging from 1 to 5.

²⁴ These scores were based in the survey results. The inquired people were asked to evaluate their preferences concerning the realization of the breakfast meal in those stores. A big percentage did not have an opinion about Magnolia Caffé, but also about Starbucks and Caffé di Roma which either shows low brand awareness or that people do not consider the chain to its breakfast choices.

The appraisal of this set of categories has lead to the conclusion that the major competitors of Couch&Brunch coffee store business are in fact bakeries, pastries and coffee stores in general. However, one should notice that this competitor was evaluated in general, and those categories appraisal can widely vary between two different coffee stores. Regarding the home delivery segment, one can find four players operating.²⁵ Nonetheless, one has realized through survey results that those breakfast delivery companies detain a major problem of brand awareness²⁶. The weighted average methodology described previously²⁷, pointed Bemhaja, (operating in Oporto and Lisbon), as major competitor in the home-delivery segment²⁸ (Consult Appendix V). Additionally, one has also assessed the likelihood of a competitor's response²⁹ which pointed Il Caffè di Roma (coffee store business) and RC Pequeno-Almoço em Casa (delivery-segment) as the most likely competitors to react (Consult Appendix VI).

Aspiring a fine-tuning of the model, the five forces analysis framework by Michael E. Porter was schemed³⁰. In this context, competitive rivalry was considered to be intermediate. Indeed, struggling for customer loyalty, Couch&Brunch will assume a different positioning from competitors and a high differentiation degree which softens rivalry intensity. Moreover, one has considered bargaining power of buyers and threat of new entrants to be intermediate, the threat of substitutes as high, whereas Couch&Brunch suppliers were predicted to have low bargaining power. The basis for

²⁵Clube do Pão & Gourmet, Bemhaja, RC Pequeno-Almoço em Casa and Sabores da Manhã are the four breakfast specialized players operating in the home delivery segment.

²⁶According to the survey results, 92% of the people were not aware about the existence of these companies.

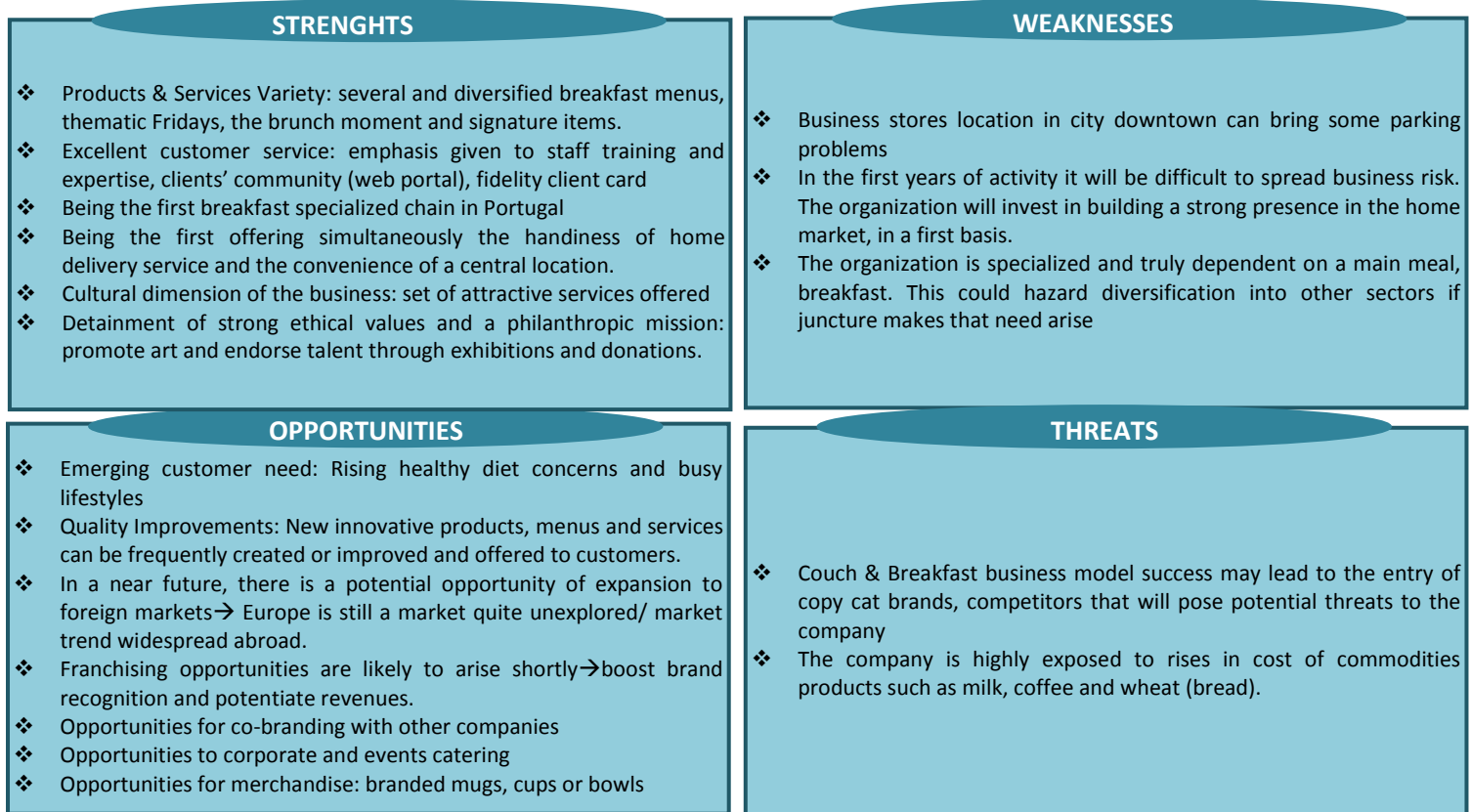
²⁷This assessment appraised the breakfast-delivery specialized companies in the following categories: core business, the variety of products offered, the price, quality of the service, the cost of delivery, the operated locations and the working hours.

²⁸The competitive assessment was based in personal consumer experiences, internet research and in two performed interviews: one face-to-face interview to the CEO of Caffé Magnolia and other interview answered through email to the CEO of Il Caffé di Roma (Consult appendices XI and XII). The category 'Customer Opinion' was derived from the survey results (Consult Appendix XV).

²⁹For that purpose, companies were appraised in terms of future goals, current strategy, assumptions and capabilities.

³⁰The use of the five forces framework in this context aims to complete the appraisal of the competitive intensity and market attractiveness.

these appraisals can be found in Appendix VII. The pursue for business model refinement proceeded with the SWOT analysis exposed below.



A TOWS analysis focused in capitalizing strengths and opportunities and uncovering ways to overcome weaknesses and threats was carried out in Appendix VIII.

1.7Competitive Advantage

In this competitive environment, sustainable competitive advantages are crucial, features that will not be easily duplicated by those competitors. Firstly, entrepreneurial focus and core capabilities among partners are some of the most powerful elements, building from inception, a strong competitive advantage.³¹ Furthermore, business networking, availability of sales and distribution channels adapted to customers' needs³² and the pre-existence of a large artists' network creating an earlier set of connections

³¹Two of the owners will gather together know-how in economics, accounting, marketing, management and strategy whereas the other one is a graphic designer that will be in charge of the design of all the brand features (logo, company website, organization of photography exhibitions and store decoration) and detains the required cuisine expertise that can support the cuisine chef aptitudes (Consult brand logo in Appendix IX).

³²Couch&Brunch will be the first breakfast provider operating in both store and home-delivery segments.

sustainably justify relevant advantages. The cultural dimension regarding art exhibitions and existence of a reading corner is, as well, a major differentiating factor. This differentiation strategy is fully materialized in the store design, products image, quality and variety, creation of signature items, the clients' web portal or the offer of eclectic thematic Fridays. Indeed, a differentiation approach will be key to offer a greater value than the one offered by competition and attain sustainable competitive advantages.

1.8 How to potentiate the Business Idea Proposition?

This business model accompanies emergent customer needs well and carefully analyzed and proposes itself to create differentiated and attractive baskets of products and services able to fulfill new market requirements. Covering a new market concept, it will fit a wide range of lifestyles³³, distinctively offering the first meal of the day, in an enlarged schedule, in a convenient and pleasant manner; either it is breakfast or brunch.

Chapter 2: Business Model Design

2.1 The Value Proposition

After the previous depiction of the business idea, one may wonder what value is being created by the model and the concrete offer purposed to prospective customers. Indeed, Couch&Brunch proposes itself to provide an overall delightful and unique everyday breakfast experience to the customer. Nevertheless, it is important to address some other stages sketching the final blueprint that shapes the whole value proposition.

2.1.1 Target Segment

The value proposition above was created bearing in mind a target market; the customer group around what Couch&Brunch is focusing its business. At the outset, one should

³³Couch&Brunch will fit an assorted range of lifestyles: from the executive businessman who has no time neither the will to prepare the meal, to the student that leaves a bar at 6 a.m. or wakes up late in afternoon (Consult facts of life and everyday experiences in Appendix X).

define the potential market and its size³⁴. Entailing the set of citizens who usually have breakfast everyday, who live in Oporto or Lisbon or that living in its surroundings commute everyday into the urban area, potential customers were computed in 1.084.352 individuals³⁵ (Consult Appendix XIII for calculations). Nevertheless, to find the company's market one should narrow the potential market base to the subset of individuals that are likely to purchase Couch&Brunch offering. Thus, a market segmentation based in demographic, psychological and behavioral criteria was performed (Consult appendix XIV) defining the target market as the individuals who usually have breakfast everyday, who live in Oporto or Lisbon or that living in its surroundings commute everyday into the urban area and are between 18 and 44 years old, earning more than €10.000 income annually, detaining a medium-high level of education, being health concerned and culture-interested consumers that belong to the Upper Class, Upper Middle Class and Middle Class, pursuing quality, convenience, balance or sophistication in their meals³⁶. Finally, the most-likely customer profile was quantified, with resort to Marktest data (2004) and the survey results (Consult target market computation in appendix XVI). Indeed, the previous potential market was narrowed to 143.387 target customers, where 110.373 prospective consumers belong to the Lisbon market and 33.015 are located within the Oporto area. The defined target market will ultimately enable the conception of a sharply-focused strategy geared up to substantially transform those prospective customers into effective ones.

³⁴ The potential market was calculated considering that either in the retail stores or in delivery service, the company exclusively operates in Portugal major cities at first: Oporto and Lisbon.

³⁵ Recalling the data presented in the environmental context that demonstrated that 91% of Portuguese people have breakfast everyday; that percentage was applied to the number of inhabitants and commuters of each city to calculate the potential market. The potential market computed traduces itself in the existence of 311.728 prospective customers in Oporto and 772.625 in Lisbon

³⁶ Medium and high-level education is considered to entail either a bachelor degree, undergraduate level or a superior level of education.

2.1.2 Products & Services, Price, Promotion and Place

Sustainably supporting the value proposition, one can find the whole business marketing mix. Indeed, Couch&Brunch offer will be strongly based in variety, creativity, quality and image. A wide range of **products**, from fruit juices to coffee drinks, from sandwiches to pastries are proposed and a set of diversified and balanced menus will be listed, to facilitate consumers' choices. The availability of signature items and international menus featuring world breakfasts are some of the most distinctive issues in the product portfolio.³⁷ Furthermore, Couch&Brunch intends to be much more than a simple breakfast chain, the company proposes itself to provide a full delightful morning experience. Given that, trendy **services** were created to garnish the overall customer experience. A reading corner³⁸, continuous performance of art exhibitions, international Fridays or the Brunch Moment are some of those services, (Consult detailed portfolio in Appendix XVII). Couch&Brunch will follow a value-based pricing strategy, aiming to align **price** with the value delivered and improve profitability. Survey results revealed that for a simple breakfast menu, the majority of customers would be willing to pay between €3.11 and €3.60 as a maximum price and for a more complex menu such as the international ones, most of the customers would pay between €3.81 and €4.20³⁹(Consult appendix XV). This price range is also aligned with the strategic positioning of the firm. In what **place** is concerned, one should notice that the existence of the home delivery segment enlarges customers' options from the store central location to a wide coverage that encloses the whole city area. In both segments,

³⁷ Signature items will be unique and differentiating products created by the cuisine chefs. Those products will detain different names, easy to memorize, aiming to prompt the chain reputation.

³⁸ The reading corner makes available an array of pertinent magazines, newspapers and books in Portuguese and other languages.

³⁹ In order to appraise customer measurement of the value delivered, it was evaluated through the survey the average price customers would be willing to pay for a certain product basket.

products will be delivered by Couch& Brunch efficient workers.⁴⁰ The website, through chat and blogger features, will also play a relevant role for customer interaction with the firm. Finally, **promotion** initiatives were predicted and exposed in the following table:

Couch&Brunch Promotion Initiatives

- To make communities aware of Couch&Brunch opening, one will distribute flyers in the streets attributing 10% off in the inaugural week and appetizing mini-samples of signature items.
- The client fidelity card, one of the biggest promotion stakes of Couch&Brunch, will offer €3 credit consumption after a €100 spending, aiming to persuade consumers into a frequent use. Moreover, it will register consumers' preferences and during the first year of activity, Couch&Brunch will send the consumer's preferred breakfast to his house. This may be also an excellent way of promoting the home-delivery segment.
- Fridays will be thematic, meaning that each Friday will be themed with a country and its typical breakfast menu can be purchased at a discounted price. Some thematic services concerning the country will be provided in order to garnish the whole experience.
- E-marketing, will be powerfully used: from social networks to the request of inexpensive e-newsletters to be sent to customers, the company will pursue low-cost advertisement tools. Groupon (a social deal tool), Lecool Magazine or Time-out are pertinent ways of reaching the target market economically.
- Couch&Brunch website, clear and attractive, will constitute a potent promotion tool, straightforwardly screening the whole products and services portfolio, the business concept, the kind of payments accepted, locations and working hours. The company will distinctively offer in the website, a virtual customers' community, engaging clients through a social strategy, where ideas, opinions and suggestions can be shared and replied by the organization.

2.1.3 Revenue model

Detaining an attractive basket of products and services that customers might require, Couch&Brunch still has to market its portfolio, maximizing profitability in each customer interaction. Hence, aiming to attain linkages in the business and maximize customer experience, a client passport card will be created.⁴¹ A decisive percentage of revenue will be generated by the organization core business unit, the operated stores, that will be key sources of net income growth.⁴² Throughout time, the clients' web portal, word of mouth and brand awareness will potentiate another revenue portion generated by the home-delivery segment. Another slice of revenues will be obtained through the appropriation of 10% of the art works sales during the exhibitions. In few years, franchise revenues are expected to emerge. The company will charge the interested franchisees an initial investment fee of €100.000 and an upfront royalty fee of

⁴⁰ In order to minimize cost, Couch&Brunch delivery workers will use their own motorcycles.

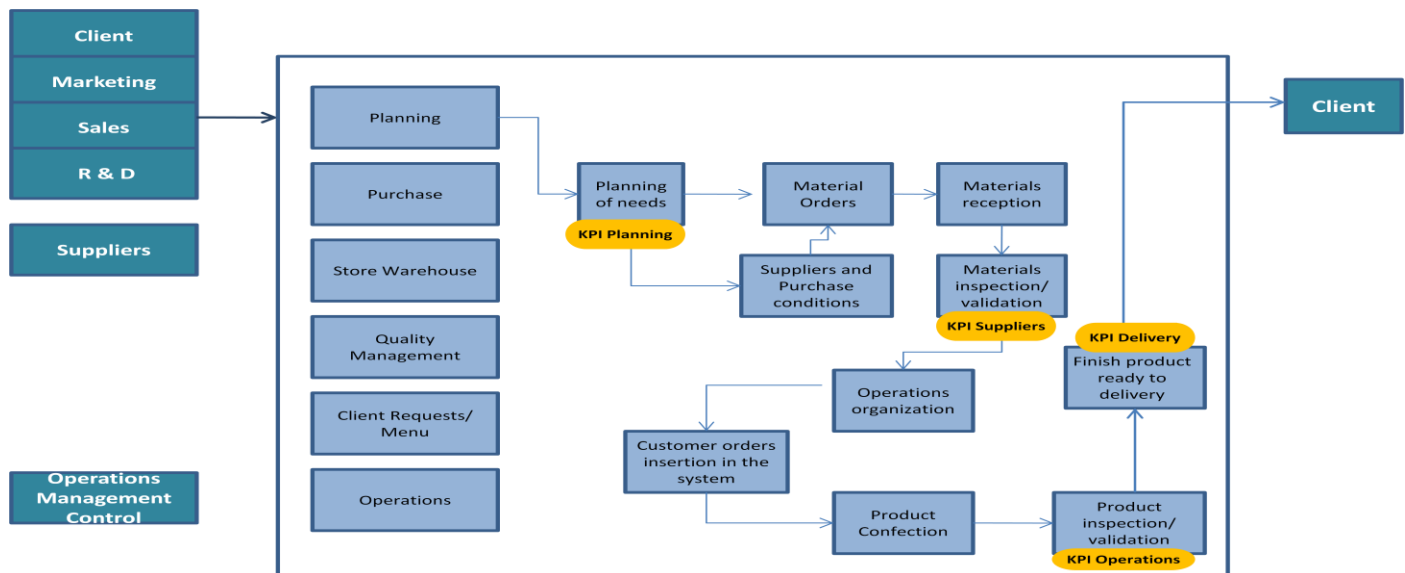
⁴¹ The clients' passport card appears within a loyalty customer program valid for both segments, enabling points' accumulation or preferences registration According to the survey results, 49% of the inquired people would like to combine both segments offered (business store and home delivery), which could be potentiated by a card that facilitates this combined use.

⁴² This is also the business unit that will initially require major capital investment.

6% of total gross sales.⁴³ Revenues generated by the franchising contract are expected to grow through time, due to rising brand awareness, increasing sales and the launch of new stores. The business success will ultimately rely on repeated customers and word of mouth, giving the client compelling reasons to let Couch&Brunch solve their needs.⁴⁴

2.2 The Operating Model

This subchapter is focused in the business operating model, meaning the way Couch&Brunch operates across processes and how it is organized in order to deliver value to customers. Firstly, to understand the value generation scheme, one should regard the process based system, embracing the set of processes and their interrelations.



Source: Course material of the course Modelling and Process Management of FEUNL and interview with Mr. Pedro Pinto

The process mapping above reflects how products go from being an input throughout the processes until becoming Couch&Brunch business output. To scrutinize how well the firm is performing in relation to its objectives, one has defined KPIs concerning planning, suppliers, production and delivery activities. (Consult appendix XVIII)

⁴³An annual revenue of €1.000.000 to the franchisee will generate to the franchisor €60.000 with no capital spent. Those values came up according to the book “Entrepreneurship – Theory, Process, Practice”.

⁴⁴ Word of mouth can indeed detain an impressive power. According to the survey results, 49% of the inquired people would use Couch&Brunch services due to family/friends recommendations.

