

UBC Food Services: Business Plan

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University of British Columbia

BA 504

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UBC Food Services: Business Plan



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December 9th, 2016

Team 4 - Executive Summary

In the fall of 2016, Team 4 was selected to perform a landscape analysis of UBC Food Services, identify gaps therein, and recommend two to three big bold ideas enhance their business. These recommendations will also serve to prepare the organization for future campus growth and improve the student experience. After thorough analysis of its current business, national and local retail food trends, competitive positioning, and customer survey data, we have provided two bold recommendations to enhance the UBC Food Services business. These recommendations will enhance UBC Food Services by providing an innovation hub to test new technology, order processes and menu items in the retail portfolio, and by tapping into an underserved customer segment that makes up more than 40 per cent of the potential market on campus in the Fall and Winter semesters.

Client:

UBC Food Services is a dynamic ancillary organization within UBC that provides sustainable, nourishing meals to an audience of over 20,000 customers everyday. Their mission is simple, to support the UBC community by providing delicious, high quality foods. Over 60 per cent of the food served at UBC is sustainably sourced from within 150 miles of the campus, all seafood is Ocean Wise certified, and all coffee/tea is Fairtrade-certified. Every food offering provided is operated under the core values of S.P.I.C.E., ensuring its locations operate sustainably and contributes to greater good of the university. UBC Food Services is divided into three divisions: catering, residence dining and retail operations. These three divisions provide a wide variety of cuisines, beverages, snacks, and meals to approximately 16,000 undergraduate and 2,000 graduate students, faculty, staff and visitors every single day. UBC Food Services operates more than 40 retail outlets that split into approximately 30 percent franchises, and 70 percent UBC private label brands. Retail outlets include a mixture of cafes, restaurants, retail franchise locations and food trucks across campus. This is the main area of the business where improvements can be made, as catering and residence dining are closed loop systems.

Current Issues:

After conducting our analysis of the existing UBC Food Services landscape, P/L, national and local food retail trends, competitor positioning, and customer survey analysis, we have identified these current issues within the business:

1. Approximately 25% of the retail locations provide 75% of the revenue in the total operating portfolio as indicated by data from the P/L. Additionally, there is large incentive to develop private label brands (that appear to have no connection to UBC Food Services) in order to save on franchise costs, as 7% of franchise sales are lost to royalty fees.
2. UBC Food Services lacks a strategic plan to deal with campus growth, demographics and changing consumer preferences. Their current approach is reactionary, instead of proactive, and hampered by lack of retail building space available on UBC campus.
3. Despite stating that the primary objective of UBC Food Services is to improve the student experience, the organization lacks a culture and focus (data) on customers
4. A lack of technological innovation to process orders to smooth variations in demand, improve flow, and reduce queues (which are problematic for time starved customer segments)
5. A lack of marketing and promotions of brands, locations and offerings means that there is low awareness of options outside of buildings students, faculty and staff frequent (3 minute walk rule)

6. Perceived lack of value (function of cost and quantity) of UBC Food Services offerings represented by high prices and small portion sizes

Recommendations:

After thorough analysis, Team 4 has provided the following two bold recommendations to satisfy current issues faced by UBC Food Services and to enhance their business as a whole.

The Food Lab:

In an effort to improve the success of existing and new UBC Food Services locations on campus and as a result enhance the student experience, an innovation hub strategy has been developed to test: bleeding-edge QSR technology, order process designs and new menu concepts in a low-risk environment. The Food Lab will take over an existing underperforming retail location in a food court setting on campus (ideally within DLAM Building), and will initially provide customers with the option of ordering from self-serve kiosks or through an online/mobile app for pick-up. The menu options available will be sourced from successful concepts proven out in the Open Kitchen from the Orchard Commons Dining Hall, and their viability will be assessed within the retail portfolio through The Food Lab. Labour will be freed from processing customer orders at tills and re-deployed to increase the efficiency and speed of delivery of food, which is currently a major bottleneck following order placement. Operational processes, counter designs, and technology beta tests can be assessed on a small scale, and if successful, rolled out to UBC Food Services retail locations across campus where appropriate every six-months to drive profitable growth and improve the customer experience. Given the R&D nature of The Food Lab, pricing should offer customers cuisines at a level between current retail and residence MSRP.

The Lunchbox:

The Lunchbox is a pre-made lunch box which can be picked up at a central location on campus based on pre-paid short-term (weekly, monthly) subscription model. The Lunchbox itself contains a main dish, side, salad, fruit and a dessert offering within a reusable metal container, which can be returned after use to a drop-off location at any UBC Food Services location on campus. Subscribers to the Lunchbox, pre-pay online, select the frequency of the lunches they wish for the week (3 or 5 day plans), and select their preferences for main course from a menu of available options (3 daily options). Preparation of the Lunchboxes would occur 1-2 days in advance (based on the meal type) in the UBC Food Services central kitchen and transported to the central location for distribution between 7:00 a.m. - 2:00 p.m. daily. This approach would capture an unmet market need for graduate students, staff and faculty who are time constrained to pick up a quick, healthy pre-made lunch at their convenience. Furthermore, it would provide an additional revenue stream for UBC Food Services.

Quick Win:

Either recommendation identified above would require UBC Food Services to hire a marketer to promote the two new offerings, as well as existing operations on campus in order to build awareness and attract new customers from different segments and locations on campus.



UBC Food Services – Team 4

- Akash Madaan - [REDACTED]
- Alexa Shenstone - [REDACTED]
- Benjamin Benhamou - [REDACTED]
- Chelsea Chang – [REDACTED]
- Dylan Lamont - [REDACTED]

December 9, 2016

Presentation Overview and Challenge

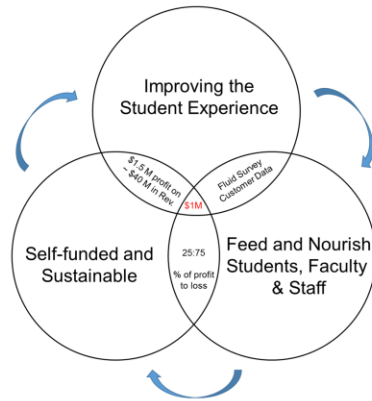


Agenda:

1. Industry, Competitive & Customer Analysis
2. Issues Identification, Alternatives & Decision Criteria
3. Recommendations, Process Design & Supporting Analysis
4. Q&A

Key Stakeholders:

1. UBC Food Services
2. SEEDs Sustainability Program
3. Students and Faculty



Our goal is to provide UBC Food Services with a data driven analysis of its retail portfolio and recommend two big and bold ideas that are aligned with the SEEDs Sustainability Program.

SAUDER SCHOOL OF BUSINESS: RHL Graduate School • Team 4 • Page 2

Ben:

Purpose of our Service:

The purpose of the Client Business Plan project is for Team 4 to consult with Colin Moore, Director of UBC Food Services in order to deliver a business plan presentation on December 9, 2016 with a set of recommendations for immediate implementation within UBC Food Services.