BUSINESS PROCESSES	CRITICAL SUCCESS FACTORS	Cost & Risk reduction	Brand building - Reputation	Innovation	Time delivery	Excellent customer service	Employees competence and kindness	High quality products	Growth Path- Opening of new stores and franchise initiative	Total of Impacts
	Management & Supervision	X	X		X	X		X	X	6
	Marketing & Sales		X	X		X			X	4
	Procurement & Contract Management	X						X		2
	Research & Development	X		X		X				3
	Human Resources Management		X		X	X	X			4
	Outbound Logistics		X		X	X				3
	Operations	X	X		X	X		X		5

factors required to achieve the defined strategic objectives.⁴⁵

This aptitude test shows that all critical success factors are being covered by business processes. Management & Supervision revealed to be, one of the most relevant activities to the accomplishment of most of those decisive issues. Thus, partners will emphasize and be extremely careful in their control efforts. Procurement & Contract Management which seems to have few summed impacts, should be in fact analyzed singly, since evidently quality and cost of raw materials are vital aspects to company's competitiveness.⁴⁶ Moreover, concerning the dimensions in a general operating model⁴⁷, one should notice that processes will be adopted with low standardization and high integration embracing a coordination strategy, ultimately gathering conditions to the achievement of the strategic objectives. (See appendix XIX)

2.2.1 The Value Chain

In order to disaggregate the interdependent activities that engender business value, a value chain analysis was performed, assessing the set of activities that design, create, market, deliver and sustain Couch&Brunch offering.⁴⁸

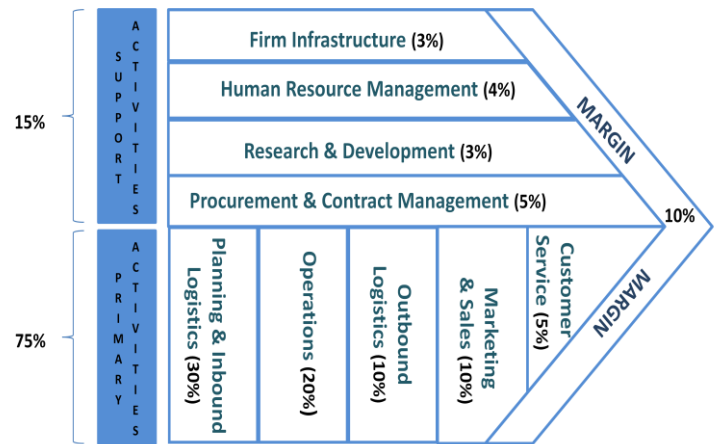
⁴⁵ The core processes selected were: Management & Supervision, Marketing & Sales, Procurement & Contract Management, Research & Development, Human Resources Management, Outbound Logistics and Operations, since those were the ones considered vital for delivering the defined customer value proposition.

⁴⁶ Indeed, Procurement & Contract Management apparently making up only two impacts detains, in fact, a key importance to the business that cannot be undervalued.

⁴⁷ One has considered dimensions of standardization and integration according to Jeanne W. Ross; Peter Weill; David Robertson model.

⁴⁸ Recalling the value chain framework by Michael Porter, Couch&Brunch value chain was replicated and adapted.

Primary activities, directly related to the value creation, distribution and sale to customers, represent about 75% of the collective cost of performing the value activities. Support activities, by turn, are



the ones that endow business with the background required to sustain the effectiveness and efficiency of the firm, representing 15% of the combined costs.⁴⁹ Assumptions for each activity were realized in appendix XX, in order to come up with the individual costs exposed in the picture. Moreover, core activities⁵⁰ intimately linked to competitive advantages will be developed internally such as: operations, marketing & sales, human resources management, procurement & contract management or outbound logistics. Inbound Logistics despite its core significance will be outsourced, since it can be better performed by suppliers, improving Couch&Brunch business through advantageous synergies with long term providers. One should expect a 10% margin⁵¹ which will be optimized by process optimization and learning curve experience.

Nonetheless, assessing singly those activities is erroneous, one endeavors to scrutinize ways of maximizing value creation whereas minimizing costs and exploring potential sources of competitive advantage. Indeed, reconfiguring the value chain can produce efficiencies and cost savings across processes and drive Couch&Brunch to revenue growth through attainment of superior customer satisfaction levels.⁵² After launching and establishing operations, Couch&Brunch intends to enter a new business segment:

⁴⁹The CEO of Magnolia Caff , Mr. Pedro Pinto stated that in the restaurant business sector, primary activities generally represent about 75% of the combined costs of all value chain activities, whereas support activities generally represent about 15%.

⁵⁰ Recalling the core activities considered key to the achievement of the critical success factors.

⁵¹The CEO of Magnolia Caff , Mr. Pedro Pinto stated that in the restaurant business sector one should attain about 10% to 15% of margin.

⁵² Recalling some of the cost drivers identified by Porter in Competitive Advantage, one has come up with some strategies able to potentiate the profit margin of Couch&Brunch.

corporate catering. Indeed, this extension can enable economies of scale in operations, inbound and outbound logistics, providing efficiency and involving less than proportional increases in the required overhead costs.⁵³ Learning is also an imperative driver that can attenuate cost of operations and human resources management, enabling efficiency in the workforce and an improved tailoring of raw materials to the process. Indeed, aware of the slow learning curve associated to the business, Couch&Brunch will establish a strong human resources policy, in order to avoid the amassing of recruiting and training costs associated with high-turnover.⁵⁴ In order to potentiate the pattern of capacity utilization and avoid possible punishments for underutilization, one has conceived the shifts, anticipating that employees' positions can be flexible according to demand.⁵⁵ Additionally, ways to refine payroll should be scrutinized. For instance, if Monday afternoons are typically quiet, one should consider shrinking the number of servers on the shift. Moreover, JIT practices should be adopted potentiating profit margin in Inbound Logistics and Operations. Indeed, order scheduling, a strict discipline in raw materials orders and the adoption of JIT procedures will allow a minimization of inventory costs and food spoilage.⁵⁶ Likewise, aiming to enhance profit margin in operations, one will adopt menu engineering techniques.⁵⁷ This array of cost reduction efforts are expected to create a relevant and sustainable cost advantage to the company. Furthermore, a deep understanding of customer requirements is implicit in each of the activities engendering

⁵³ The CEO of Magnolia Caff  confirmed that the marginal costs of operating in this additional segment are minor.

⁵⁴ The cost of operations and human resources management can substantially decrease due to the learning process, enabling efficiency in the workforce and an improved tailoring of raw materials to the process. Mr. Pedro Pinto highlighted the risk of a slow learning curve in this business

⁵⁵ Per shift one has predicted one employee working in the counter and two working as waiters, assuming that the positions can be re-adapted if demand justifies it. The two workers allocated to deliveries will be also expected to assume flexibility in their functions if needed. Moreover, delivery workers will have to use and own motorcycles to perform the activity.

⁵⁶ Just in Time practices in operations activities consist in preparing only what is actually needed to fulfill sales. Nevertheless the dishes that should be prepared in greater quantities will have its production based in forecasts (founded in a day specific mix) that determines the production needs for one single day. Moreover given the perishable nature of raw materials, JIT is a critical feature in inbound logistics.

⁵⁷ Menu engineering techniques consists in determining the gross margin per dish and investing in selling items that are driving the highest contribution margin. One may consider eliminating the items that drive the lowest margins.

differentiation along the whole chain, from acquisition of high quality raw materials and dishes confection to the actual distribution and relationship built with the client.

2.2.2 The Cost Model

An accurate operating model requires an understanding of the cost structure and costs that flow through it. Indeed, Couch&Brunch must configure its assets and cost structure in a manner that allows a profitable accomplishment of the value proposition. The interview with Mr. Pedro Pinto revealed some facts, somehow regular within the whole restaurant industry. Based on the CEO know-how and considering the particularities of this business the following cost structure was built (See appendix XXI):

		<u>Variable Costs</u>		<u>Fixed Costs</u>	
Fixed Costs	45%	Cost of sales	30%	External services supply	25%
Variable Costs	55%	Labor	5%	Labor	20%
		Marketing & Sales	10%	Administrative, supervision and other costs	10%

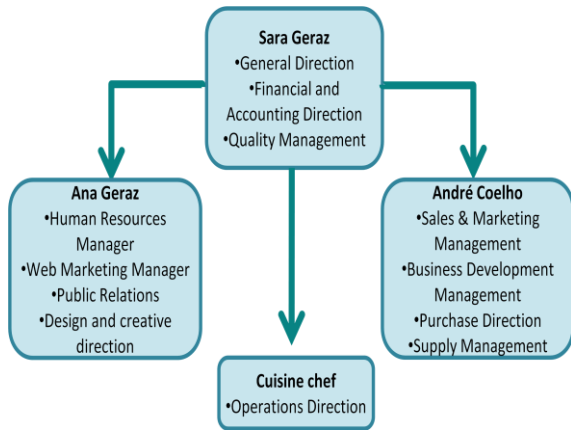
In what concerns the monthly costs supported by the business; one has predicted the following occupancy costs: building rent, labor costs, diverse expenses (water, electricity, gas, cleaning, and pest control), consumables⁵⁸, multiple risks insurance and a music license. These monthly expenses are expected to amount to € 30.509 for both stores (Consult appendix XXII for calculations). Nevertheless, one of the major monthly costs was not yet included in these calculations: the cost of sales, difficult to predict given its close dependence on the sales volume. Yet, it is known that the cost of sales normally represents between 30% to 40% of the sales volume in this business sector.⁵⁹ Moreover, a considerable amount of initial investment, meaning a set of opening expenses has to be carried. Those expenditures concern the company's constitution

⁵⁸ Consumables define the expenses with 'economato'.

⁵⁹ Those percentages are stated according to "Guia Prático de como criar um restaurante" by Academia dos Empreendedores published in 2007. Considering the sales revenue yearly objective, based in the target market computation and in the ARPU assumed, one should expect cost of sales between 2.069.074 and 2.758.766 Million Euros.

expenses, the kitchen furniture and basic equipment that gathered together make up the total amount of 115.319 € for both stores. (Consult appendix XXIII).⁶⁰

2.2.3 Organization and Partnership



To sustain and enhance business competitive advantages, the model should be organized and structured in a way that successfully deploys its resources. An organizational chart was outlined bearing in mind that in a first phase, management and direction functions will be accumulated by the three

partners. Logic of those function groupings can be found in linkages between activities requiring however, a coordination effort through integration mechanisms.⁶¹ Moreover, a functional stakeholders' analysis was performed, aiming to realize the interests and requirements of each group and the engendered workflows susceptible of impacting the business model. For that purpose, a model was applied, evaluating stakeholders' relationships in three dimensions: inherent power, legitimacy and urgency.⁶² It was concluded that the high priority stakeholders are customers and suppliers, classified as definitive stakeholders.⁶³ This analysis illustrated human resources, financing agents, authorities and partners as being moderate-priority stakeholders⁶⁴ and the existence of

⁶⁰ Nevertheless, this amount can still be minimized since the prices presented were average values that can be in some occasions diminished. For instance, one might consider buying second hand equipment, depending on how key that tool is for operations. Machines with a certain upgrade will only be purchased in case those extra features are susceptible of bringing some added value to business.

⁶¹ The strengths and capabilities detained by each one of the partners substantiate this organizational structure and an important competitive advantage based on knowledge and expertise. (Consult appendix XXIV)

⁶² According to a model developed by Mitchell, Agle and Wood, stakeholders can be categorized according to their power to influence the company, the legitimacy of the relationship in terms of desirability and properness and the urgency of their claims and requirements in terms of criticality and time-sensitivity.

⁶³ Those stakeholders were classified as definitive, since they simultaneously hold power, legitimacy and urgency.

⁶⁴ The company's partners were classified as dominant (due to legitimacy and power characteristics), whereas the human resources, authorities and financing agents were considered dependent stakeholders, according to their legitimacy and urgency attributes.

low-priority stakeholders⁶⁵ such as the cooperative artists and FCG. This stakeholder mapping implies that customers and suppliers are indeed, the groups either deserving or requiring an increased attention and whose claims may require priority. Conversely, cooperative artists and FCG are the entities that the organization can attach a less significant amount of resources. (See appendix XXV).

Chapter 3: Business Model Wrap up

This wrap-up chapter aspires to establish linkages between Couch&Brunch business model main components. The operating model built, consistently captures the ways the organization is taking advantage of its main strengths and capabilities to profitably deliver the value created, proving the different complexity and criticality of the



performed activities. Indeed, one can observe in the left picture, three crucial business vectors, the company will strongly invest and privilege, assuring an accurate design for the target customer and effective

value deliver. Furthermore, Couch&Brunch will adopt a pure strategic visioning approach. Aware that an exceptional business model can rapidly become obsolete in the current dynamic market, innovation is a key concern to the company, aiming to reinvent its elements and improve the delivered value. Indeed, notwithstanding the competitive advantages pointed, sustainability of those can be somehow equivocal. Innovation brightly allows keeping up with mutable customer needs and breaking out competition, ultimately finding new paths of growth.⁶⁶

⁶⁵Competitors were considered to be dormant stakeholders due to their unique power characteristic, while cooperative artists and Fundação Calouste Gulbenkian were categorized as discretionary due to their legitimacy attribute.

⁶⁶ The company will take advantage of emergent opportunities and improve its model. It will continuously diagnose its competitive advantages pursuing ways to enhance them or even creating others.

Chapter 4: Conclusions

The breakfast chain business idea was exploited in its whole essence; its potential was carefully analyzed and discussed along with favorable environmental trends. Despite competitive pressures, one has sharply pursued differentiation embracing features such as service excellence, products and services design or store environment. Substantiated the idea, one has designed sequentially the business model main features, in a constant refinement effort and strategic visioning approach, assuring linkages between elements and constantly pursuing ways to outperform competitors. Despite its originality in being the first breakfast specialized store, one has garnished the whole experience with unique and sophisticated features capable of impacting the target audience.⁶⁷ Moreover, processes were aligned with the critical success factors and the strategic objectives of the firm, designed and geared up, in order to profitably deliver the promised value.

Chapter 4: Limitations and Final Recommendations

Although, the business model was strikingly and thoughtfully designed, one can still wonder about its main limitations. Hence, a set of risks were assessed, yet overwhelmed by sharp recommendations susceptible of leveraging likelihood of success.

Regardless of the timeline, some eminent hazards pose themselves to the business. The risk of poor training and high employee turnover should be thoughtfully considered, since it can harmfully jeopardize customer service and the excellence promised in the value proposition. Hence, a powerful Human Resources policy is recommended, based in rewards and in a strong culture embracing values that fully involve the workforce (See appendix XXVI). Moreover, excessive product & services line extensions and innovations can riskily confuse and exhaust consumer. Thus, one harshly advocates that

⁶⁷ The reading corner and art exhibitions go along with the interests of the target market. A study by Kelloggs demonstrated that people with higher education level are more concerned about breakfast and dedicate more resources to it.

those portfolio extensions should be performed gradually and cautiously, taking into account the customer voice by filtering the inputs received in the clients' portal. Bearing in mind dissimilar timelines, several significant business risks were also appraised⁶⁸, brainstorming some recommendations susceptible of mitigating them:

	Risks	Recommendations
Short term	<ul style="list-style-type: none"> • Risk of a limited knowledge of the breakfast market in Portugal, can lead to misrepresentation of growth and size of breakfast demand.⁶⁹ • Incurrence of initial significant expenses, whereas revenues might be low due to limited initial awareness of the firm. 	<ul style="list-style-type: none"> ✓ <u>Implement operations in a phased manner</u>, in order to diminish business risk. Indeed, the company will be first settled in Oporto and after proving the business model right and stabilizing operations, one will proceed to the creation of the Lisbon store.⁷⁰ ✓ <u>Overridingly pursue brand reputation and awareness</u> <ul style="list-style-type: none"> ▪ Integrate some of the <u>food fairs</u> that are frequently organized by AHRESP⁷¹ in order to potentiate the company recognition ▪ Establish <u>partnerships</u> with health and nutrition related <u>associations</u>, such as SPCNA⁷², in order to attract communities' attention to the importance of having a full balanced breakfast connecting the brand to the cause and boosting its prestige.⁷³ ▪ Leverage stores location, strategically placed in companies' concentrated areas which can bring opportunities of <u>partnerships</u> with those <u>firms</u>, attributing discounts to its employees and enhancing a <u>repeated use</u> of Couch&Brunch services
Medium term	<p>Risks concerning the franchising contracts:</p> <ul style="list-style-type: none"> • Considerable costs of initial training and business launch support to franchisees, • Significant control and supervision costs (given the potential risk of brand integrity lost), • Threat of cannibalization of the franchisor stores⁷⁴ • Risk of liability for negligence or illicit conduct of franchisees⁷⁵. 	<ul style="list-style-type: none"> ✓ The key to attenuate those risks relies on the <u>model optimization</u>, entailing a deep delineation of competences, operating processes, quality and excellence of the service, to be included in a manual to be strictly followed by franchisees and assist supervision efforts ✓ Contract Management focus to protect the business
Long term	<ul style="list-style-type: none"> • Growth and extension of the brand may bring some management problems, since the business model predicts multiple responsibilities falling in three individuals that will have to be delegated in later phases. 	<ul style="list-style-type: none"> ✓ Adaptation to new business stages will surely demand an <u>organizational restructure</u> which can either be solved through structural organic growth or by attracting shareholders and enlarging the capital structure of the firm. ✓ Open <u>share capital</u> of the business to investors

The apprehension of the different business risks inherent to each phase of the business model will assure an accurate and timing appropriate approach by Couch&Brunch.

⁶⁸ Dissimilar timelines were considered, according to different phases of the business model. The first phase (short-term) includes the launch of operations in Oporto and the subsequent instigation in the Lisbon market. The medium-term covers the second phase marked by the emergence of franchise opportunities, whereas the final phase of the business model predicts the organic growth of Couch&Brunch.

⁶⁹ This risk was also somehow mitigated before, since the market analysis was anchored to consistent external trends, considering as benchmark, the evolution of the breakfast market in United States of America.

⁷⁰ Presenting fewer competition, Oporto seems to be safer to an initial launch of operations. The creation of the Lisbon store will follow the same business model, embodying corrections if required.

⁷¹ AHRESP stands for Associação de Hotelaria, Restauração e similares de Portugal.

⁷² SPCNA stands for Sociedade Portuguesa de Ciências da Nutrição e da Alimentação. This could represent a way of potentiating Couch&Brunch appearance in articles and press releases of the associations. Moreover one may consider giving lectures in schools about the importance of this day meal and the distinctive capabilities of the company in fulfilling this customer need in order to reach the upcoming future customers.

⁷³ Those represent additional recommendations to the ones already purposed in Chapter 2.

⁷⁴ Cannibalization can occur if franchisees decide to open stores in an excessively close location.

⁷⁵ Franchisors are frequent targets for liability lawsuits when an individual is harmed by a franchisee's business.

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APPENDIXES

Couch&Brunch

The Breakfast Chain Business Model

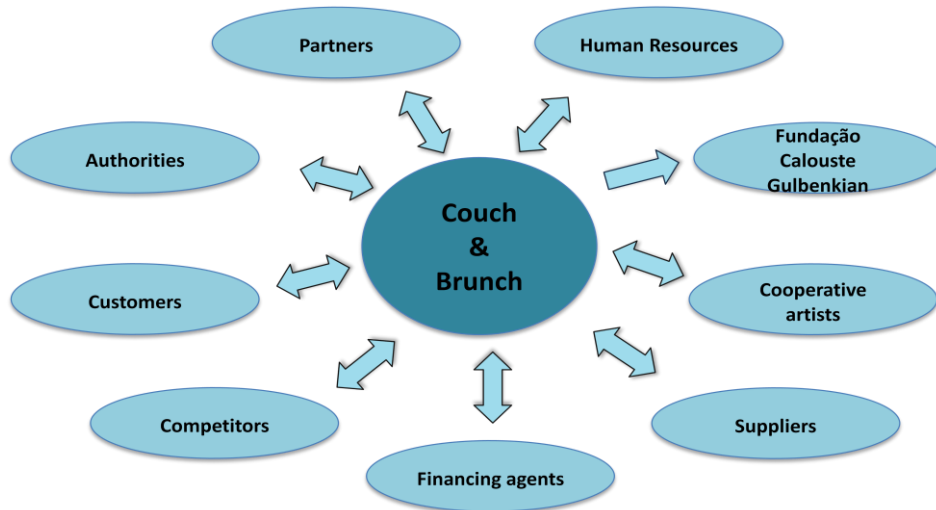


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Appendix I:

The Key Stakeholders:



Partners:

- Sara Geraz
- André Coelho
- Ana Geraz

Human Resources:

- Employees
- Management team

Suppliers (among others):

- Bakery and Pastry producers
- Fruit Suppliers
- Lactogal

Financing Agents:

- Banks

Competitors (among others):

- Starbucks
- Il Caffè di Roma
- Magnolia Caffè
- Bemhaja

Customers:

- Trendy, modern people in the Upper Class, Upper Middle Class and Middle Class looking for sophistication in their meal.

Authorities:

- ASAE
- City Hall
- Government

Appendix II**The Company's Leading principles:**

- ✓ Keep in mind business profitability
- ✓ Apply the highest standards of excellence to the products served
- ✓ Develop constantly and passionately customer satisfaction
- ✓ Contribute positively to the community
- ✓ Treat each employee as a valuable resource and provide a great working environment.

Appendix III

ARPU Computation and Sales Revenues Objectives:

Survey results revealed that for a simple Breakfast Menu (Fruit juice, tea, coffee or drink related and sandwich or pastry product) customers would be willing to pay between €3.11 and €3.60 as a maximum price. For a more complex menu such as the international ones (including waffles, pancakes or egg dishes), most of the customers would pay between €3.81 and €4.20. The arithmetic average of both intervals midpoints resulted in an average spending of € 3.7 per consumer per utilization. Moreover, the majority of the inquired people affirmed that they would use Couch&Brunch services 2 to 3 times per week.

In order to compute the **ARPU (Average Revenue per User)**, one has presumed the following assumptions:

- ❖ For each Couch&Brunch services utilization, a consumer will carry out an average spending of € 3.7.
- ❖ Each utilization will occur 3 times per week per consumer.
- ❖ Each year exactly entails 52 weeks

Given these assumptions, the ARPU of Couch&Brunch is given by the following formula:

$$€ 3,7 \times 3 \times 52 \times = € 577$$

Sales Revenues Objectives:

Considering the potential and the target market computed in appendix XIII and XVI respectively and the ARPU predicted previously, the following sales projections were realized for one year of activity.

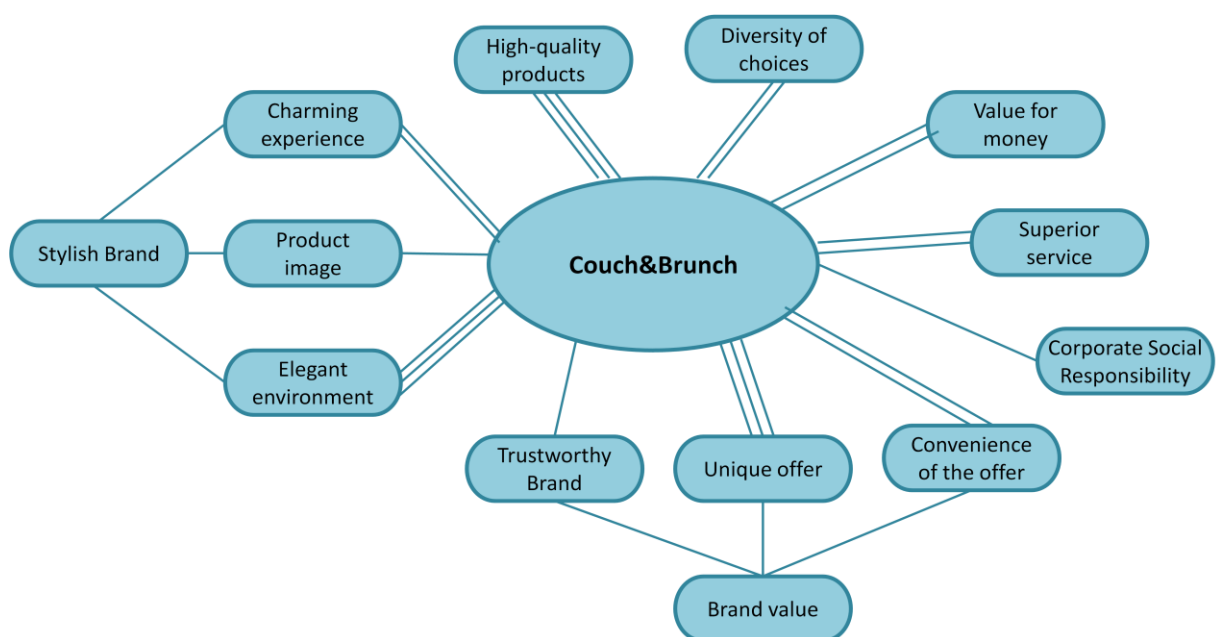
	Market	Sales Projections
Potential Customers	1.084.352	625.887.974 €
Target Customers	143.387	82.762.976 €

Considering the target market of Couch&Brunch one has defined yearly revenue objectives of
82.762.976 €

Appendix IV

Couch&Brunch Conceptual Map (Brand Image):

This Conceptual mapping is a representation of the network of associations that the company intends to build in consumers' minds. Indeed, the whole business model was built according to this representation, aiming to attain the intended customers associations.



To read this conceptual map, one should bear in mind the following guiding lines:

- ❖ The associations directly connected to Couch & Brunch, are the ones that should straightly come to consumers' minds when thinking in the company
- ❖ The desirable strength of the association with the brand is demonstrated by the number of lines that connect it. This means that if the connection involves three lines it reflects the strongest level of association, while a connection with one line reflects the weakest level of an association.

Appendix V

Competitors' assessment in the home delivery segment:

	Clube do Pão & Gourmet		Bemhaja		RC Pequeno-Almoço em Casa		Sabores da Manhã	
	Description	Score	Description	Score	Description	Score	Description	Score
Core business (20%)	Breakfast products (but also lunch and dinner gourmet dishes)	5	Breakfast products	5	Breakfast products	5	Breakfast products	5
Variety of Products (15%)	High	4	High	4	Medium	3	Low: Bread and milk	3
Price (15%)	Medium	3	Relatively low	5	High	3	Medium	4
Quality of service (15%)	Medium	3	High	4	Medium	4	Medium	3
Cost of delivery (15%)	Voucher system	3	Price includes already the delivery cost	5	Price includes already the delivery cost	4	€ 25 + VAT / month	2
Locations (10%)	Lisbon	4	Lisbon(only in surroundings), Porto, Coimbra and Évora.	3	Lisbon (28 parishes out of the 53 existing ones)	4	Cascais and the area of Quinta da Beloura.	1
Working Hours (10%)	Everyday, schedule to arrange with customer	4	Deliveries are made during night until 7 a.m. or 9 a.m. on weekends and holidays	3	Saturdays and Sundays from 8 a.m. to 1 p.m.	4	Monday to Saturday, from 7 a.m. to 11 a.m.	4
Total Score	3,75		4,30		3,90		3,30	

Appendix VI

Competitors' Response Profile Analysis:

After Couch&Brunch launches operations, one should consider the likely existence of a competitor's response. A competitor response profile analysis was performed in order to understand the main risks concerning competitor's reaction.⁷⁶

COMPANY	FUTURE GOALS	CURRENT STRATEGY	ASSUMPTIONS	CAPABILITIES
Bakeries, pastries and coffee stores in general	Short-term financial goals/maintain customer loyalty	Various: 'home-made' traditional products, low price products	Various: past experience, history, beliefs concerning a loyal customer base	Local awareness, knowledge among local communities
Starbucks	To grow bigger: Growth rate/ market share To open more stores in Lisbon	Specialized in high quality coffee; food products are offered to go along with their product line. High R & D spending to develop new products. Business operations are not franchised.	Being the leading provider of finest coffee in the world	Financial strength, capabilities to serve an attractive niche, sales methods, brand awareness, coffee-making expertise and customer service
Il Caffé di Roma	To grow bigger: Growth rate/ market share. To develop coffee shops models not yet explored	Focused in high quality espresso 'Lavazza', inspired in the Italian coffee shop concept. Offers gourmet dishes to go along with the coffee product line. Franchising and Direct Management	Well-established company with the expertise of a leading quality coffee company (Lavazza):	Coffee-making expertise, brand awareness
Magnolia Caffé	To grow bigger To open more stores in Lisbon and to penetrate in the evening market	The company's mantra is selling comfort and much more than a simple meal to customers. They are not focused in one core meal, they rather intend to be available for any kind of break during the day	Its notoriety is believed to be superior to its own dimension, which just needs to be leveraged.	Brand Notoriety; negotiation power with suppliers; know-how acquired
Bemhaja	Short-term financial goals/ build customer base	Focused on quality and in building customer loyalty	Brand awareness simply built through word of mouth	Expediency skills, capability to build a loyal customer base through agreed repeated delivers
Clube do Pão & Gourmet	Short-term financial goals/ build customer base	Focused on quality and in building customer loyalty	Brand awareness simply built through word of mouth	Expediency skills, capability to build a loyal customer base through agreed repeated delivers
RC Pequeno-Almoço em Casa	Short-term financial goals/ build customer base	Focused on quality and differentiation	Brand awareness simply built through word of mouth	Differentiated menus rather than the ordinary products
Sabores da Manhã	Short-term financial goals/ build customer base	Focused on quality and in building customer loyalty	Brand awareness simply built through word of mouth	Expediency skills, capability to build a loyal customer base through agreed repeated delivers

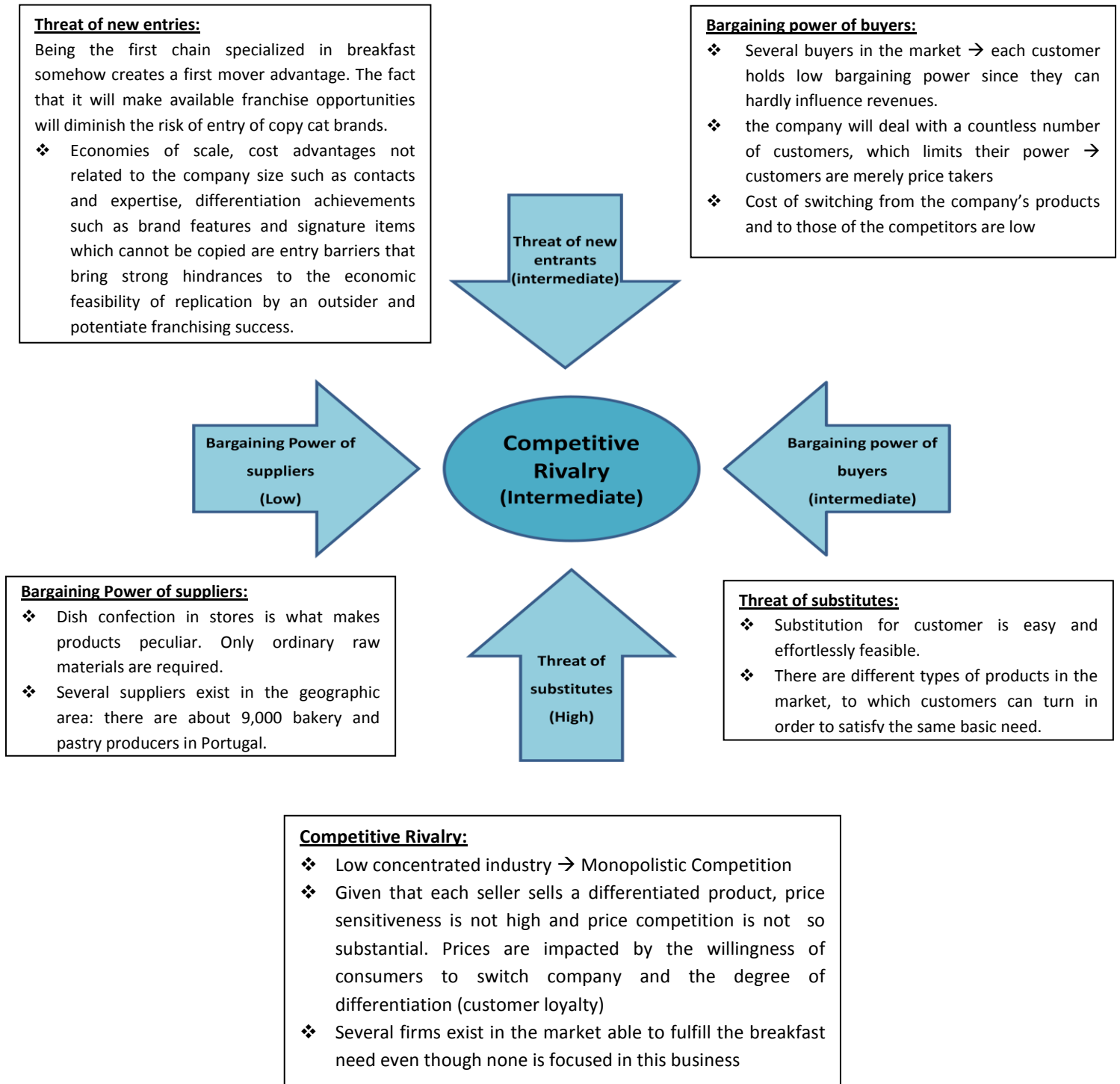
⁷⁶ The competitive response profile analysis was performed according to the book "Entrepreneurship – Theory, Process, Practice". The analysis was based in personal consumer experiences, internet research and in two performed interviews: one face-to-face interview to the CEO of Caffé Magnolia and other interview answered through email to the CEO of Il Caffé di Roma in Portugal. (Consult interviews Appendix XI and XII).

This qualitative analysis lead to the conclusions that Il Caffè di Roma is one of the competitors more likely to react to Couch&Brunch business, since according to the CEO of the chain in Portugal, it is looking for coffee shops models not yet explored and for new models to implement. Bakeries and coffee shops can also be prone is giving a response to the entrance of Couch&Brunch business, if they have the required resources; since they are not generally specialized in one meal neither focused in a particular core business and after the success of the newcomer they might wonder in somehow duplicating the model. Moreover, in the delivery segment, RC Pequeno-almoço em Casa is the competitor more likely to react, since it is more concerned with its products portfolio, the variety of menus and in covering the city centre.

Couch&Brunch should stay attentive to these conclusions and cannot assume that competitors will keep operating in the same way if they start losing market share for the newcomer. Reactions should be expected and kept in mind.

Appendix VII

Porter Five Forces Framework



Appendix VIII

TOWS Analysis

Couch&Brunch TOWS analysis purposes itself to brainstorm and pursue a strategy that is able to make the most of the business strengths and opportunities, managing and mitigating the business threats and weaknesses. Matching external forces, opportunities and threats with the internal ones, the firm's strengths and weaknesses, one has come up with the following strategies:

❖ ***"Maxi-Maxi" Strategy*** (using strengths to maximize opportunities)

Strengths based in first mover advantages (the first breakfast specialized chain and the unique breakfast provider offering the delivery and the coffee-store segments) and differentiating issues should be capitalized in order to take advantage of the opportunity of entering the new segment of corporate and events catering. Corporate breakfast catering by the first strictly specialized company can constitute an important source of business revenue. Moreover, those same strengths are also susceptible of potentiating expansion and franchise opportunities in other locations and leveraging merchandise opportunities through a boost in brand equity.

❖ ***"Maxi-Mini" Strategy*** (using strengths to minimize threats)

To protect the brand and avoid the entry of copy-cat brands, the company will use its wide range of differentiating issues, improving and reinventing the model as far as it is possible, in order to maintain its uniqueness.

❖ ***"Mini-Maxi" Strategy*** (using opportunities to minimize weaknesses)

Weaknesses related to parking problems can be overwhelmed by opportunities of co-branding or partnerships with parking companies in order to benefit and attract customers.

In order to mitigate the risk of investment concentration in the home market one should capitalize franchising opportunities abroad and expansion prospects in foreign markets. Leveraging opportunities related to the creation of new innovative products, menus, services and opportunities and aiming business diversification, one should attract customers to other type of breaks and different conceptual meals, such as middle morning snacks and the brunch concept

❖ ***"Mini-Mini" Strategy*** (minimizing weaknesses and avoiding threats)

Couch & Brunch will look for long-term price contracts and trustworthy relationships with suppliers in order to diminish exposure to fluctuations in commodities costs. To protect the brand from copy-cat brands, one may also consider creating patents to the signature items and the original products and services created within the business concept.

Appendix IX

The Chain's Logo

Couch&Brunch aims to attain Brand Recognition rapidly and effectively and for that purpose, one has developed from inception the brand logo in order to boost acknowledgement of the brand. The company intends that consumers can, with time, identify the brand through its logo even if the chain's name is not present.





The Logo will be also included in the future potential merchandised products and in the delivery-boxes as it is exposed in the left picture.

Appendix X

Facts of life and everyday experiences:

- ❖ University students frequently wake up late and don't have the time neither the patience to go shopping or prepare something at home. Some pursue a pleasant convenient place where they can relax and have a complete and fulfilling meal, others would prefer to order it and have the meal at home.
- ❖ City workers having a busy lifestyle, have no time neither the will to prepare the meal at home.
- ❖ Aware of the importance of the meal, people want to dedicate more time to it, pursuing a singular moment in the day to enjoy a balanced and complete breakfast.
- ❖ Some people skip breakfast because they find it a less meaningful everyday experience than the other meals.
- ❖ Some people don't enjoy having a heavy lunch in the middle of the day and would prefer a kind of gourmet light dish or sandwich, while enjoying a pleasant and relaxing break during their working day.
- ❖ People leave the nightclubs and find out that there is no place available to have breakfast nearby, in the first morning hours.

Appendix XI

Interview performed by email to the CEO of Il Caffé di Roma:⁷⁷

What is the strategy followed by the company? What are the key characteristics that determine market attractiveness for Il Caffé di Roma?