Scope of Work:

The client has asked that Team 4 deliver two to three big, bold and innovative ideas for what UBC Food Services should do immediately based on the trajectory of UBC Food systems over the past several years and armed with a situation analysis that takes into account the following filters:

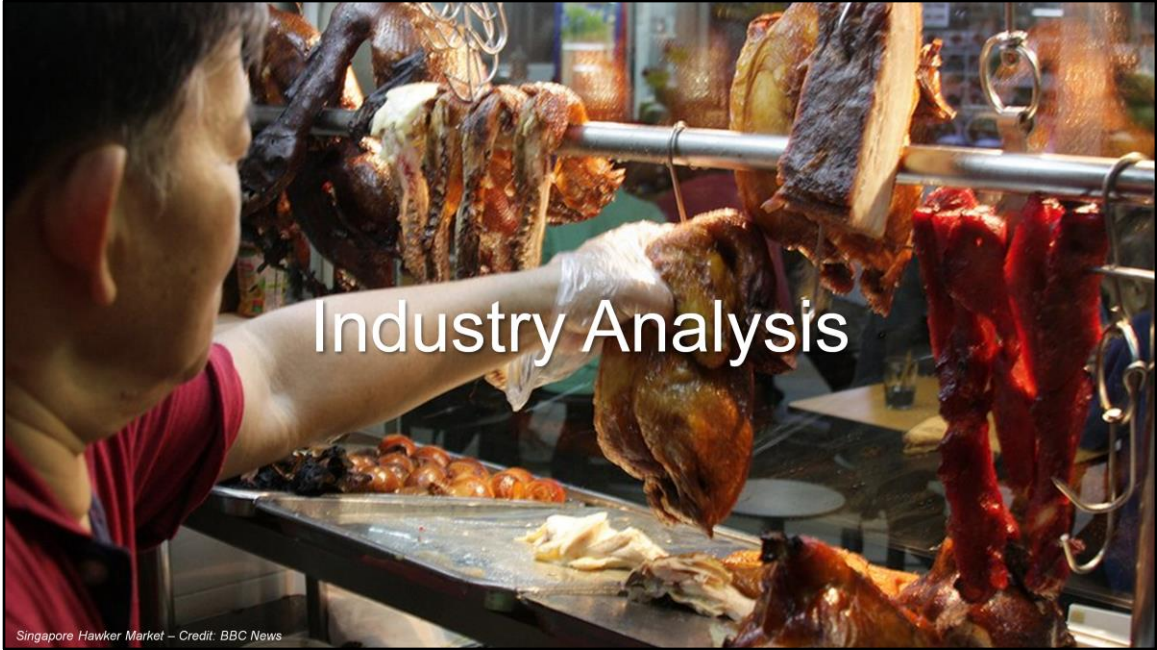
- Economic
- Competitive
- Health and wellbeing
- Community contribution
- Food offerings and emerging trends
- Market penetration, locations and capacity

Current context for UBC Food Services (Landscape Analysis)

Research:

- Industry and national retail food trends – Ben
- Vancouver specific food trends (City of Vancouver report and Media/Social Media analysis)
- Alexa
- Comparable campus analysis – Akash
- QSR and Mobile Technology research – Chelsea
- Primary data research (Financial Documents, Customer Surveys, Competitive Landscape Analysis) - Dylan

See SWOT, Porters Five Forces, Value vs. Health, and Blue Ocean Analysis in Appendix for additional information.



Industry Analysis

Industry Analysis – National Retail Food Trends



Busy Consumer Lifestyles

- Rising popularity for **on-the-go products** and **mini-meals**

TOO BUSY



Healthy, Ethical and Locally Sourced Foods

- Stat Can reports that **26%** of Canadian certified organic food sales are made in B.C.



Food Premiumisation

- Emphasis on **higher profit margins products**, such as coffee, smoothies and bowls



Evolving Diets

- **33%** of Canadians are either vegetarian or have reduced their meat consumption
- B.C. is the **most vegetarian-friendly province**



Growth in the food retail industry in Canada is being primarily driven by strong performance in the franchise segment. Growth is based on economies of scale, and new strategies with premium price points.

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Ben:

Based on our secondary research, the following national retail trends were identified:

Busy consumer lifestyles

1. Household changes:

- The rising number of women in the workforce
- Increasing number of single child families

2. Additional time pressure:

- Strong career focus of working parents with children
- Growing desires to maximize free time have lead to an increasing need to save time

3. Lack of motivation and knowledge:

- Low motivation of consumers to cook meals from scratch
- Limited knowledge and low confidence in millennials ability to cook
- Led to an increase in search from customers for convenient solutions in food services (e.g. precooked or packaged meals)

As a result from these trends, the impacts are:

1. Emergence of many different varieties of food services mobile apps
2. Increasing popularity for on-the-go products/snacking and mini-meals

Healthy, ethically and locally sourced foods

1. Nutritional values:

- Growing demand for detailed and accurate nutritional facts on products and on menus (Informed Dining Program BC)

2. Organic market: Canada has one of the biggest organic markets in the world

- “Outpacing the growth of most food categories, organic foods sales have been prominent in the urban and educated segments of the population”.
- “British Columbia accounts for 13% of Canada’s (CA) total population, Stats Can reports that 26% of CA certified organic food sales are made in BC.”
- Globe and mail reports that over 58% of Canadians includes an organic product in their weekly purchases.

3. Ethical and Local products: leading retailers are making drastic changes towards more ethical and local ingredients

- Forcing changes on their supply chain
- “By 2020, McDonald’s, Cara Operations and MTY Food Group are planning a transfer to cage-free eggs.”
- “From 2018, McDonald’s have shared insights that they would provide only antibiotic-free chicken.”
- “In February 2016, A&W introduced a bacon free from antibiotics and artificial ingredients in North American fast food.”

As a consequence, consumer eating habits have been impacted. Food retailers have already aligned their strategies to accommodate the new demand.

Premiumisation of food

- Through refined ingredients and exciting and adventurous offerings, food retailers have been able to sell uniqueness and enhanced social branding attached to premium foods.
- Premium foods are now considered as a new channel of comfort foods, thus affecting pricing strategies, which contributed to higher operating margins.
- The food retail market has seen an increasing emphasis on higher profit margin products, such as coffee, smoothies, gourmet burgers and bowls.
- Key retailers such as McDonalds have already reacted with new strategies by expanding their offering.

Food Diets

Each year, nutritional and dieting programs fade away and new trends emerge.

- A few trends that seem to be long-lived are vegetarianism, pescetarianism and gluten-free.
- “As of 2015, Vancouver Humane Society has estimated that 33% of the CA population is either vegetarian or cutting back on their meat consumption”
- “British Columbia is the most vegetarian-friendly province (13% identify themselves as vegetarian and another 26% trying to eat less meat)”

Finally, due to strong economies of scale, the Franchise segment is able to execute these new strategies without raising their prices to consumers.