The company went through a restructuring process where its strategy is focused in growing through the owned company stores, as well as boosting the franchising business.

Is the company purely focused on coffee and coffee-related drinks? Does the company have plans to extend its core business to other products?

The basis of our business is focused in coffee products since we are a coffee shops specialized chain, however we always try to be innovative by creating new products and especially in improving its quality, as a competitive differentiation factor. However, there are some product limitations in shopping centers stores due to the contracted conditions. Nevertheless, in street stores we also offer light meals, tailored to the country specificities but always containing an effort to include Italian ingredients.

What is the most requested meal by consumers in retail stores?

Breakfast and middle afternoon snacks.

What are the main objectives of the company? For instance continuing to grow in the markets it already operates, struggling to increase its market share or grow by entering into untapped markets?

The business can be adapted to various formats additionally to the shopping malls and street stores. We are now going through the process of identifying which models to implement.

⁷⁷ Questions were sent by email to Il Caffé di Roma and forward to the CEO by the marketing department. Answers were obtained in 5th November 2010.

The company's objective is to develop coffee shops models not yet explored. The malls stores used to be more interesting in the past. Nowadays, although the boost on the number of shopping centers brought an increase in revenues, that was not proportional to the number of malls opened, since there is an increased dispersion of customers.

In the long and short terms, what are the financial objectives and what are the preferential areas of investment for the company?

The preferential investment of the brand will be opening a "flag ship store" in a "Premium" area of Lisbon that will bring a new concept for Lavazza brand. The company's investments might also include the purchase of another chain operating in this sector.

How does the company perceive the market and its development? Do you believe it is still growing, already saturated, little explored?

There is already some saturation in this market, where the way to grow is through differentiation and quality.

Today nearly all restaurant concepts have cafeterias, see the example of McDonalds which has created within their stores the McCafé. Our growth passes through having an excellent service and a high-quality product. Recalling the example of shopping centers, we want people to choose Il Caffé di Roma to have their coffee and dessert, after consuming their meals in the other restaurants.

What is the company target market?

Il Caffé di Roma detains a very broad audience depending on the day of the week and the time of day. Our customers range from 20 to 60 years.

How does the company deal with other companies operating in this business sector in a competitive perspective? What are the major competitors, in your

perspective?

In Portugal, our main competitors in shopping centers are Jerónimo coffee shops and Nicola Gourmet. We believe that all brands have particular qualities but we know that for true coffee lovers' consumers, we are able to offer added value relative to other brands. Moreover, our "baristas" (employees) are trained to design and prepare unique products with a higher quality than the remaining competitors.

In terms of features and capabilities, which are the main strengths and weaknesses of this company?

Our main strengths are the fact that we belong to an important international group leader in the coffee sector and that our brand detains very good reputation in Portugal. Moreover we are able to offer cozy and attractive spaces in consolidated shopping centers and high quality products to our customers.

Our main weaknesses are the fact that we face a high staff turnover rate and also the fact that our network has presented a slow growth in the past two years.

Appendix XII:

Interview with the CEO of Magnolia Caffé, Mr. Pedro Pinto:⁷⁸

1. What is the most requested meal by consumers in retail stores?

For Magnolia Caffé the most requested meal is lunch. This meal actually represents about 60% of our revenues.

2. What is the company target market?

⁷⁸ Interview was performed face-to-face in 10th November 2010 within the space of Magnolia Caffé (Miguel Bombarda).

I believe our target market is constituted by an urban cosmopolite population that has service-related jobs. A considerable percentage of our customers are independent professionals but third-party workers are also an important audience

3. What is the core business of the company? Does the company has plans to extend its core business to other products?

Our mantra is selling comfort, however obviously the core is selling food. We are focused in offering meals adapted to customers' lifestyles and at any time of the day. If someone wants to grab a salad at 4 p.m., he is welcome to do it. However, between 12 and 3 p.m. tables are assigned to lunch time to avoid people that only go to the stores for a cup of coffee.

4. What is the growth strategy followed by the company?

It is funny indeed, we follow a similar strategy to the one Starbuck does. I do not intend to launch the business in other cities before I have explored enough Lisbon. Geographic expansion demands a huge supervision effort.

5. What are the main objectives of the company in strategic, financial, commercial and operational levels, for instance in terms of market share?

Market share is very difficult to define in this market, since the business sector is so widespread. It does not make sense to think in market shares in a market with so many players. We are making an effort to penetrate the market at night, attract people to the dinner meal and also an audience that would stop in Magnolia before going out.

6. What are the major competitors for Magnolia Caffé, in your perspective?

The major competitor in my point of view at the moment is the lunchbox. People take lunch from home and have the meal in the office. This trend is quite recent and was especially felt during the last two years.

However, the main competitors would be the companies that are located in a near location to Magnolia Caffé stores, since I believe between 70 to 80% of our clients live or work nearby our locations.

7. For instance, consider Starbucks, which offers a similar comfort and elegant environment that Magnolia is offering. Have revenues declined for Magnolia Caffé store in Restauradores since the Starbucks shop opened in Rossio?

No, not really. However, the Magnolia in Restauradores is a quite different concept and it reflects a different positioning from Starbucks. I would not be worried if a Starbucks opened near the store in Miguel Bombarda either. Starbucks products are different and they charge premium prices, so I believe most of our consumers would still prefer Magnolia Brand. Yet a lot of other aspects would have to be considered, if that store is saturated, its service, quality and several other that influence customer decision.

8. In terms of features and capabilities, which are the main strengths and weaknesses of this company?

I believe the main problem for Magnolia Caffé still is a low scale; we need to open more stores. To attain economies of scale I would say it is necessary to reach 5 Millions Euros of revenues and by now we are still wedged on 3 Million Euros. Only with a higher scale, we can control more the costs and release some resources to the commercial activities, to control and supervision. Besides we would have more negotiation power with suppliers and the brand notoriety would be also improved. It is a vicious cycle.

Our main strength I believe is the know-how that is intrinsic to the brand and constitutes its DNA. Indeed, know-how takes a long time to acquire; the learning curve is very slow in this business sector. In our company, the knowledge about the processes and the

savoir-faire makes that opening a new store can be actually quite simple, like adding one more carriage to the train. I believe our know-how is even superior to our dimension; since some brands that have a great dimension do not detain our DNA. For my company, the brand notoriety is much greater than our dimension; it is an unbalanced relationship but a positive one that should be leveraged.

9. How does the company perceive the market and its development? Do you believe it is still growing, already saturated, little explored?

Consumption has retreated, the market declined in the last three years. The statistics show that consumption in the restaurant market has dropped a lot. Some brands however managed to grow such as McDonalds because of its pricing strategy H3 is also another example, but it is a very different case.

10. I shall now address the cost structure of the company ... I understand that much of this information cannot be disclosed... But I would really appreciate if you could approximate some facts and give some general insights about this business sector. First, I would like to know, what is the weight assigned to fixed costs and variable costs?

In the general restaurant market, I would say that 25% of the costs are dedicated to outsourced supplies and services, 25% are labor costs and 25% are food costs. The remaining should be dedicated to amortize the investment and to costs related to Marketing, Supervision, accounting and administrative services.

However, I do not know anyone that can attain this percentage for the food costs. Only a chain with a huge dimension can manage to attain it. What Magnolia Caffé faces is obviously different from this and it is indeed a permanent struggle.

11. In terms of labor costs, what management and minimization efforts are done?

The workforce generally detains a job contract. But turnover is so high in this business sector, that if we want to reduce the workforce we simple do not substitute the worker when he leaves. However we want to minimize the employee turnover. Our human resources policy is based on a reward system. We have created a lot of incentives and prizes, concerning for instance not breaking tableware or attaining a certain revenue level. Also, we want to maintain a stable workforce, so we want to preserve our employees satisfied. That is why 70 to 80% of the human resources are stable and represent fixed costs and only about 20% of the labor costs are variable. We also have established a training plan for the workforce within our Human Resources policy.

12. How are fixed costs in general minimized? And the variables ones?

For instance, a good negotiation of the building renting costs is relevant. But more important, a very strong control of the food cost is required. It is a permanent job. We perform weekly inventories, technical reports are made, we compare theoretical gross margins with real ones, control of deviations, sales mix (we try to sell products that offer a superior gross margin.).

13. How are the relationships with suppliers managed? Are there any exclusivity contracts, contracted prices? What are the agreed days' purchases outstanding for payment? How negotiations with suppliers handled?

We pursue contracted prices but it is very hard, especially when we are talking about fresh products. For instance, during the summer the Orange price increases a lot, from 0,45 € to 0,90€. We have exclusivity contracts in two cases and the agreed days' purchases outstanding for payment are between 60-90 days but that depends at lot on the scale. For instance, a big company such as Ibersol usually benefits of 120 agreed days .

14. What is core to Magnolia Caffé and what works in outsourcing?

We pursue outsourcing in many activities, unless it increases a lot the cost or jeopardizes quality. The main advantages are obviously to minimize risk, attain product consistency and minimize labor costs. What is really produced here is a business secret.

15. The Magnolia Caffé also contains a business unit focused in events management. How important is this segment to total revenues?

At this moment I believe it already represents 5% of the revenues

16. What are the additional costs of operating this segment?

It involves very few marginal costs.

17. What are the critical success factors for the company?

I call it QIDS.⁷⁹ Our critical success factors are based on quality, innovation, distinctiveness and sympathy of our employees. All these factors are important but quality and sympathy are the main ones. These factors cannot fail otherwise revenues would obviously suffer. Innovation means also that we have to renovate our product line. We cannot renovate everyday obviously, but we cannot maintain the same line during five years, to avoid people getting tired of the brand.

18. What are the most important business processes?

Training and supervision are the most important ones. Yet, being always attentive to the environment and the consumer needs is also crucial, which is actually my job.

19. In terms of the operating process, what is the standard sequence followed?

What are the main risks?

Negotiations are made globally. Raw materials negotiations and its prices are agreed for all the stores. Then, in the stores they receive the information that a certain supplier is

⁷⁹ In the Portuguese language but also in the English language this stands for: quality, innovation, distinctiveness and sympathy

available for a certain raw material. One or two persons are in charge of planning the orders. Weekly inventories are performed, in order to calculate the requirements. Finally they introduce the orders in the computer system. Those orders are done weekly and deliveries are performed during the whole week.

20. What is the value chain of the company? What are the critical steps for you in this value chain? It was important for me to see what percentage of the cost is assigned to one of the activities, even if not exact?

Looking to this scheme (Porter value chain framework) I would say that those primary activities reflect 75% of the cost of all activities while 15% are traduced by the support activities. These support activities represent costs that are common to all the stores of the chain. This means a margin of 10%.

Appendix XIII:

Computation of the Potential market:

The city of Porto is the center of a major metropolitan area with 1.8 million inhabitants⁸⁰, where 210.558⁸¹ people live. Moreover, according to a research report by INE, 132.000 people penetrate daily in the urban area to work or study.⁸² So considering both city inhabitants and commuters and recalling the percentage of Portuguese people that assumes to have breakfast everyday; 91% as exposed in the environmental context, the potential market in Porto was sized as 311.728 individuals.

$$(210.558 + 132.000) \times 91\% = 311.728$$

⁸⁰ Data concerning the year of 2007 available in www.marktest.com

⁸¹ Data concerning the year of 2009 available in www.ine.pt

⁸² Data concerning the year of 2001 available in Retrato da Área Metropolitana do Porto by Instituto Nacional de Estatística.

In what concerns Lisbon, the capital city houses 479.884⁸³ inhabitants and receives 369.154⁸⁴ commuters everyday. Applying the same line of thought, it is assumed that 91% of the city inhabitants and commuters have breakfast everyday which leads to the conclusion that the Lisbon potential market encompasses 772.625 customers.

$$(479.884 + 369.154) \times 91\% = 772.625$$

Appendix XIV:

Market Segmentation Criteria:

❖ Geographic criteria

- People that either live in the city of Oporto or Lisbon or that penetrate daily in these urban area to work or study

❖ Demographic criteria

Age:

- <18
- 18-24
- 25-44
- 45- 64
- ≥65

⁸³ Data concerning the year of 2009 available in www.ine.pt

⁸⁴ Data concerning the year of 2001 available in Movimentos pendulares na Área Metropolitana de Lisboa, 1991-2001 by INE. http://www.xiradania.org/doc_sintese_movs_pend_aml.pdf

Income

- \leq €7.000 annual income
-]€7.000 - € 10.000] annual income
-]€ 10.000 - € 16.000] annual income
-]€ 16.000 - € 28.000] annual income
- $>$ € 28.000 annual income

Occupation

- Employed
- Students
- Housewives
- Retirees
- Unemployed

❖ Psychographic Criteria**Social Class**

- Upper Class
- Upper Middle Class
- Middle Class
- Lower Middle Class
- Lower Class

Customer Personality regarding health issues:

- Health-concerned
- Not-health concerned

Customer Personality regarding interest in culture:

- Intellectual/Culture lover
- Not really interested in culture

❖ Behavioral Criteria

Frequency per week that the customer has breakfast:

- None
- 1-3
- 4-6
- Always

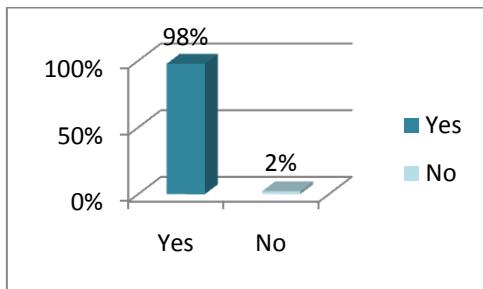
Benefits sought:

- Quality products
- Cost Minimization
- Convenience
- Balance and completeness
- Sophistication/ a delightful experience
-

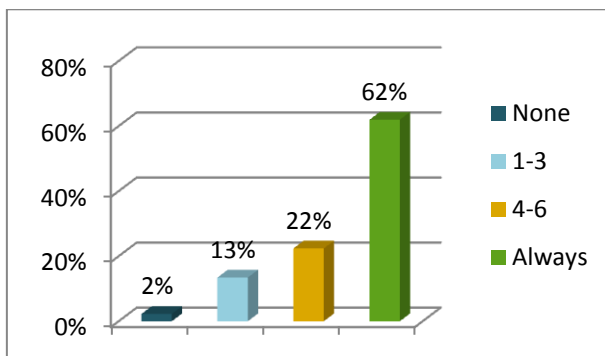
Appendix XV:

Survey performed between 26th October and 1st December, which inquired 137 individuals.

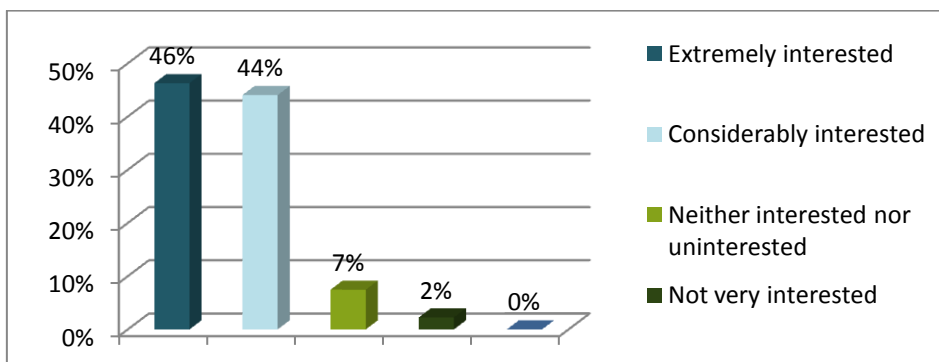
1. Do you usually have breakfast?⁸⁵



2. How many times per week do you usually have breakfast?

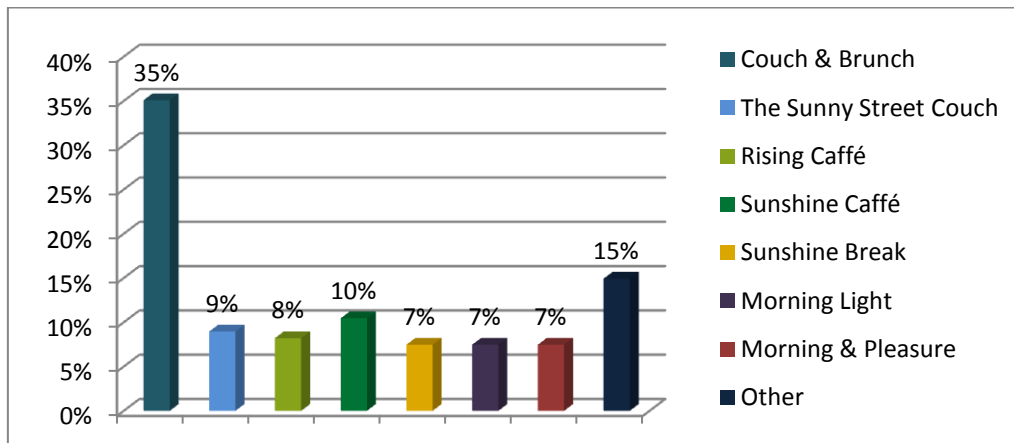


3. Consider the existence of a restaurant chain specialized in breakfast placed in a central location and offering both take-out service and home delivery. Consider both stores and service will be available between 6 a.m. and 4 p.m., offering an entertainment area that proposes a "reading corner" (books, magazines and newspapers), Wi-Fi and art expositions. Rate your interest in this concept:



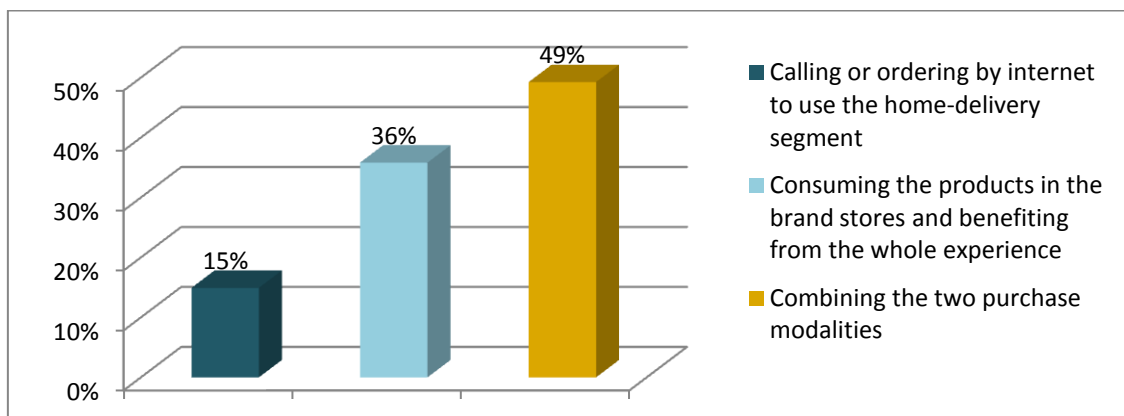
⁸⁵ People that answered no to this first question would stop answering the survey at this point.