Result: the strong performance in the food retail industry is driven by the franchises.

Sources:

1. Consumer Trends Report, Agriculture and Agri-Foods of Canada, International Markets Bureau, June 2010

https://www.gov.mb.ca/agriculture/market-prices-and-statistics/trade-statistics/pubs/canada_convenience_trend_report_en.pdf

2. Packaged food in Canada 2016, Euromonitor International, Nov 14th 2016

3. Fast-Food Restaurants Canada, Ibis World, August 2016

<http://clients1.ibisworld.com/reports/ca/industry/ataglance.aspx?entid=1980>

4. The BC Organic Market, Canada Organic Trade Association, April 2013

<http://www.certifiedorganic.bc.ca/docs/BC%20Organic%20Market%20Report%202013.pdf>

5. Industry Overview Specialty Organic Foods, University of British Columbia, May 2015

<https://sba.ubc.ca/blog/industry-overview-specialty-foods-%E2%80%93-organic-foods>

6. Vancouver Humane Society

<http://www.vancouverhumanesociety.bc.ca/almost-12-million-canadians-now-vegetarian-or-trying-to-eat-less-meat/>

Industry Analysis – Local Food Trends



Affluent Demographics with High Disposable Income

- Primary demographics of population surrounding UBC Point Grey campus spend approximately **\$47.78 to \$232.88 per week** dining out



Taste for Global Cuisine

- Popularity of **Asian and fusion restaurants** indicated by high representation in local restaurant awards



Niche Foods

- Food is seen as a fashion** in Vancouver, exemplified by the “flavor of the month” crazes that overtake the city (Poke Bowls, Waffles, Gellato etc.)



Act Local

- Locally based food systems** are an important metric within the City of Vancouver's Greenest City Action Plan for 2020



Local food trends are consistent with national retail analysis, and are supported by demographics that dedicate a significant portion of their discretionary income to dining out.

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Alexa:

- Based on 2015 census data we analyzed a heat map of Vancouver showing how much consumers spend eating out at restaurants on a weekly basis.
 - The two highest income levels spend approximately \$2484.77 - \$12,110.12 per year on dining out, which equates to \$47.78/ week- \$232.88/week.
 - The other group spends \$2109.50-\$2484.76 per year on dining out, which equates to \$40.55/week - \$47.78/week on restaurants per week.

The local vancouver trends that are capturing this ‘restaurant stipend’ per week change yearly but, have several common themes.

- Due to the number of different categories of top restaurants in Vancouver, it is clear that citizens enjoy global cuisine.
- Specifically, they are interested in different types of Asian cuisine, as represented by VanMag's 2016 Best Restaurant Awards. Ten of a total of the 26 awards were are geared specifically towards asian cuisine. The best restaurant of the year award even went to a Thai Fusion Restaurant.

Another food trend category in Vancouver, is best categorized as Niche foods. Vancouver is known for its experimentation of foods, and new concepts within Canada, and thus has some interesting groups of new eateries exhibited by this.

- Examples of this include the ice cream craze (5 ice cream parlours downtown alone), Poke Bowl craze (5 restaurants downtown), Ramen craze (4 restaurants

- downtown).
- In addition, the Food Network show Diners, Drive-ins and Drives, a show known for unique foods and offerings has showcased 20 restaurants in and around Vancouver on its show.
 - Showcasing that Vancouver is a place for experimental, unique and fad based foods.
- Another growing food trend in vancouver is the 'farm to table movement.'
 - This is defined as food that is sourced locally or within 200 miles.
 - This is also aligns with the City of Vancouver's Green City Plan for 2020.
 - The premise for the Green City Plan for food systems, is to create a sustainable system in which food distribution, production and consumption enhances the quality of the community.
 - Building restaurants that promote these aspects are important to Vancouver and are valued by the public. This is also represented by VanMag's selection for Best New Restaurant for 2016 which its' website describes as "Farm-to-table fare in the heart of Downtown Vancouver."

Sources:

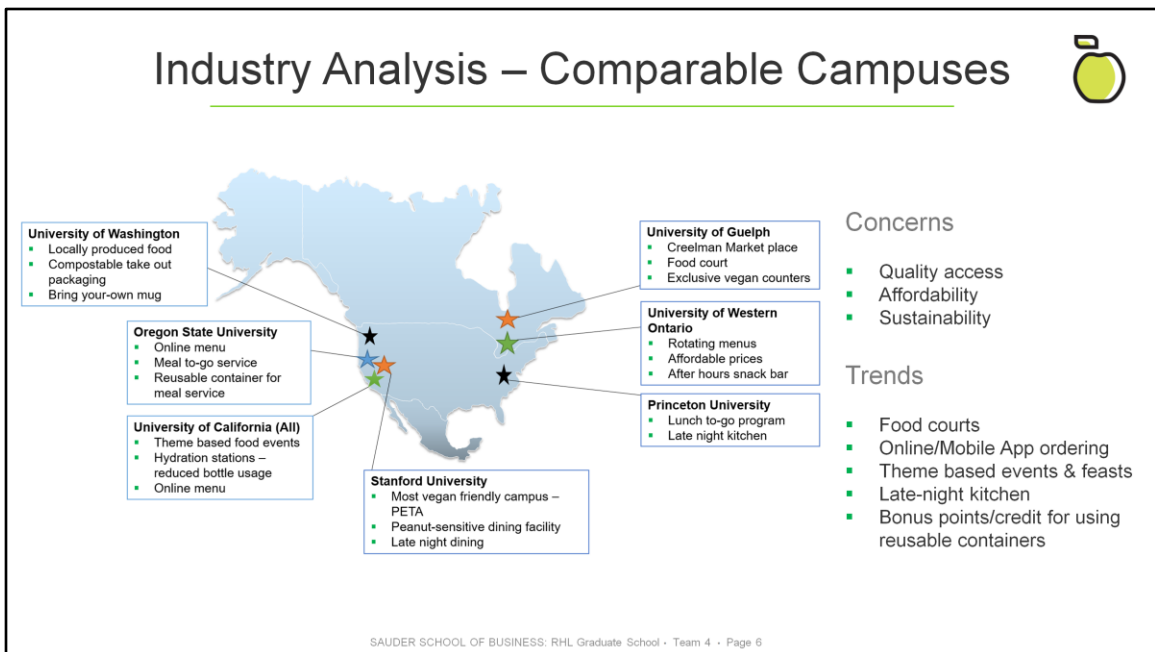
<http://sm2.simplymap.com.ezproxy.library.ubc.ca/index.html>

<http://vancouver.about.com/od/restaurantsbars/tp/Vancouver-Restaurants-On-Diners-Drive-Ins-And-Dives.htm>

<http://vanmag.com/best-of-the-city/restaurant-awards-2016/>

<http://vancouver.ca/people-programs/vancouvers-food-strategy.aspx>

Industry Analysis – Comparable Campuses



Akash:

Comparable Universities

- An extensive research was conducted on various universities providing food on campus located **primarily on the west coast of the US and Canada**.
- The study highlighted few common themes that are constant across most of the universities and that include identical concerns/issues and best practices making food on campus a great experience for students.
- The issues regarding food-on-campus revolved around **affordability, healthy food, sustainability, late night kitchens, less variety, and quality of service**. These concerns are not related to single university but have been aggregated through various sources and studies indicating the consensus of student spread across the continent.
- Many universities have taken a step forward to address these issues at hand and implemented new and innovative ideas to enrich student's experience.
- For example – University of Guelph** developed Creelman Market place which includes number of different, smaller restaurants where students have access to a huge variety of cuisines.

- The dining facility at **University of California** hosts an event for nearly every holiday thereby self promoting their food-on-campus brand and enhancing student's experience.
- **University of Washington – Seattle**, has been promoting sustainability by using only locally produced food, using compostable take out food packaging, and implementing bring your own mug policy to reduce the use of plastic bottles.

Sources:

Task Force on Campus Food Services

<http://cfsontario.ca/wp-content/uploads/sites/50/2015/12/CFS-2013FoodReport.pdf>

Canadian Campuses And Their Worldly Cuisine

<http://canadaboundimmigrant.com/education/article.php?id=517>

A Report on Food Services at Trent University

<https://www.trentu.ca/foodconsultation/documents/TCSA-ARawDeal.pdf>

Surveying the College Foodservice Market

http://www.foodservicedirector.com/sites/default/files/imported/2012_C%26U_Census_Report.pdf

The 50 Best College Dining Experiences

<http://www.collegerank.net/best-college-dining-halls/>

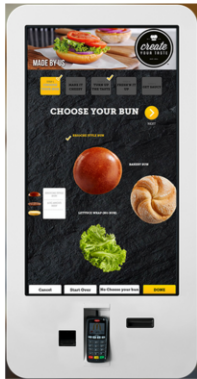
The 20 Colleges With The Best Food In The Country

<http://www.businessinsider.com/20-colleges-with-the-best-food-in-the-country-2013-9?op=1/#university-of-california-los-angeles-was-honored-by-peta-as-the-most-vegan-friendly-university-for-their-dedication-to-nutritional-education-16>

10 Canadian Universities With the Best Food

http://www.huffingtonpost.ca/universityhubca/best-food-universities_b_8347502.html

Industry Analysis – QSR Technology



Self-serve with Mass Customization

- McDonald's has introduced new **self-serve kiosks** and **table service** to Canada
- Allows for **mass customization** of orders and to better serve the **Millennial** generation
- Most of the 1,400 McDonald's restaurants in Canada will be changed by 2017
- **Increased revenue** generation through add-ons

Mobile App & Online Ordering, Pick-up and Delivery

- Foodora food delivery App focusses on the value proposition of **food delivered** in approximately 30 minutes from local restaurants
- On campus, the XDine online order system **speeds up the order process** by facilitating **food orders and payments online** in advance of pick-up

Retailers and third parties are looking to technology to increase convenience for customers, grow revenues, and reduce overhead.

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Chelsea:

Retailers and third parties are looking to technology to increase convenience for customers, grow revenues, and reduce overhead:

Self-service with **Mass Customization**

- McDonald's introduced new **self-service** options and table service to Canada (**Kiosks**):
- The main target is to attract the **Millennials** because they prefer to use their ways to connect with the world rather than to use the uniform way. Kiosks machines allow customers to personalize their orders.
- Most of the 1,400 McDonald's restaurants in Canada will be changed to the new ordering format by 2017.
- McDonald's Canada CEO John Betts says lining up to pay for the same old burger will soon be a thing of the past.
- **Increase revenue** generation with add-ons
- McDonald's adds a premium-priced burger to the menu with nearly 30 different options including five types of cheese and a dozen different toppings.

Mobile App & Online Ordering, Pick-up and Delivery

- UBC AMS online-order system (xDine):
- The **xDine speeds up the order process** by ordering and paying online in advance. The ordering steps are simple. The first step is to register an AMS account. The second step is to select the restaurant we want to order from, and then **place the order and pay online**. At the promised time, we can go pick up the food.
- Foodora food delivery map:
- It emphasizes that the average order takes **30 minutes to deliver** after placing orders online. The App will automatically locate the address/Select your address, and then just elect the one from a list of restaurants that are close to you. After that, select the food you want and then check out paying online.

Sources:

CTV news for McDonald's self-order trend: <http://www.ctvnews.ca/business/mcdonald-s-canada-introducing-new-self-serve-options-table-service-1.2588733>

Foodora's official website: <https://www.foodora.com/>

AMS's official website: <http://www.ams.ubc.ca/foodanddrink/xdine/>

Industry Analysis – Sustainability @ UBC



What Does Sustainability @ UBC Look Like?

Energy Conservation

- Reducing **electrical** use
- Reducing **greenhouse gas emissions**
- Reducing **water waste**
- Reducing **red meat consumption**

Waste Reduction (from 44% - 95% diversion of waste)

- **Separation of recyclables** (paper, container and organics)
- **Electronic waste** (electronics, mobile devices, and printer toner)
- **Reusable containers** and bags



Sustainable Food Choices

- Eating **seasonally**
- Eating **less meat** (if not vegetarian, go meatless once a week)
- **Shop and support local** businesses and producers

UBC is a global leader in sustainable community practices, and that trajectory is expected to accelerate under the new President's tenure.

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Chelsea:

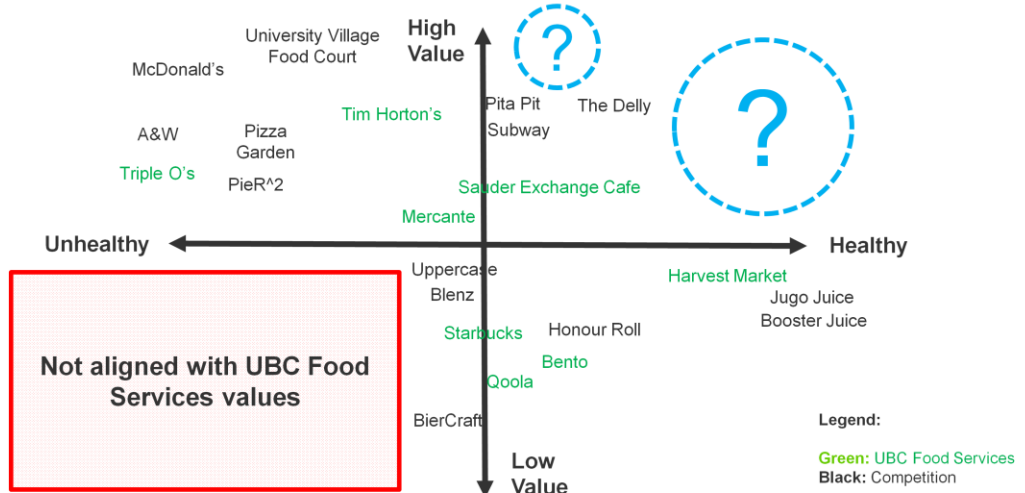
Source:

UBC Residence Sustainability Toolkit



Competitive & Customer Analysis

Competitive Landscape – Positioning Map



SAUDER SCHOOL OF BUSINESS: RHL Graduate School - Team 4 - Page 10

Akash:

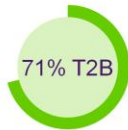
The Competitive Landscape

- A UBC's competitive landscape study was conducted to compare its offerings within the competitive climate of food services in and around the campus.
- We listed out all UBC operated food outlets and its competitors on the dimension of value and healthiness where the value dimension is the function of quantity and price offered. (UBC food services highlighted in Green and Competitors in Black).
- The positioning map along with the Blue Ocean strategy uncovered white space for innovation and opportunity to grow for UBC.
- Basis the distribution of outlets in the map, a huge opportunity has been identified in the 1st quadrant of high value and healthy category.
- UBC can tap into this category by offering high value and healthy food to students and take the 'First Mover Advantage'.
- Apart from indicating the white space, the study also highlights a quadrant which does not represents UBC food services value and positioning new brand or offering in this quadrant should be avoided.

What Your Customers Are Telling You



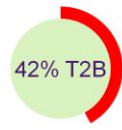
Quality of food and beverage?



16% B2B

"Food was great, environment was good."

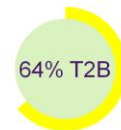
Value of food and beverages?



32% B2B

"Extremely expensive. All food on campus is overpriced."

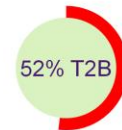
Speed of service?



13% B2B

"The service was relatively fast with enough staff."

Would you recommend this location?



27% B2B

"I've had a few bad experiences but I keep coming back."

Analysis of customer survey data focussed on the key drivers of Quality, Value, Speed and Loyalty. Value (function of price and quantity) and Loyalty (as indicated by Likelihood to Recommend) were overwhelmingly the top opportunities for improvement.

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Dylan:

- Leveraged and aggregated customer survey data for the UBC Food Services Retail portfolio and analyzed it using a T2B / B2B approach.
 - T2B (satisfied, very satisfied) and B2B (dissatisfied, very dissatisfied) are a best practice in customer service for analyzing how we are meeting customer expectations and delivering on the hygiene factors of the business.
 - Best-in-class T2B is generally accepted as 85-90% +, B2B is < 5% (in the noise).
- Quality of food is generally perceived as high (balanced out by franchise performance and a small number of successful own-brand locations bringing up average)
- Selection of offerings data was removed as the question appeared to be misunderstood based on survey anomalies across locations (N/A was answered in the majority of responses).
- Value is a major issue highlighted by customers (Low T2B, High B2B) by quantitative data and supported by anecdotal feedback, but contradicts the level of disposable income spent on dining out in the area (\$47-200+ per week).
- Speed (as a proxy for convenience) is considered satisfactory indicated by survey data,

reinforcing Colin's point that this isn't a major concern for the business or a majority customers (influenced by the 80% of the business being supported by Undergraduate students who have limited demands on time).

- Customer Loyalty (a leading indicator of repeat purchase behaviour) as evidenced by Likelihood to Recommend is low, likely based on the nature of the industry in addition to systemic service issues (poor service by employees) and low perceived value of the offerings (prices are too high), highlighting that despite having a captive audience in the academic core, a significant portion of customers will defect if given the opportunity through increased competitive offerings.
- Successful (profitable) franchises (Tim Hortons) have best-in-class customer satisfaction metrics (T2B > 90%, B2B < 5% across all dimensions).
- Successful (profitable) own brands (Mercante) have slightly lower customer satisfaction metrics than Tim Hortons, but are still within 5-10% of best-in-class.
- Unsuccessful (unprofitable) own brands (Café Perugia) have systemic issues across all four dimensions analyzed, however quality and value appeared to be the biggest issues.
- No survey data was indicative of systemic issues with unprofitable Franchise locations.

Customer Segments – The 80% vs. 20%



The 80% - Undergraduate Students with disposable income and time to seek out food and wait in line.

VS.



The 20% - Graduate Students, Faculty and Staff who are time starved and seeking value and convenience above all else as they look to meet the utilitarian need of nourishment.

Recommendations have been developed to respond to the 80% to 20% split of the key customer segments for UBC Food Services.

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Dylan:

- Primary segment: Undergrad Students - 81.5% of all UBC students (52,721 total students)
- Secondary segment: Graduates, Faculty and Staff – Graduate students make up 18.5% of all UBC Students, and Faculty and Staff total 21,507, plus an additional 9,444 unpaid staff.
- Opportunity: Local Residents (non-students) – transient population skews census data for firm number of individuals living on campus.
- Any given day in the Fall or Winter semesters, up to 70,000 individuals in the academic core, with UBC Food Services delivering service to 20,000 customers.
- Basic segmentation:
 - 80% of UBC Food Services customers are undergraduate students who have disposable income and time to spend walking to retail options on campus or waiting in lengthy lines at times of high demand.
 - 20% of UBC Food Services customers are graduate students, faculty or staff who are time starved and seeking value and convenience while they meet the utilitarian need of nourishment.



Issues Identification, Alternatives & Decision Criteria

Issues Identification, Alternatives & Decision Criteria

Issues Identification



- **Primary:** 25% of locations carrying 75% of the portfolio as indicated by data from the P/L, with interest in developing own brands to save franchise costs (7% of sales, royalty fees) that are not tainted by institutional reputation of UBC Food Services

- **Secondary:** UBC Food Services lacks a strategic plan to deal with campus growth, changing demographics, and underperforming locations on a three to five-year time horizon (reactionary, not proactive)
 - **Additional Issue:** A lack of technological innovation to process orders to smooth variations in demand, improve flow, and reduce queues

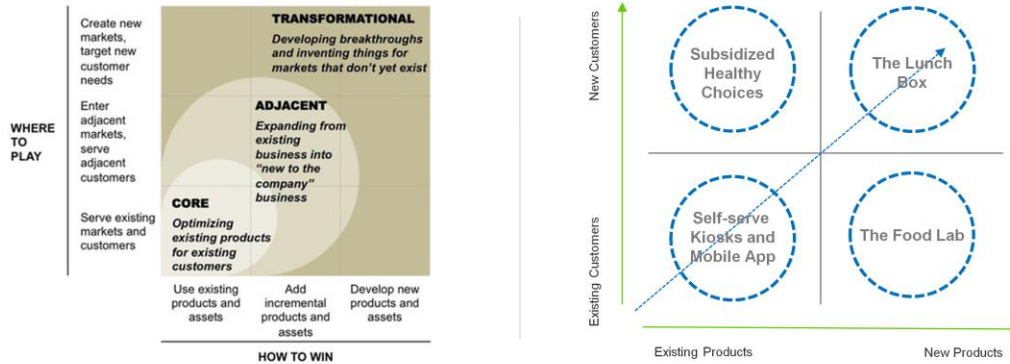
 - **Additional Issue:** A lack of marketing and promotions of brands, locations and offerings means that there is low awareness of options outside of buildings students, faculty and staff frequent (3 min walk)

 - **Additional Issue:** A lack of options for time constrained individuals on campus (the 20%) and high individual meal costs means that customers defect to quick, value competitors or bring their own lunch

While profitable growth is not the primary objective of UBC Food Services, increasing the success of retail locations on campus through improved order processing and offerings better serves the student experience.