4. As a consumer, what name would you like to give this breakfast chain?

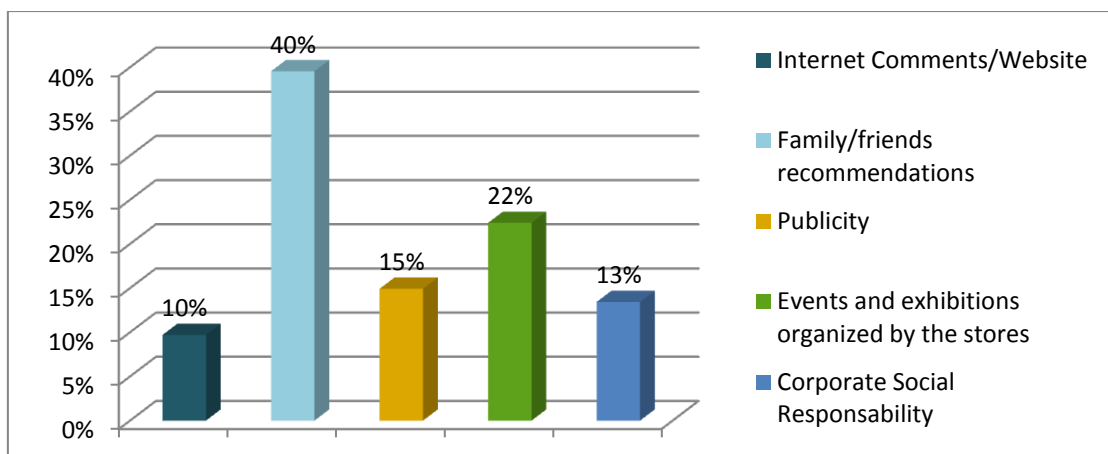


Note: Some of the inquired people suggested a Portuguese name for the breakfast chain. However, given the expansion opportunities that might come up abroad in the future, one has decided that the chain should settle on an English name, easily and globally understood.

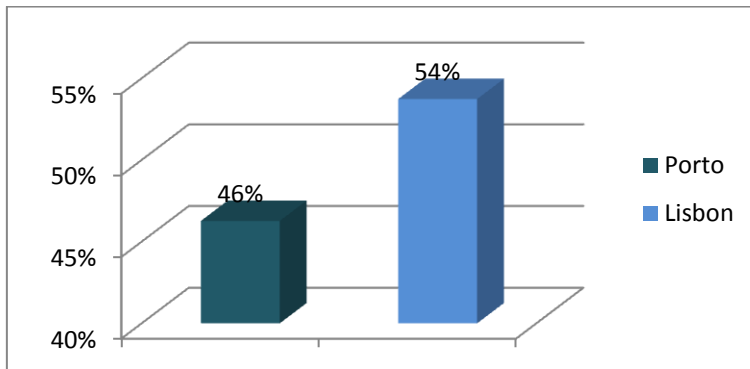
5. If you wanted to use this service, which purchase method would you prefer?



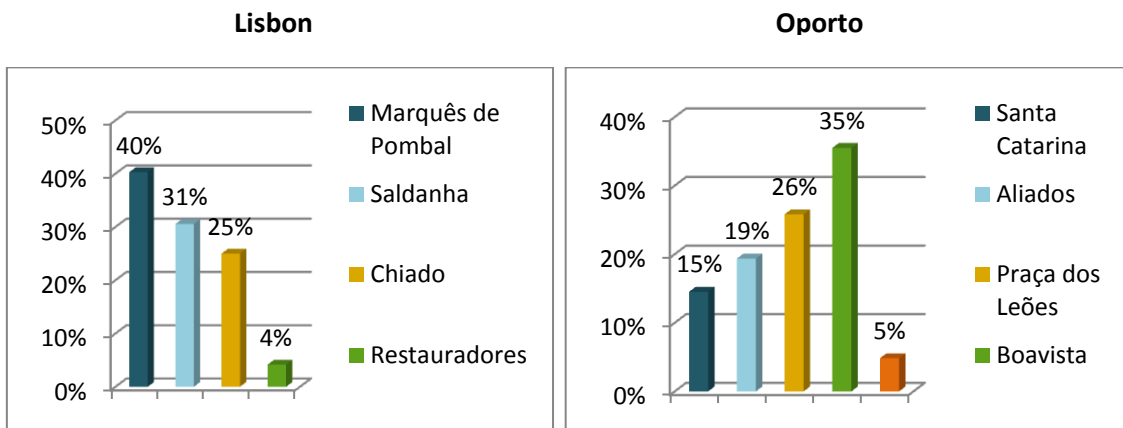
6. What could influence the most your decision to use the chain services?



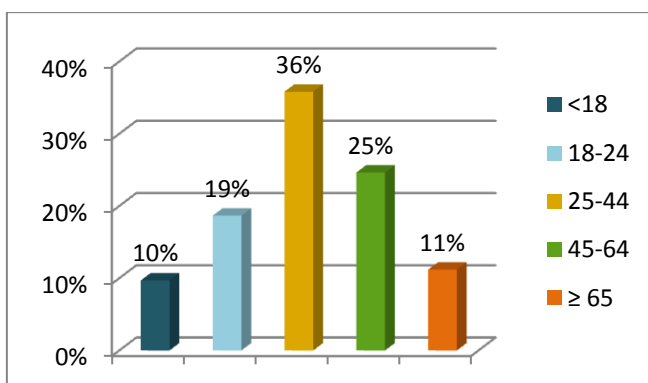
7. Select your area:



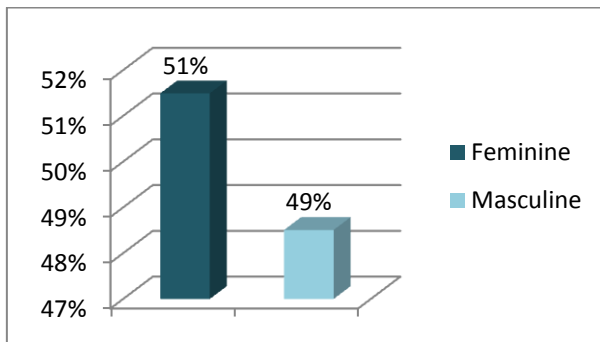
8. What is the appropriate location for this service in order to allow a frequent and convenient use?



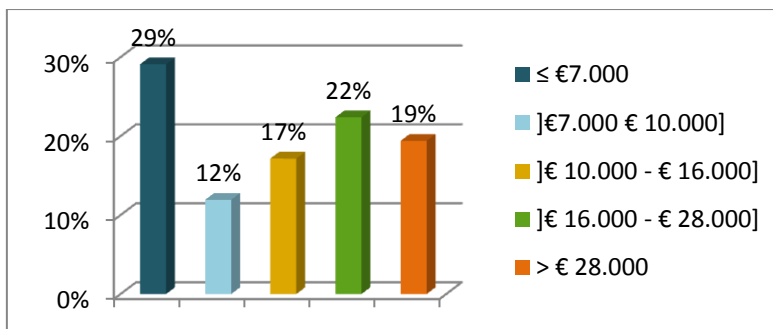
9. Select the age range you belong:



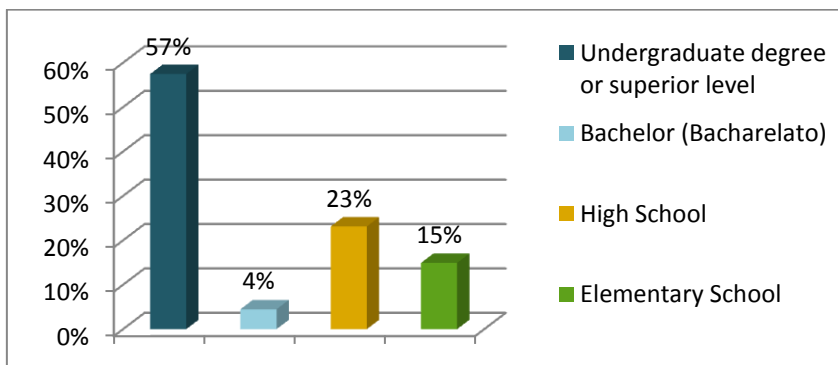
10. What is your gender?



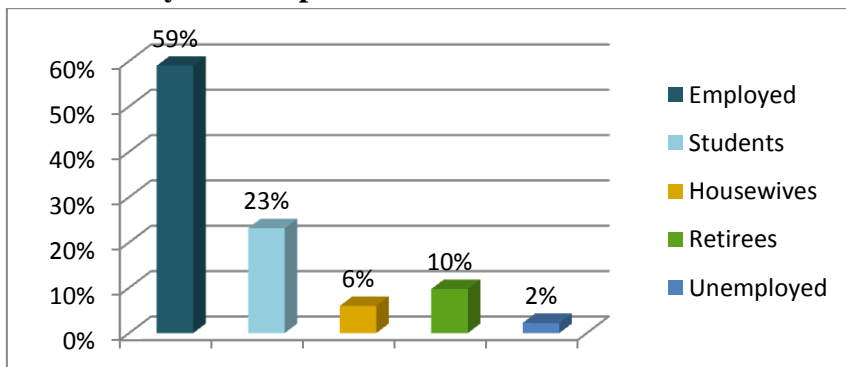
11. Select the average annual income range you earn:



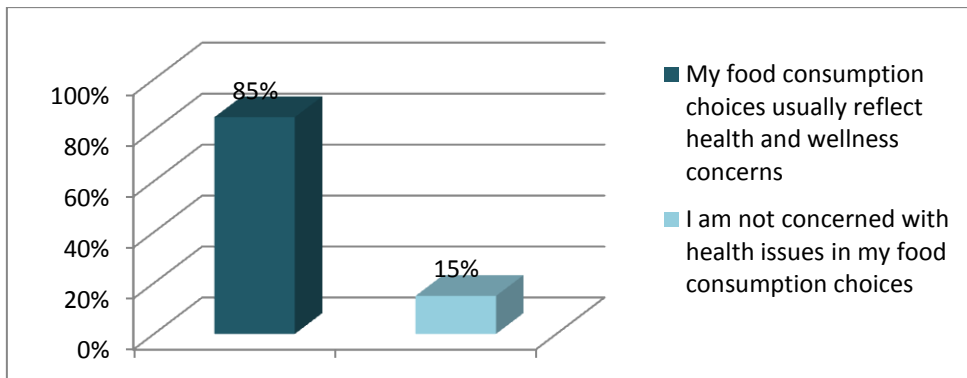
12. What is your education level (Complete or in progress)?



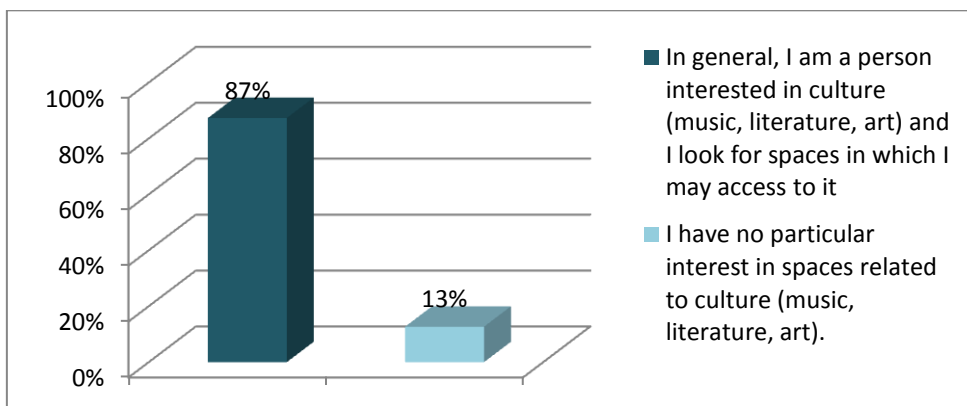
13. What is your occupation?



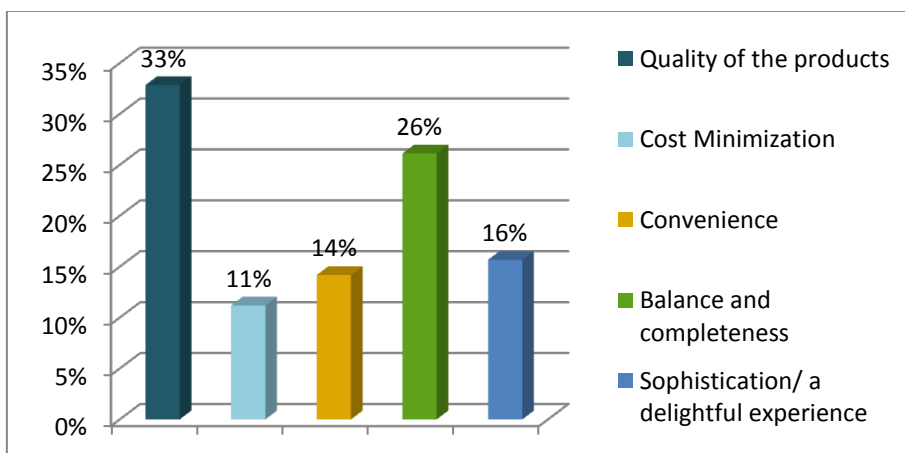
14. As a consumer in which of these groups do you consider yourself to be better characterized:



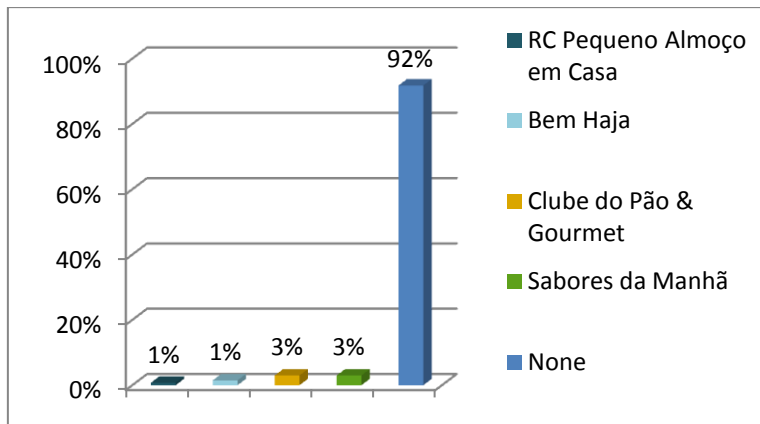
15. As a consumer in which of these group do you consider yourself to be better characterized:



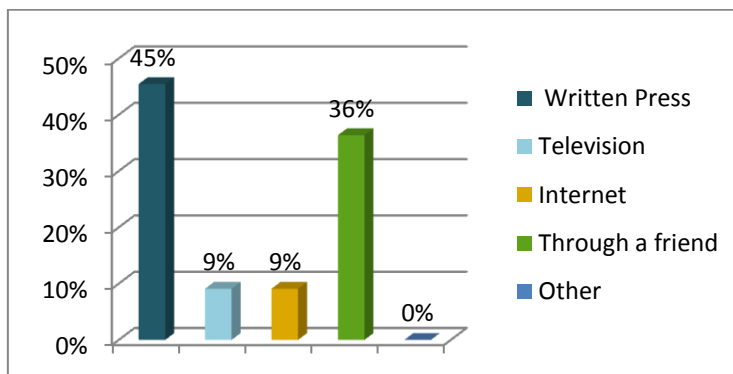
16. The most important value in my breakfast choices is:



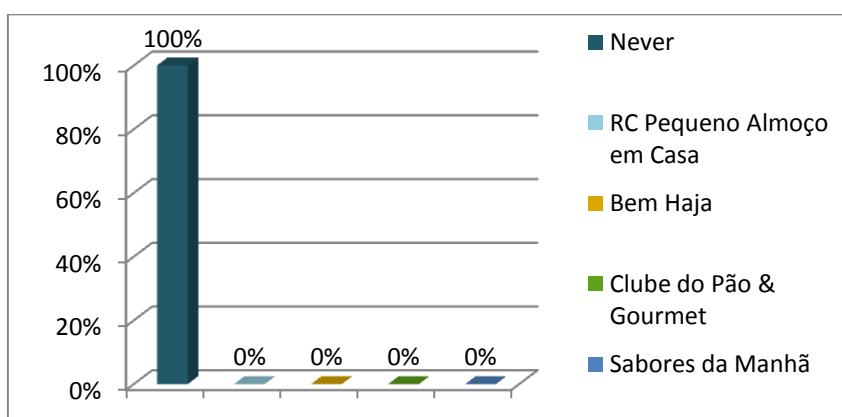
17. These companies perform breakfast deliveries in consumers' home. Select those that you are familiar with:



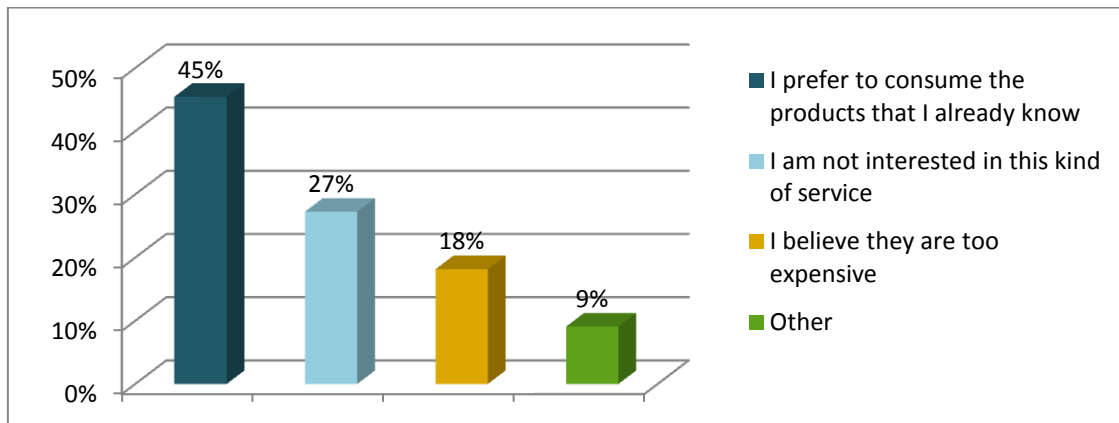
18. How do you know these companies?