Dylan:

Alternatives for Assessment – Innovation Matrix



Alternatives were developed to fill all four quadrants of the Innovation Matrix, creating strategies that optimize the core business, evolve into adjacent positions for customers and products, and are transformational for UBC Food Services.

Dylan:

- The Innovation Matrix was leveraged to develop four alternatives for assessment that were materially different from each other, and guide the decision making process. The four quadrants include:
 - Optimizing the existing products and services for customers
 - Entering into adjacent markets to serve new customers with existing products
 - Adding incremental products
 - Transforming the business by both entering into adjacent markets and inventing offerings that do not yet exist

Self Service Kiosks and Mobile Application: Leverage the Quick Serve Restaurant self-serve kiosks to improve order flow and offer customers the option of mass-customization of meals, while redeploying staff resources to the production of food to improve this perceived bottleneck based on observational analysis (David Lam food court). Additionally, offer customers the option of Mobile App ordering and pick-up to add convenience and manage variability in customer demand (additional benefits of improving order flow and reducing lineups).

The Food Lab: The Food Lab is intended to function as an innovation hub strategy in a low-risk environment by replacing an underperforming retail location in a food court setting (DLAM) with The Food Lab. The Lab will test bleeding-edge QSR technology and order processes and

new menu concepts identified through the Open Kitchen dining hall in Orchard Commons on a semester basis that can be moved out to other UBC Food Services locations (including retail and residence) based on success.

Subsidized Healthy Choices: At a strategic level, move away from underperforming locations across campus that are identified by customers through survey data to be not benefiting the student experience, and redeploy those funds to the subsidization of fresh, healthy food for customers. Based on the price point of fresh, healthy and sustainable food, this is an opportunity to grow the UBC Food Services customer base to those who are price sensitive or unable to afford healthy meals on the go, while providing a key service in support of health and wellness, and sustainability, to the UBC community.

The Lunch Box: An affordable weekly Lunch Box subscription service that students, faculty and staff can purchase like a meal plan on a weekly or monthly basis, similar to Chef's Plate or Blue Apron, that provides options (you pick daily mains from 3 options on an online portal prior to Friday of the week prior) leveraging UBC Food Services' central kitchen capabilities that can be picked up at a customer's convenience throughout the day. 3 or 5 day meal plan options available for customers, with the option to put on hold at any time (discounts provided for paying up front for a month vs. weekly). The meal is picked up at a central location on campus (can expand to quadrants within 3 minutes of most buildings should it be successful) and the reusable lunch box can be dropped off at UBC Food Services locations across campus afterwards (on deposit to encourage customer to return it).

Decision Criteria – Matrix Assessment



	Value	Convenience	Health and Wellbeing	Sustainability	Student Experience	Self-funding	Total
Criteria	(High, Med, Low = 1,0,-1)	(High, Med, Low = 1, 0, -1)	(High, Med, Low = 1, 0, -1)	(Increase, Neutral, Decrease = 1, 0, -1)	(Increase, Neutral, Decrease = 1, 0, -1)	(Net Income as % Revenue = Positive, -0-10%, < -10%)	
Self-serve kiosks and Mobile App	0	1	0	0	1	0.5	2.5
The Food Lab	1	1	0.5	0.5	1	0.5	4.5
Subsidized Healthy Choices	1	0	1	1	1	-1	3
The Lunch Box	1	1	1	1	1	0	5

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Alexa:

All alternatives developed based on the data and landscape analysis of food services at UBC will consider the dimensions of:

- Value – *Will the recommendation deliver high, medium, or low value to UBC Food Services customers?*
- Convenience – *Will the recommendation increase, decrease or lower convenience for UBC Food Services customers?*
- Health and Wellbeing – *Will the recommendation improve, detract or have a neutral impact on the health and wellbeing of key stakeholders at UBC?*
- Sustainability – *Will the recommendation improve, detract or be neutral to the social (employees, students and faculty), environmental and business sustainability of UBC Food Services?*
- Student Experience – *Will the recommendation improve, detract or be neutral to the UBC student experience?*
- Self-funding – *Does the recommendation align with the client's priority of developing own brands in-house, rather than franchising, and does it positively contribute to the dividend*

paid to UBC and/or reinvestment into ongoing operations?



Recommendations

Recommendation Process



Hawker Market



Test Kitchen



Innovation Centre



The Food Lab recommendation process required several pivots based on UBC Food Services portfolio strengths and residence offerings.

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Ben:

- After developing alternatives for assessment, several discoveries through further analysis of the UBC Food Services portfolio (beyond retail) and location constraints required pivots from the original concept:
 - Hawker Market concept for a food court style deployment of “Mom and Pop” stalls serving indulgent, high-value global cuisines was constrained by no additional space for food vendors in the UBC Life building redevelopment.
 - The need for a retail “Test Kitchen” concept for the new product development cycle was negated by the launch of the Open Kitchen dining hall in the Orchard Commons residence facility, which served as a global food court with new menu concepts being deployed every four months
 - An innovation centre for QSR technology deployment was infeasible without the addition of testing out successful menu items and concepts from the Open Kitchen on retail customers

Recommendation 1: The Food Lab



Concept

- Launch an **innovation hub strategy** in a low-risk environment by **replacing an underperforming retail location** in a food court setting (DLAM) with The Food Lab.
- Test **bleeding-edge QSR technology order processes** and **new menu concepts** on a semester basis that can be **moved out to other UBC Food Services locations (including retail and residence)** based on success.



The Food Lab is a low-risk strategy to continuously evolve the UBC Food Services order processes and product offerings across the entire portfolio through the development and implementation of a high-profile innovation hub.

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Alexa:

Concept

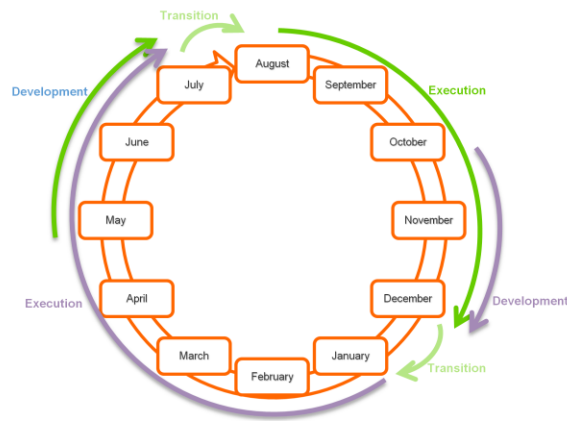
Launch an innovation hub strategy in a low-risk environment by replacing an underperforming retail location in a food court setting (DLAM) with The Food Lab. Test bleeding-edge QSR technology order processes and new menu concepts on a semester basis that can be moved out to other UBC Food Services locations (including retail and residence) based on success.

Analysis

- Opportunities for self-serve kiosk and Mobile App ordering process design and testing in a small environment
- Redeployment of labour to food production
- Identify global and fusion menu opportunities from the Open Kitchen dining and test on retail customers
- Pricing strategy can reflect the innovation hub nature of the concept and provide value for customers
- Promote healthy, sustainable meal options that are aligned with UBC's sustainability goals,

and retail and customer trends across North America

The Food Lab – Operational Process



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Akash:

The Food Lab

- An innovation hub strategy for UBC Food Services to experiment with bleeding-edge QSR order technologies and processes, and test successful concepts pioneered in the Open Kitchen dining hall in a safe and retail test environment.
- The implementation plan for The Food Lab has been divided into three phases
Development Phase 1 – In this phase the technology order process changes are identified and a menu is created that would be served the test location. This phase would last for three months from May to July before the new session begins.
- **Execution Phase 1** – Following the Development phase, the execution phase would include operating and managing the location for five months (from August to December) and observing its processes, pivoting processes and concepts as appropriate to improve order flow-through, and redesigning the menu items based on residence dining success.
- **Development Phase 2** – Overlapping the Execution Phase 1 for three months from October to December. This phase includes planning for the next execution period, that is to identify a test technology or order process, and to rotate the food menu offering.
- **Execution Phase 2** – Implementation and execution of the changes identified in

Development phase 2. This phase would again be implemented for seven months from January to July.

- **Transition Phase(s)** – Transition phases, occurring after every Execution Phase, would include evaluation of the technology, processes and menu items and a decision reached on go/no-go on whether or not to implement the changes more broadly across the UBC Food Services portfolio.

The Food Lab – Financial Implications (Summary)

- Three revenue scenarios were analyzed (Base Case, Optimistic and Pessimistic)
- The initial development cost for The Food Lab is a one-time fixed cost (~40,000/unit for self-serve kiosks and \$40,000 for minimum viable product app development)
- All three scenarios project positive Net Income for UBC Food Services

Financial Projections Summary - Year 1		Details	
Scenario 1	Revenues	\$ 900,000.00	Base case (Retail UBC Food Services own brands as benchmark)
Scenario 1	Total VC	\$ 678,600.00	Cost of goods sold and Labour taken from the client's P/L
Scenario 1	Contribution Margin	\$ 221,400.00	
Scenario 1	Total FC	\$ 135,000.00	Sum of transition costs from one menu to another and initial location development cost
Scenario 1	Net Income	\$ 21,600.00	
Scenario 2	Revenues	\$ 1,100,000.00	Optimistic (Retail UBC Food Services own brands as benchmark)
Scenario 2	Total VC	\$ 829,400.00	Cost of goods sold and Labour taken from the client's P/L
Scenario 2	Contribution Margin	\$ 270,600.00	
Scenario 2	Total FC	\$ 135,000.00	Sum of transition costs from one menu to another and initial location development cost
Scenario 2	Net Income	\$ 33,900.00	
Scenario 3	Revenues	\$ 650,000.00	Pessimistic (Retail UBC Food Services own brands as benchmark)
Scenario 3	Total VC	\$ 490,100.00	Cost of goods sold and Labour taken from the client's P/L
Scenario 3	Contribution Margin	\$ 159,900.00	
Scenario 3	Total FC	\$ 135,000.00	Sum of transition costs from one menu to another and initial location development cost
Scenario 3	Net Income	\$ 6,225.00	

The Food Lab is a financially sustainable innovation hub strategy that will allow UBC Food Services to test new QSR technology order concepts and global trends in a low-risk environment and move successful products to other locations across the portfolio.

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Ben:

In order to build a financial model for this recommendation, we used proxies from the UBC Food Services' March 2016 P/L.

- The best proxy for the Costs of Goods Sold, Labour and EBITA percentages of revenue for The Food Lab recommendation is an average of the costs for the Retail portfolio of UBC Food Services
- Three different scenarios for the yearly revenues were analyzed to understand the impact of variability in revenues on the net income
 - All three cases (base, optimistic, pessimistic) offer positive net income with significant fixed costs of implementation and ongoing menu transitions factored into the scenarios.
- Variable costs are Cost of Goods Sold and Labour combined, which were both taken from the client's P/L
 - 38.7% of revenues for Cost of Goods Sold
 - 36.7% of revenues for Labour cost
- Fix costs are Development cost and Transition cost combined, which were given by the client directly through emails.
 - The initial development cost (\$115,000) for The Food Lab is a one-time fixed cost,

- which includes \$40,000/unit budgeted for self-serve kiosks and \$40,000 for minimum viable product app development
- Transition cost (\$20,000) is the on-going cost of changing the technology, order processes, and menu's from one concept to another
 - As part of this recommendation, two concepts/trends per year will be tested and evaluated at the end of execution phase
-
- Two year projections were also considered to show the impact of the increase in net income, since the development cost is no longer present
 - Contribution margin ratio is 24.6% for all three scenarios for both years
 - Return on sales ratios for year 1 are the following:
 - Base Case: 2.4%
 - Optimistic Case: 3.08%
 - Pessimistic Case: 0.96%
 - Return on sales ratios for year 2 are the following: assuming constant revenues and no inflation (benchmark is 1-2% from UBC Food Services P/L)
 - Base Case: 5.87%
 - Optimistic Case: 5.69%
 - Pessimistic Case: 5.38%

Result: The Food Lab recommendation is a financially sustainable new product development strategy
Details of the financial implications are provided in Appendix 7

Recommendation 2: The Lunch Box



Concept

- Short-term subscription meal program that provides **mass customizable** lunches using **reusable to-go boxes** prepared by UBC Food Services' **central kitchen**.
- Customers **pick-up** their lunch box from a **central location** on campus and **return** them to UBC Food Services retail **locations across campus** any time after consuming.



By implementing a Lunch Box program, UBC Food Services can leverage their central kitchen and residence dining strengths to deliver a sought after service for the Graduate, Faculty and Staff customer segment.