19. Have you ever tried one of these services? Select all that you have tried.

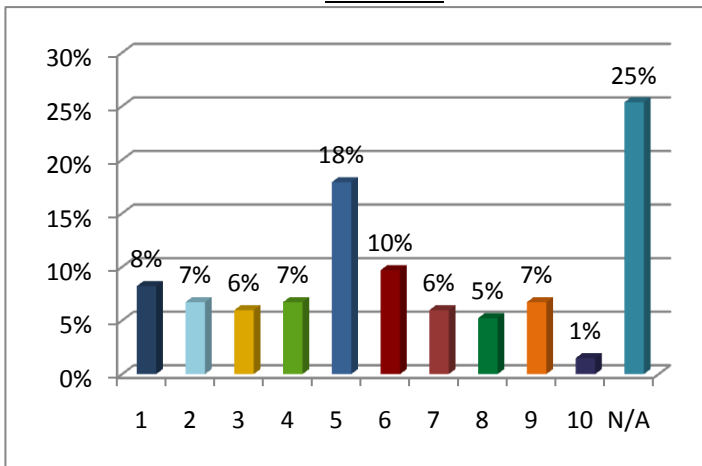


20. Why have you never tried these services?⁸⁶

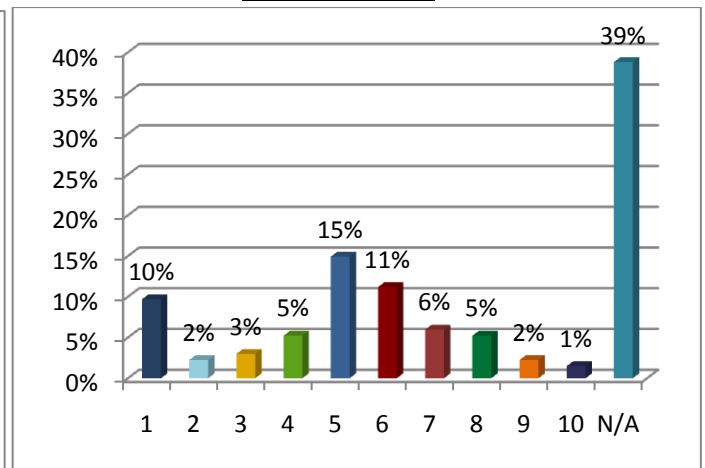


21. Rate your preferences concerning these stores where is possible have breakfast:

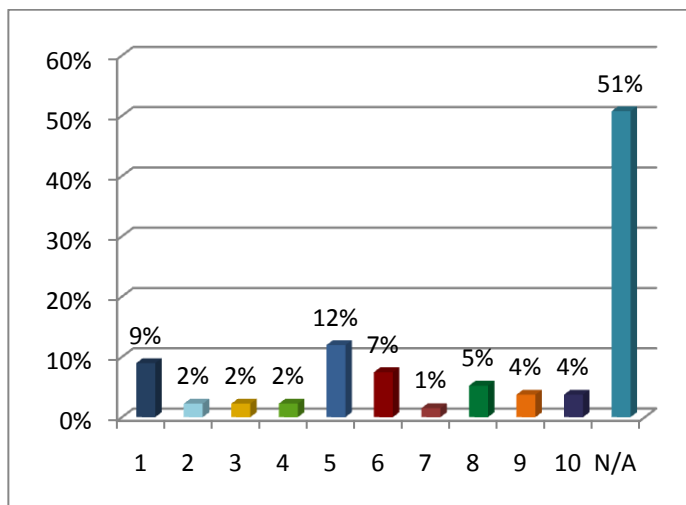
Starbucks



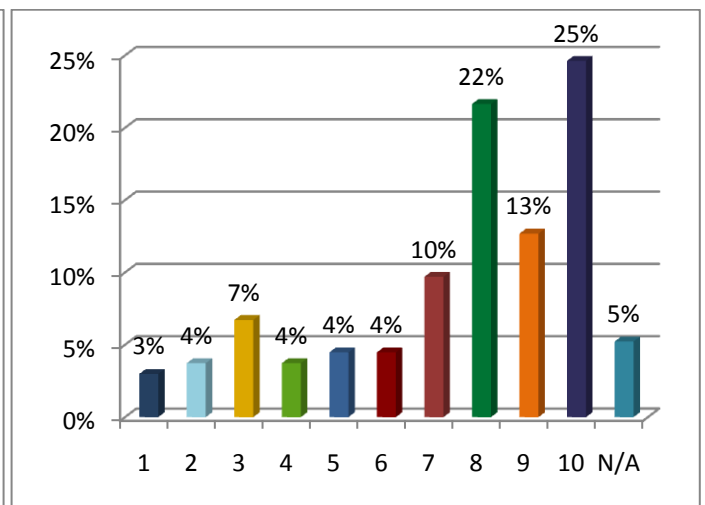
Il Caffé di Roma



Magnolia Caffé



Bakeries, pastries and coffee stores in general

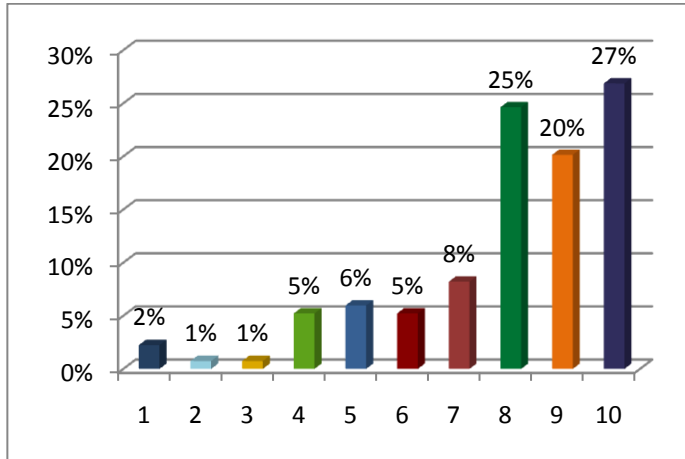


⁸⁶ The inquired person, who has answered 'other', has stated that she has never tried those services just because she has never remembered to do that.

22. Evaluate according to your preferences some of the products offered by the new breakfast chain:

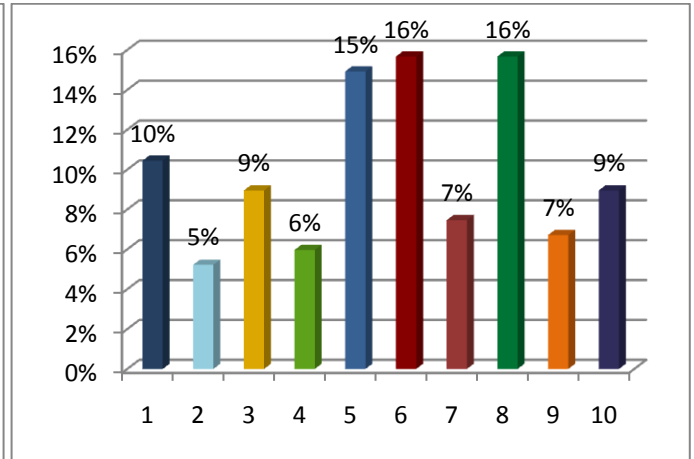
Traditional breakfast

(bread/pastries, coffee and milk)



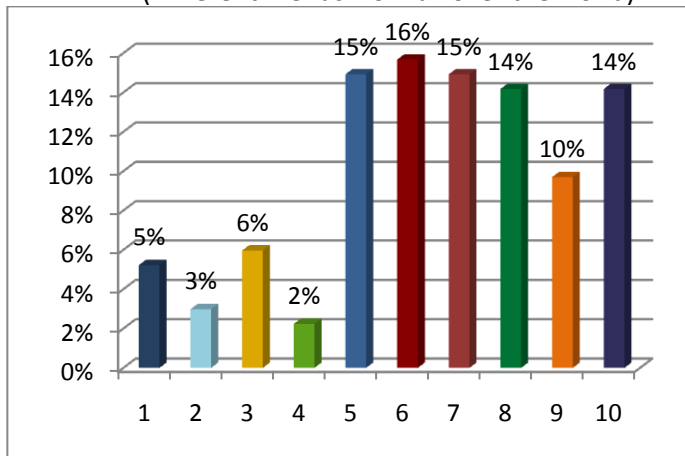
Bio menu

(Biological products)



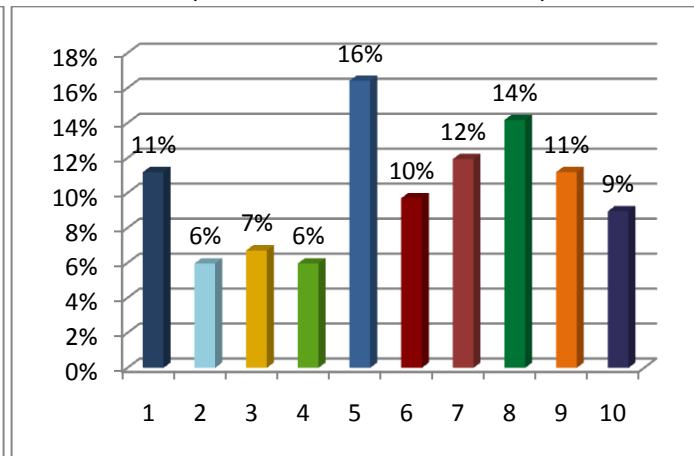
International menus

(Different menus from all over the world)

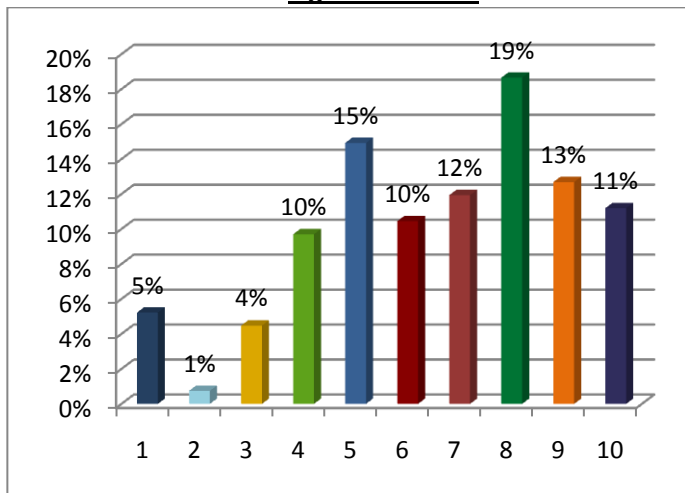


Light menu

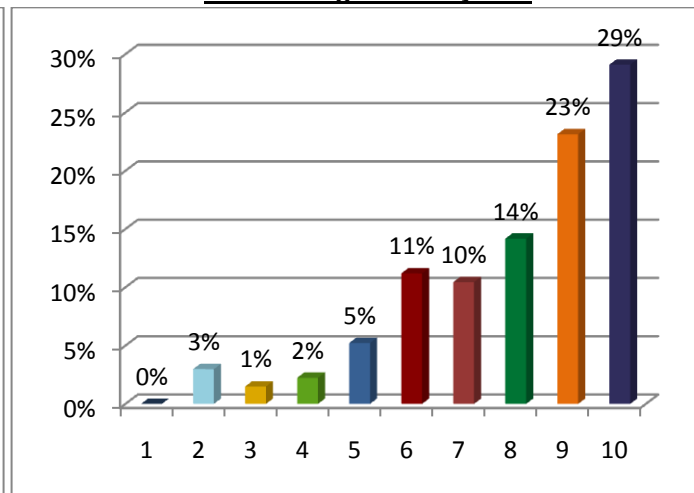
(Low calories breakfast menu)



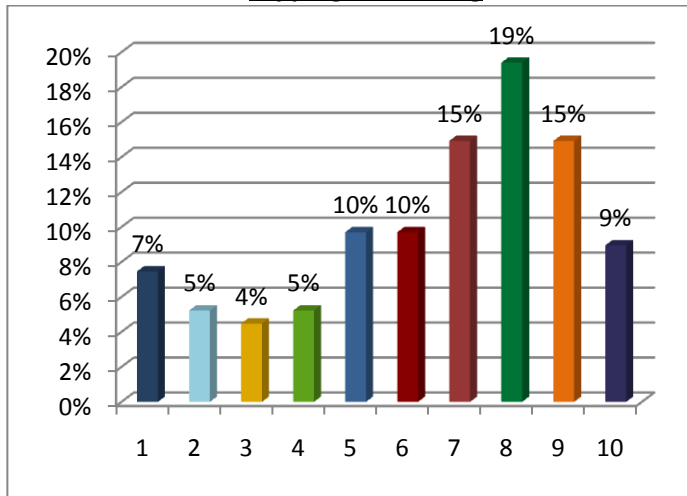
Signature items



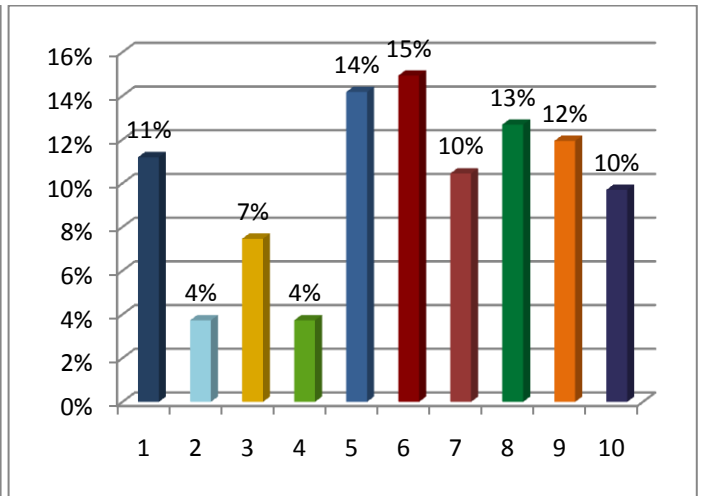
A wide range of fruit juices



Pancakes with a wide range of toppings and filling



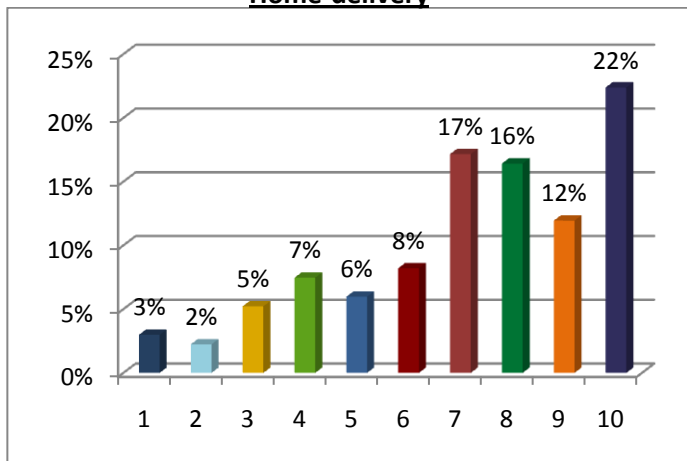
Egg Dishes



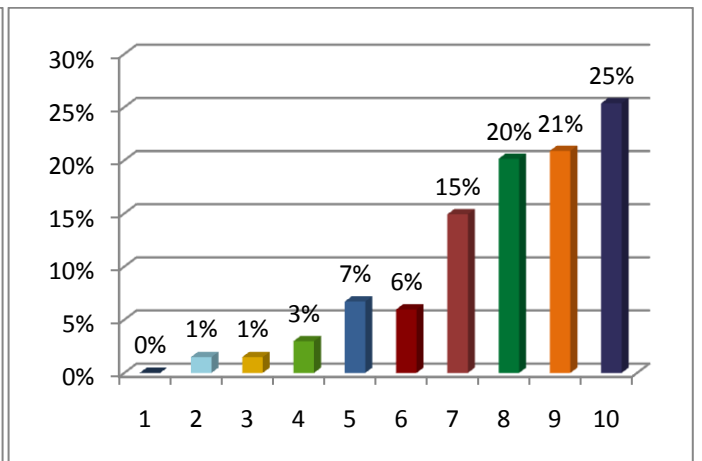
23. Evaluate according to your preferences some of the services offered by the new

breakfast chain:

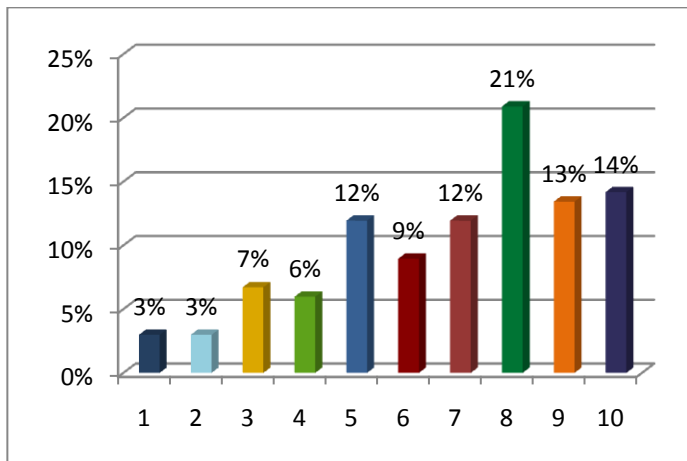
Home-delivery



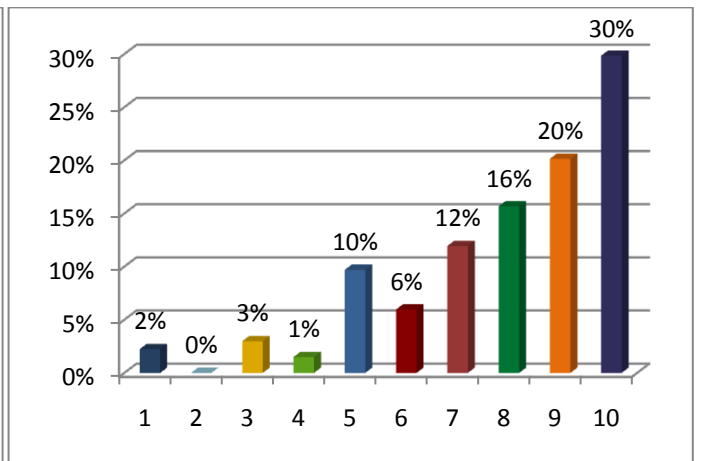
Reading Corner



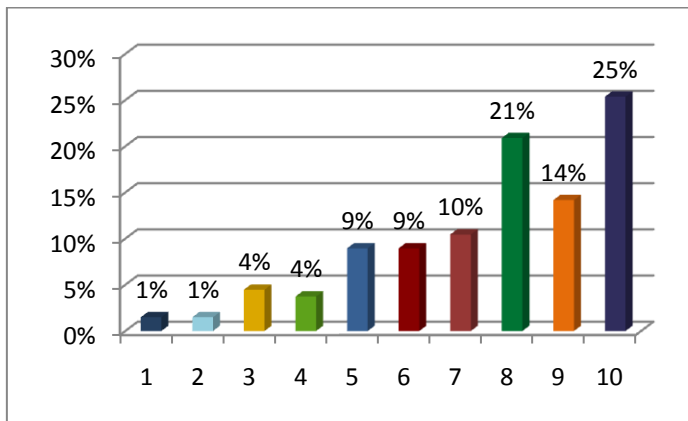
Art Exhibitions



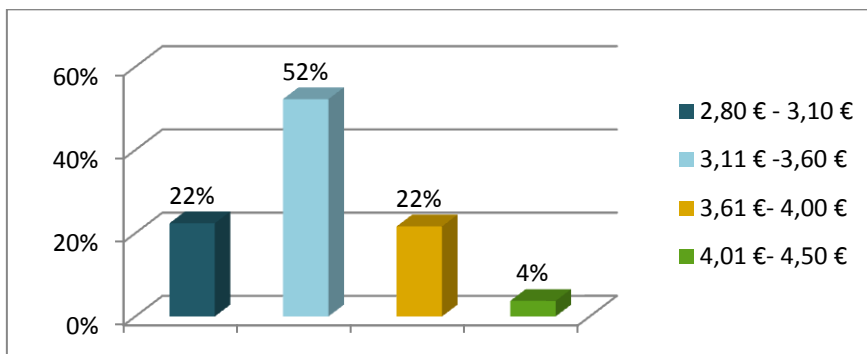
Wi-Fi Service



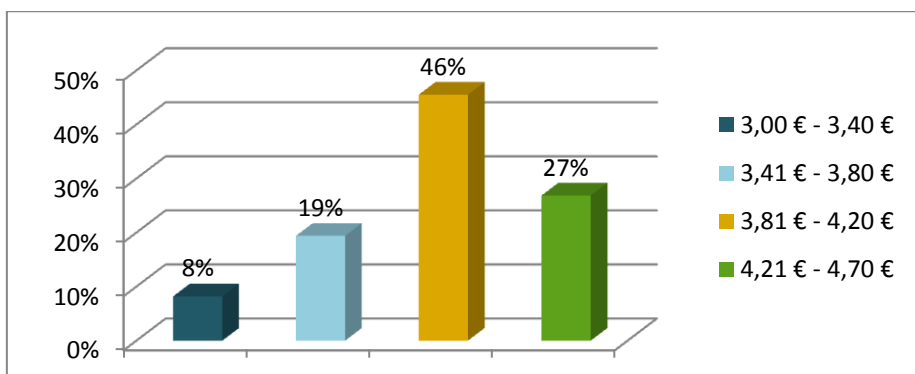
Corporate Social Responsibility



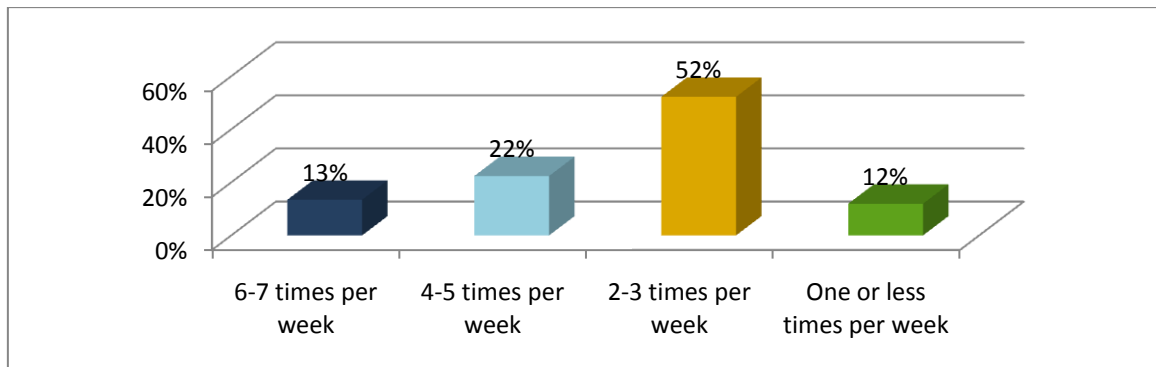
24. What is the maximum price you would be willing to pay for a traditional breakfast menu (Fruit juice, tea or coffee or drink related and sandwich or pastry product)?



25. What is the maximum price you would be willing to pay for a more refined breakfast menu (e.g., international menu) that would include waffles, pancakes or egg dishes?

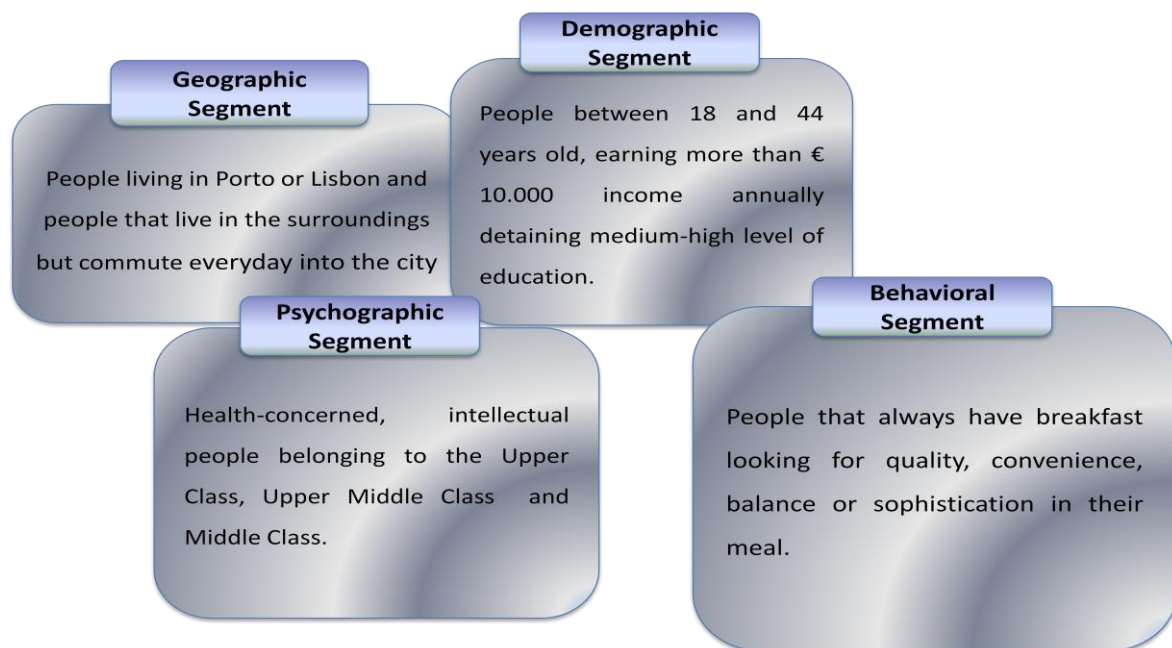


26. How many times per week do you believe you would averagely use Couch&Brunch services (considering all the purchase methods)?



Appendix XVI:

The Target Market Computation:



The potential market was previously computed in 772.625 citizens to Lisbon and 311.728 in Porto. Recalling a Marktest study that revealed the division of the Portuguese people in classes across the country in 2004, the following data was found:

Lisbon		Porto	
Upper and upper middle Class	28%	Upper and upper middle Class	17%
Middle Class	30%	Middle Class	26%
Lower middle Class	24%	Lower middle Class	34%
Lower Class	18%	Lower Class	23%

Considering the upper, upper middle Class and middle class categories (58% for Lisbon and 43% in Porto), one can assume that in Lisbon exist 448.123 individuals living in the city or commuting everyday into it from the surroundings, that have breakfast everyday and belong to Middle, Upper middle or Upper social classes, whereas in Porto 134.043 citizens respect the same criteria.

The remaining computation of the target market, concerning the criteria not yet covered was done through survey resort.

The crossing results of the survey presented in the previous appendix exposed that 24.63% of the inquired individuals belonged to the target segment, since they simultaneously detained the following characteristics:

- ❖ They belong to one of these age ranges: 18-24 or 25-64 (Question 9)
- ❖ They earn more than 10.000 € annually (Question 11)
- ❖ They either completed or are in progress of completing a medium-high level of education: which includes a bachelor degree, an undergraduate degree or superior level. (Question 12)
- ❖ They are currently employed or students (Question 13)
- ❖ They confess that their food consumption choices usually reflect health and wellness concerns (Question 14)
- ❖ They affirm being interested in culture (music, literature, art) and looking for spaces in which is possible access to it (Question 15)

- ❖ In their breakfast consumption they look for one of these values: Quality of the products, convenience, balance and completeness and sophistication/a delightful experience. (Question 16)

The percentage of individuals realizing the whole subset of these characteristics (24.63%) leads to the following final computation of the target market:

City	Target Market
Lisbon	110.373
Porto	33.015

Appendix XVII:

Couch&Brunch Product & Services Portfolio

MENU

Fruit Juices

One Flavor:

- Strawberry
- Mango
- Orange
- Peach
- Apple
- Grape
- Blueberry
- Kiwi
- Cherry
- Pineapple
- Pear
- Plum
- Guava



Blends:

- Mango orange Juice
- Strawberry Banana Juice
- Melon Mango Juice
- Strawberry grapefruit Juice
- Watermelon lemon Juice
- Banana Orange Juice
- Peaches and white grapes juice
- Tropical Juice (kiwi, banana and pineapple)
- Energizing juice (Banana, peach and apples juice)



Coffee Drinks

- Caffè Espresso
- Espresso Macchiato (café pingado)
- Espresso with Cream (café com natas)
- Caffè Americano
- Latte Macchiato (Café com leite)
- Cappuccino
- Mocaccino (Caffè Mocha)
- Cinnamon Caffè
- Irish coffee



Teas

- Lemon Grass tea
- White tea
- Black tea
- Green tea
- Lemon tea
- Apple Cinnamon tea
- English breakfast tea



The Fluffy Pancakes

Toppings and fillings to choose:

- Butter
- Honey Butter
- Yogurt
- Cream Cheese
- Apple Cinnamon Syrup
- Blueberry Syrup
- Cherry Sauce
- Chocolate Peanut Butter
- Cinnamon Honey Butter
- Cinnamon Maple Butter
- Coconut Syrup
- Banana
- Orange-Honey Syrup
- Orange Sauce



- Pineapple Syrup
- Strawberry Butter
- Sugar And Lemon Juice
- Applesauce
- Powdered Sugar
- Fruit Preserve Syrup
- Brown Sugar Syrup
- Buttermilk Syrup
- Whipped Cream And Fresh Fruit

The Tasty Waffles

Toppings to choose:

- Chocolate
- Banana
- Strawberry
- Peanut Butter
- Cinnamon
- Butter
- Blueberry
- Macadamia
- Cheese
- Bacon



The Toasts or Sandwiches

- Butter
- Cheese



- Ham Ham and cheese
- Tomato, olive oil, cheese and oreganos
- Ham, olive oil, cheese
- Butter, cheese and herbs

The pastries:

- Plain Croissant
- Croissant with cream
- Chocolate Croissant
- ‘Pastel de Nata’
- Cinnamon and apple cake
- Chocolate Cake
- Blueberry Cheesecake



Our Creations...

- Dulcet: blueberry-filled pastry roll
- Fancy B: Scrambled eggs with stuffed tomatoes with goat cheese
- Brunch Bite: Special toast with goat cheese, tomato and fine herbs

Egg Dishes

- Simple Scrambled Eggs
- Scrambled Eggs with cheese
- Scrambled Eggs with cheese and bacon
- Cheese Omelet



- Grilled egg with ham
- Grilled egg, bacon and bread
- Eggs, Bacon, Onions, Green Peppers and Cheddar Cheese
- Huevos Rancheros: Two Eggs over Tortillas and Black Beans with a side of Salsa. Smothered with green Chile & Cheese.

International Menus

- **Australian breakfast**

Tea or coffee, bacon and fried eggs, toast with butter and jam

- **American breakfast**

Coffee or tea or milk, scrambled eggs with bacon, fruit juice , pancakes with topping/filling to choose

- **Mexican breakfast**

Huevos Rancheros, pan dulce (sweet bread), fresh fruit, fruit juice, *café de olla* (with cinnamon and brown sugar).

- **Argentinean Breakfast**

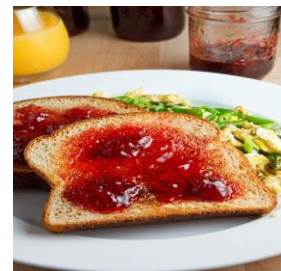
Coffee with milk or Submarino (steamed milk with a bittersweet chocolate bar melted into it), pan dulce (sweet bread), medialunas (sweet small croissants)

- **Russian breakfast**

Coffee or tea, black bread, sausages, fried eggs and cucumber pickles

- **Scottish breakfast**

Tea or coffee, scones, brown bread with butter



- **German breakfast**

Soft-boiled eggs, bread with butter and jam, fruit, fruit juice, tea or coffee or hot chocolate or milk

- **French breakfast**

French croissants, butter and jam, café au lait (coffee with milk) and fruit juice



- **English breakfast**

Grilled bacon, sausage, Scrambled eggs and grilled tomato, tea or coffee, toast with butter, honey, jam or marmalade

- **Italian breakfast**

Cappuccino, brioche, toast with butter and marmalade and fruit juice



- **Spanish breakfast**

Pan with olive oil and tomato, ham, coffee with milk and chocolate con churros

The Couch&Brunch Services

- Wi-Fi Service
- Art Exhibitions (every month a new artist is performed)
- Reading Corner (Books, Newspapers and magazines available in Portuguese and some other languages)
- Corporate Social Responsibility (booklet about the social cause, Fundação Calouste Gulbenkian and the artist that is being exhibited)



- Delivery Service (home, companies, special events, etc)
- Take - out service (possibility of taking the products immediately out of the stores in plastic and card packages
- The international Fridays (A brochure about the country and its breakfast gastronomy will be distributed to the countries, typical music will be playing during the working hours and some simple characteristic decoration in the store will be placed)
- The Brunch Moment (available from 11 a.m. to 3 p.m. on Saturdays and Sundays)

Appendix XVIII:

KPI's for processes assessment:

In order to understand whether the organization is on track or not in a range of crucial areas of its processes mapping, a set of Key Performance Indicators (KPI's) were established. Defining those KPI's can detain indeed a substantial importance since they will allow a performance assessment giving room for future improvement and learning and control and monitoring efforts.

❖ KPI Planning

1. Food Spoilage %

This indicator can be easily measured by computing the percentage of food that was spoiled due to its perishable nature.

2. Stock Value

This indicator is measured through an accounting of the stock hold in the end of a week.

This metric not only evaluates the accuracy of the planning but also give inputs about what has to be sell in a short period of time.

❖ KPI Suppliers

1. Substandard Raw materials

This indicator measures the percentage of raw materials that has to be returned to the suppliers due to poor quality or poor conditions at the moment of reception. The metric is computed individually by supplier.

2. Lateness of supplier deliveries

This indicator is measured by computing the % of times a certain supplier has delivered the raw materials with lateness.

3. Accuracy of the supplier:

This measure computes the % of times a certain supplier has delivered erroneously, meaning that its actual deliveries didn't match Couch&Brunch orders.

4. Reliability of suppliers

Reliability of suppliers will be computed through a weighted average of the indicators above: Substandard Raw materials, Lateness of supplier deliveries and Accuracy of the supplier. Again this will be measured by individual supplier attributing a weight of 40% to substandard raw materials, 35% to lateness and 25% to its accuracy. The Reliability of Suppliers is finally given by subtracting this weighted average to 1.

❖ KPI Operations

1. Food Cost (%)

This indicator is measured by considering the set of food purchases for the week, the initial and final levels of stock⁸⁷ and comparing them against the week food sales.

Given that the following ratio is calculated to traduce this indicator:

$$\frac{\text{Week food sales}}{\text{Food purchases for the week} + \text{Initial stock} - \text{Final stock}}$$

2. Kitchen productivity (%)

This indicator aims to measure kitchen labor productivity by comparing it against food sales. The following ratio is calculated to traduce this indicator:

$$\frac{\text{Week food sales}}{\text{Kitchen Labor Hours during the week}}$$

3. Substandard of the final dish

This indicator measures the percentage of dishes prepared that not fulfill the requirements and have to be re-prepared which is assessed through the Product inspection/validation activity.

❖ KPI Delivery

1. Time of delivery in the home-delivery segment

This indicator computes the average time consumed between the client orders to the actual delivery moment in the requested address.

⁸⁷ Nevertheless, Couch&Brunch will maintain low stocks, given the perishability of the materials and the strict order procedures inherent to the business.

2. Time of delivery in stores

This indicator computes the average time consumed between the client orders to the actual delivery moment in its seating place in the store.

3. Customer Satisfaction

This Indicator intends to measure the degree of satisfaction of Couch&Brunch Consumers. This can be measured through a brief survey in the clients' web portal

4. Top Customers profile

This indicator aims to track the frequency of use and the spending of top consumers. This can be easily measured in the computer system by covering the customers that use the client passport card.

These indicators defined are now ready-to-use metrics which allow an assessment of how well Couch&Brunch is performing the activities defined in the processes mapping.

Appendix XIX

Operating model characterization:

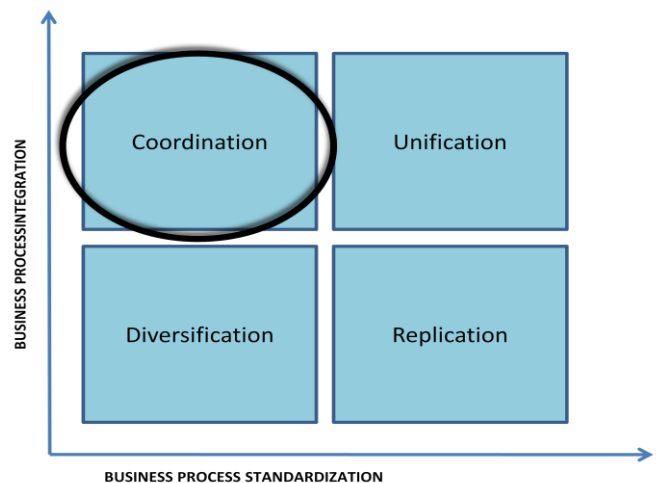
Previously to the appliance of Jeanne W. Ross; Peter Weill; David Robertson model of the operating model characterization one should notice some important points concerning Couch&Brunch business:

- ❖ Low cost, although important, is comprehensibly not the main driver in this business model. The business model pursues the most efficient manner possible, but still focused in providing the best service to the customer, since a certain customization in customer service is required to retain high-valuable customers.

- ❖ Couch&Brunch intends to renovate regularly its products & services line, adding new signature items or simply creating new seasonable offers and processes standardization can somehow sacrifice this purpose.

These assumptions about the business, lead to the adoption of a coordination strategy in what processes are concerned (high integration and low standardization). Indeed, standardization in Couch&Brunch processes could lead to an increased predictability that could limit room for innovation and hazard customer service, whereas integration will potentially lead to an increased efficiency, coordination and transparency in processes, potentiating an improved customer service and enabling a better decision-making to management. Given this, one can briefly point the following features to the business operating model:

- ❖ Business processes are integrated and share customers, suppliers, products and partners.
- ❖ Impact of each business unit in other business units is high
- ❖ Business units perform unique operations that demand unique capabilities.



Appendix XX

The Value Chain Activities:

The following table expresses the primary activities of Couch&Brunch Value Chain and the resulting cost percentage based on those descriptions:

Planning & Inbound Logistics (30%)	This activity includes the outsourced supply and transportation of raw materials to the stores. These outsourced materials will be transported to a small warehouse inside the store, where they will be stored. Standards concerning orders frequency and procedures will lead to a weekly inventory to precise the required orders for the week after.
Operations (20%)	Mainly concerning dishes confection, those tasks are executed within the stores' kitchen by the kitchen employees.
Outbound Logistics (10%)	This activity entails the distribution of the final products and services to the customers which is made through two channels. In the business stores, distribution is performed by the waiters, whereas in the home-delivery segment is executed by the delivery employees in their own motorcycles.
Marketing & Sales (10%)	The organization will follow low-cost marketing strategies, at least, in the beginning. Popularity and reputation will be mainly built through the business seductive concept, art exhibitions, signature items and word of mouth. Additionally, as described before there will be some promotion initiatives aiming to fidelize customers and to bring brand awareness, such as the customer card or e-marketing.
Customer Service (5%)	This activity pursues to strengthen the brand and the products & services offering after sales. This effort will include a platform in the web-site collecting customer opinions and a helpful and well-trained staff focused in providing an excellent service to the customer. In addition to services such as the art exhibitions or the thematic Fridays, one will offer a leaflet to customers containing information about the distinguished country and a brief flyer enclosing information about the artist and his exposed work.

The support activities of the breakfast chain are expressed in the following table

sustaining the exposed cost percentages:

Firm Infrastructure (3%)	This activity entails a broad range of planning and control functions developed by the management team. Indeed, financing activities, corporate strategy, obtainment of funds, accounting and payroll tasks will be developed exclusively by partners.
Human Resources Management (4%)	Human Resources Management activities will be focused not only in employees' supervision and training, but also in motivating and rewarding them. Company employees will have to undergo a training program focusing in quality service, presentation of the dishes, cuisine expertise, behavior and personal presentation, among other aspects. Furthermore, they will be constantly superintended in a performance evaluation and service improvement perspective and rewarded according to this performance appraisal system.
Research & Development (3%)	Research & Development will be focused in quality assurance processes; lowering costs in operations; development of new signature items, new menus or dishes and improvement of the company's layout, website or logo. Research & development can be ultimately useful to the whole value chain, improving each one of the activities.
Procurement & Contract Management Activities (5%)	This crucial business activity is focused in purchasing the required material for firm's operations. Obtaining the right quantity of high quality goods at the appropriate prices, in the right timing and with the correct supplier is a task of maximum importance. Hence, selection and negotiation with suppliers will constitute exclusive partners' responsibility.

Appendix XXI

Split between fixed and variable costs:

The split between fixed and variable costs was based in the following statements by Mr.

Pedro Pinto, Magnolia Caffé CEO:

- ❖ The CEO exposed that in the restaurant market normally a company will aim to dedicate 25% of total costs to the cost of raw materials (cost of sales). However, the businessman added that only a huge restaurant chain can in fact achieve this percentage and normally this component will assume a bigger weight in the cost structure. Given this, Couch and Brunch will admit 30% of the structure to cost of sales, since in a preliminary phase economies of scale in operations will be harder to attain and relationships and negotiations with suppliers will still detain considerable room for improvement.
- ❖ Mr. Pedro Pinto stated that 25% of the costs should concern labor costs and other 25% should regard outsourced supplies and services.
- ❖ The remaining costs are allocated to marketing & sales activities, supervision and administrative functions and accounting services. Furthermore, Mr. Pedro Pinto asserted that a good Human Resources Policy will imply that between 70 to 80 per cent of the workforce will be fixed costs.

Appendix XXII

Estimation of monthly costs:

Having in mind Couch&Brunch business specificities, the following monthly costs were considered:⁸⁸

Description	Cost	Description	Cost
Rent	1.815 €	Rent	2.354 €
Labor costs	10.828 €	Labor costs	10.828 €
Expenses(water, electricity, gas, cleaning, pest control)	1.500 €	Expenses(water, electricity, gas, cleaning, pest control)	1.500 €
Consumables (<i>economato</i>)	500 €	Consumables (<i>economato</i>)	500 €
Multiple risks insurance	300 €	Multiple risks insurance	300 €
Music License	42 €	Music License	42 €
TOTAL	14.985 €	TOTAL	15.524 €
Total (both stores)		30.509 €	

Costs concerning the rent of the building, where the stores will be located were calculated based in the assumption that Couch & Bunch will operate in a store with 250 square meters, which already includes a 37 square meters kitchen and a small warehouse to keep some raw materials. Moreover, according to the location chosen to the stores, one has researched the average price for square meter in that particular area.⁸⁹

⁸⁸ Rent and labor costs were estimated according to the calculations below and the remaining monthly costs presented in this table were predicted according to the information in Guia de como criar um Restaurante” by Academia dos Empreendedores.

⁸⁹ One has researched the price of renting commercial spaces in Boavista and Marquês de Pombal and has calculated the arithmetic average of the price per square meter in that particular area. Researches were performed in www.remax.pt and www.casa.trovit.pt

Calculation of the Oporto store renting costs:

Description	Size (m ²)	Total Price	Price per square meter
Rotunda da Boavista - Cedofeita	250	1.200,00 €	4,80 €
Rotunda da Boavista - Cedofeita	50	500,00 €	10,00 €
Store next to Rotunda da Boavista (Ramalde)	300	1.750,00 €	5,83 €
Store next to Rotunda da Boavista	190	1.650,00 €	8,68 €

Average price per square meter in Boavista	7,26 €
Expected Rent for Couch&Brunch 250 m² space	1.814,69 €

Calculation of the Lisbon store renting costs:

Description	Size (m ²)	Total Price	Price per square meter
Marquês de Pombal	410	2.200,00 €	5,37 €
Marquês de Pombal	223	2.100,00 €	9,42 €
Marquês de Pombal	105	1.100,00 €	10,48 €

Average price per square meter in Marquês de Pombal	9,42 €
Expected Rent for Couch&Brunch 250 m² space	2.354,26 €

In order to analyze the labor costs, one should first estimate the workforce required in each shift. Indeed, regarding the dimension of the store and the affluence expected, the following human resources are estimated to be required in a normal shift: one employee in the counter, two employees waiting tables, two workers in the kitchen (one of them will be the chef) and two workers in the delivery segment that will however support store operations when their delivery-work is not being performed.

Bearing in mind that each employee will work 40 weekly hours distributed by 6 days and will benefit of one free day per week, one has calculated the total number of employees that Couch&Brunch should hire for these listed functions:

	(a) Working hours store/day (6.00-16:00)	(b) No of employees per shift	(c) = (a)×(b) Total hours worked in all the shifts per day	(d) = (c)×7 Total hours worked during the week	(e) = (d)/40 Number of employees required
Employees in the counter	10	1	10	70	2
Waiters		2	20	140	4
Employees in the kitchen		2	20	140	4
Employees in the home delivery		2	20	140	4

To conclude, each Couch&Brunch operating store will entail 14 employees (one cuisine chef and 13 workers) receiving a monthly salary that can be however variable according to the competences and the experience that the employee is able to offer the business. Nevertheless in order to come up with an estimation, the following assumptions were made:

- The 13 employees will receive a salary near the defined minimum wage purposed by the government.⁹⁰ The chef will receive a salary according to the market⁹¹ and its competences.
- Couch&Brunch will pay its workforce 14 months per year (accrual for two extra months has to be done)
- According to law, the company will face per employee 23.75% of social charges (Social security).

⁹⁰ By the time of this analysis, there was not yet an agreement about the minimum wage defined for 2011 but given that Couch&Brunch will only launch operations in 2012 one can assume that the minimum wage is very likely to have attained €500.

http://www.jornaldenegocios.pt/home.php?template=SHOWNEWS_V2&id=453435

⁹¹ To find the normal salary paid to a cuisine chef one has researched some job offers in the website: <http://emprego.trovit.pt/> and inquired people working in the field.

	(a) Number of employees required	(b) Monthly salary per worker	(c) = (a) × (b) Annual salary per worker (14months)	(d)= (a) × (c) Annual salary costs (14employees)	(e)= (d) × 23,75% Social charges (23,75%)	(f)=(d)+(e) Total labor costs for Couch&Brunch per year, per store	(f)/12 Total labor costs per store per month
Employees	13	500€	7000€	91000€	21612,5€	112.612,50€	9.384,38€
Chef	1	1000€	14000€	14000€	3325€	17.325,00€	1.443,75€
Total							10.828€

The following assumptions result in the fact, that Couch&Brunch will face labor costs amounting to € 10.828 per month for each store, as it was reported in table containing the monthly costs.

Appendix XXIII

The Initial Investment:

Furthermore, Couch&Brunch will face a set of opening expenses in the beginning of operations. Indeed, the initial investment will have three main components:

- ❖ Company's constitution expenses which will be € 369⁹²
- ❖ Kitchen furniture
- ❖ Basic equipment

In what concerns the kitchen furniture, average prices for the equipment were found, which together make up the total amount of € 71.228 for both stores.⁹³

⁹² Source: Guia Prático “Como Criar um Restaurante”; Academia dos empreendedores)

⁹³ These values were mostly found in Guia Prático “Como Criar um Restaurante”; Academia dos Empreendedores) as average prices for standard kitchen furniture. Nevertheless some kitchen furniture The price of the couches were however found in www.moviflor.com and the coffee machine in <http://www.ercomercial.com/maquina-cafe-siemens-572-p-1916.html>

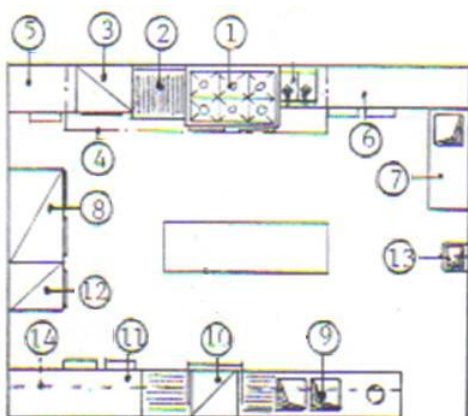
Basic Equipment	Price
Toaster	200 €
Juicer	400 €
Microwave	200 €
Counter	2.000 €
40 tables	1.950 €
6 Couches	2.994 €
120 seats	2.475 €

Basic Equipment	Price
Air conditioning / extraction / heating	10.000 €
Licensing	5.000 €
Technological Hardware	2.000 €
Software (Winrest) + installation	1.500 €
Dish washer	700 €
Service tableware	5.000 €
Coffee Machine	1.195 €

Total per store	€ 35.614
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Couch&Brunch will operate in stores approximately occupying 250 square meters including a kitchen with about 37 square meters. The kitchen equipment required to a place with such characteristics was considered to be the following:⁹⁴

Kitchen Map:



Kitchen equipment:

1	Gas stove with 6 burners	2.360,00 €
2	Gas grill	1.650,00 €
3	Electric oven	1.698,00 €
4	Cooking hood	3.460,00 €
5	Bench with 2 shelves	745,00 €
6	Bench with 2 shelves	1.150,00 €
7	Bench with sink	600,00 €
8	cabinet refrigerator	2.474,00 €
9	Bench with 2 sinks	1.470,00 €
10	Dish washer	2.790,00 €
11	Bench with 2 shelves	850,00 €
12	cabinet fridge and freezer	1.904,00 €
13	Hand wash device with spout and pedal	335,00 €
14	Shelf	375,00 €

Total per store	21.861,00 €
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Gathering together the overall opening expenses, one should expect a total initial investment of €115.319 concerning the opening of two stores.

⁹⁴ The kitchen equipment was selected from “Guia Prático Como criar uma Restaurante” by Academia dos Empreendedores and according to Couch&Brunch specificities.

	Cost per store	Total cost
Company's constitution		369 €
Total kitchen equipment	21.861 €	43.722 €
Total basic equipment	35.614 €	71.228 €
Total Initial Investment		115.319 €

One may highlight that concerning the initial investment some cost savings will be made. Indeed, the financial and strategic planning, the design of the brand and its features (logo, website, store design) will be made by the partners. Moreover, sound and image installation and the architecture service will be made by skilled people that being family and friends demonstrated availability to helpfully perform those tasks without charging the service.

Appendix XXIV

Main capabilities of Couch&Brunch partners and their functions:

- Sara Geraz is 24 years old and did her undergraduate in Economics in Faculdade de Economia do Porto. After working one year in external financial audit, she completed her academic career with a master in management in Universidade Nova de Lisboa, majoring in Strategy. Due to her financial background and management skills, she will accumulate the following functions: General Direction, Financial and Accounting Direction and Quality Management.
- André Coelho is 23 years old and completed his undergraduate in Economics in Faculdade de Economia do Porto. He proceeded his studies doing a masters in International Marketing in EADA Business School. Detaining superior marketing skills and a management background, this partner will develop the following functions: Sales & Marketing management, Business Development Management, Purchase Direction and Supply Management.

- Ana Geraz is a 25 years old graphic designer. She completed her undergraduate degree in Communication and Graphic Design in Faculdade de Belas Artes do Porto and has worked in three different design studios linked to publicity and marketing, developing various functions connected with the creation of complete branding identity, web sites, publications, advertisements and product packaging. She also detains exceptional cuisine knowledge and skills. The remarkable communication skills and the creative capabilities of the partner will bring to her the following functions: Design and Creative Direction, Public relations, Web Marketing Manager and Human Resources Management.

Nevertheless, one should notice that the three founders will work as a true management team, developing these functions conjunctly, brainstorming their decisions and linking their activities in order to build a relevant source of competitive advantage.

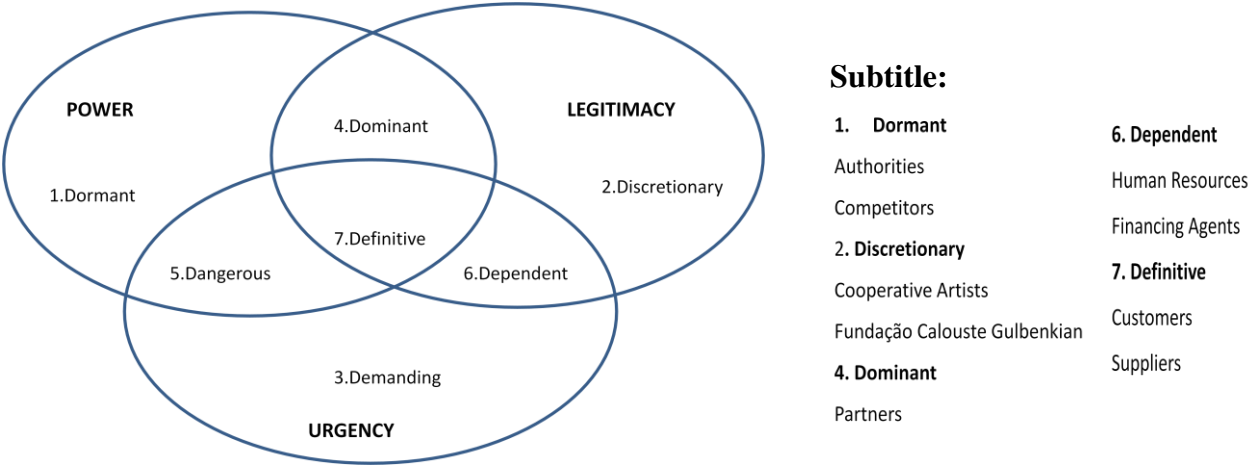
Main capabilities of the Cuisine Chef (Oporto Store)

Vasco Pacheco will be the Cuisine Chef in Oporto store. He has studied in Escola Hotelaria Turismo de Mirandela. He is a former worker in Hotel Melia and Hotel Vilalara Thalassa, 4 and 5 stars hotels respectively. He participated in a cuisine conquest in Algarve, where he won the prizes of best team player and best buffet. He is currently working and for the last two years in Hotel Sheraton Spa Porto (5 stars) detaining the job position of third cook. Used to work according to very high standards and attributing high value to quality and image of the dishes, Vasco Pacheco will successfully deploy its capabilities in Couch & Brunch business. He will be in charge of directing operations.

The Cuisine chef for the Lisbon store was not yet nominated. Nonetheless, one will hire a Chef with similar characteristics to Vasco Pacheco, familiar with classy cuisine and superior standards.

Appendix XXV

Mitchell, Agle and Wood model: evaluating stakeholders on their inherent power, legitimacy and urgency:



Importance	High priority stakeholders
Categorization	Definitive stakeholders
Attributes	Legitimacy, power and urgency
Couch&Brunch Stakeholders	Suppliers Customers

Importance	Moderate priority stakeholders		
Categorization	Dominant stakeholders	Dependent stakeholders	Dangerous stakeholders
Attributes	Power and legitimacy	Legitimacy and urgency	Power and Urgency
Couch&Brunch Stakeholders	Partners	Human Resources Financing agents Authorities	Inexistent

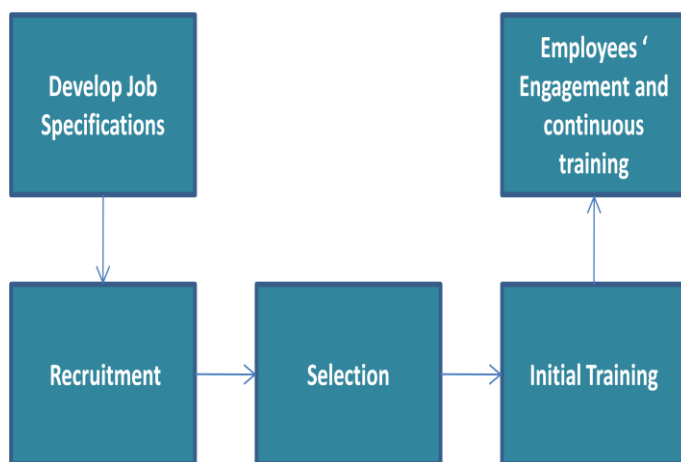
Importance	Low priority stakeholders		
Categorization	Discretionary stakeholders	Dormant stakeholders	Demanding stakeholders
Attributes	Legitimacy	Power	Urgency
Couch&Brunch Stakeholders	Cooperative artists and Fundação Calouste Gulbenkian	Competitors	Inexistent

This stakeholder analysis of Couch&Brunch case, according to the power, legitimacy and urgency model by Mitchell, Agle and Wood engenders a set of conclusions:

- ❖ Couch&Brunch will dedicate a substantial amount of resources to the enhancement of relationships with the high-priority stakeholders.
- ❖ The firm will observe and manage attentively the moderate-priority stakeholders
- ❖ Couch&Brunch will devote few resources to manage relationships with the stakeholders belonging to a low-priority group

Appendix XXVI

A brief overview on the Human Resources Policy:



The elaboration of jobs specifications, recruitment processes, applicants' selection and training programs are complete responsibility of the management team. One should notice, that training programs will be always

followed up after delivered and training responsibilities and know-how by coaches will be well defined, in order to assure the effectiveness of programs

Mission, vision and values of the company must be totally internalized by the human resources, which can be achieved through an effective training program focused in transmitting Couch&Brunch culture and enhancing commitment values and team work between employees. Moreover, committing employees' demands as well, keeping the workforce pleased and satisfied. For instance, one may consider scheduling regular enjoyable employees meetings or celebrate employees birthdays and giving them a small gift. One should not undervalue the importance of praising frequently good performance and looking for employees suggestions such as inputs on the product menu and the services available.

The Human Resources policy will be strongly based on leadership values in a consistent compliance of all the applicable employment laws. One should thoughtfully create a reward system to enhance commitment and good performance. For that purpose, a performance appraisal system able to assess employees' performance will be built, attributing additional benefits when justified. For instance, respect for the work schedule and a careful maintenance of the operating tools (tableware, cookware) are attributes that Couch&Brunch will value and compensate.