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Chelsea:

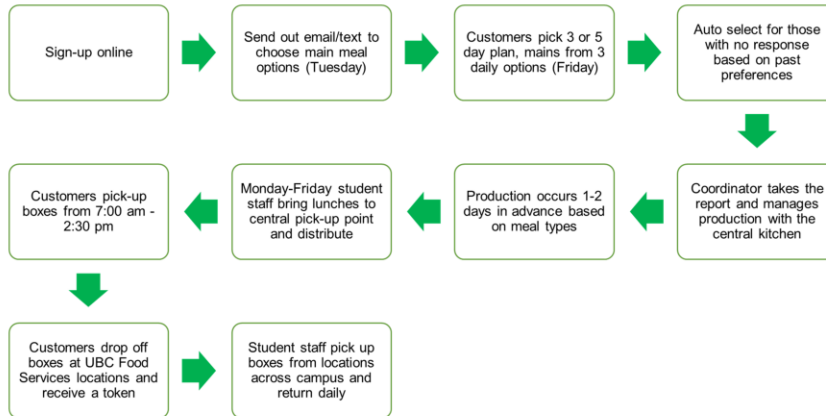
- Concept: Short-term subscription meal program that provides mass **customizable** lunches using **reusable to-go boxes** prepared by UBC Food Services' **central kitchen**. Customers pick-up their lunch box from a central location on campus and return them to UBC Food Services retail locations across campus any time after consuming.
- By implementing a Lunch Box program, UBC Food Services can leverage their central kitchen and residence dining strengths to deliver a sought after service for the Graduate, Faculty and Staff customer segment.

Analysis:

- Provides a **value option** for those who would not necessarily frequent UBC Food Services retail locations
- From the customer survey data, value is a major issue highlighted by customers (Low T2B, High B2B) by quantitative data and anecdotal feedback. Since customers are not satisfied with the current value provided by UBC Food Service, the Lunch Box program is a great idea that can help provide customers with high-value food with lower prices.
- Targets customer groups who are **underserved on campus**, especially those with **time constraints**

- By offering the to-go box program, we can successfully target the market of those customers who prefer convenience, regularly order on campus, and want to save cost.
- Leverage **economies of scale** from central kitchen and experience with residence dining programs
 - After calculating the financial analysis. We found out that because the economic of scale production, UBC Food Service can save cost in the long run after implementing this strategy.
- **Fresh, healthy food and reusable** containers aligns with UBC's vision of **sustainability**
 - Besides the sustainability trend we mentioned earlier about the eco packaging, UBC also focuses on sustainability issue. Therefore, by implementing this to-go box program, we can not only follow the current world trend but also align with UBC' vision toward sustainability.
- **Aligned with campus food** trends across North America
 - From our research about other universities in North America, those schools also focus on convenience and affordability, which aligns with our to-box program.

The Lunch Box – Customer Process



The Lunch Box process is simple to execute and easy to use for new customers.

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Chelsea:

The Lunch Box process is simple to execute and easy to use for customers.

1. Sign up online

For those customers who are interested in the program, they should first subscribe on UBC Food Service's website. They should select either from a "Monday to Friday meal program" or "Monday, Wednesday, Friday meal program", and then prepay the charges online.

2. Send out email/text to choose food options (Tuesday)

UBC Food Service will then send out an official email to confirm the subscription and payment, and then continue to remind customers to select their weekly meal options every Tuesday.

3. Customer picks 3 or 5 days plan, mains from 8 options (Friday)

Before the end of every Friday, customers have to choose their mains out of 8 options from their 3 or 5 days plan.

4. Auto select for those with no response based on past preferences

If customers forget to choose their food options, the system will automatically select for them based on their past preferences.

5. Coordinator takes the report and tracks with the central kitchen

UBC Food Service gets the demand data on every Friday night, and then coordinates with the

central kitchen for the schedule.

6. Production occurs 1-2 days in advance based on meal type

The central kitchen starts to prepare for the food on Weekends in advance for the upcoming week's demand on campus.

7. Monday-Friday student laborers bring lunches to specific central pick-up point and distribute

From Monday to Friday, UBC Food Service will assign student laborers to bring lunches to central pick-up point and distribute.

8. Customer picks up box from 7:00am - 2:30pm

During the program, customers can go to specific UBC Food Service assigned place from 7:00am - 2:30pm to pick up their reusable lunch boxes with hot food. UBC Food Service will use a token to make sure students have subscribed the program.

9. Customers drop off boxes at UBC food services locations and receive a token

UBC Food Service set up several spots on campus that those subscription customers can return their lunch boxes back every day, and at the same time they will provide a token to the customer to prove that they have returned. When customers pick up lunch next time, they have to use the token to exchange for another lunchbox. Without returning, customers cannot pick up a new meal the next day.

10. Student labours pick up boxes from locations across campus and return

After the central kitchen receive boxes sent back from student laborers, the central kitchen cleans them and continue to use in another day.

The Lunch Box – Financial Implications (Summary)



Framework for analysis

- Three pricing strategies
- Three market share projections
- Two net margin scenarios
- All 18 scenarios are profitable

Costing Summary		\$/Unit
Scenario 1	Price per lunch	\$ 8.50
Scenario 1	Total V.C.	\$ 7.00
Scenario 1	Unit Contribution	\$ 1.50
Scenario 1	Break Even	442 lunches
Scenario 2	Price per lunch	\$ 9.50
Scenario 2	Total V.C.	\$ 7.82
Scenario 2	Unit Contribution	\$ 1.68
Scenario 2	Break Even	395 lunches
Scenario 3	Price per lunch	\$ 7.50
Scenario 3	Total V.C.	\$ 6.18
Scenario 3	Unit Contribution	\$ 1.32
Scenario 3	Break Even	503 lunches

Revenue Projections		
Scenario 1		
	Grad., Faculty & Staff	Undergrads
Marketshare	1%	0.50%
Number of participants	312.42	214.93
Price per lunch	\$ 8.50	\$ 8.50
Sub-Total Revenue	\$ 2,655.57	\$ 1,826.91
Daily Revenue	\$ 4,482.48	
Yearly rev. projection	\$ 717,196.00	
Net Margin Scenario 2%	\$ 14,343.92	
Scenario 2		
Marketshare	1%	0.50%
Number of participants	312.42	214.93
Price per lunch	\$ 9.50	\$ 9.50
Sub-Total Revenue	\$ 2,967.99	\$ 2,041.84
Daily Revenue	\$ 5,009.83	
Yearly rev. projection	\$ 801,572.00	
Net Margin Scenario 2%	\$ 16,031.44	
Scenario 3		
Marketshare	1%	0.50%
Number of participants	312.42	214.93
Price per lunch	\$ 7.50	\$ 7.50
Sub-Total Revenue	\$ 2,343.15	\$ 1,611.98
Daily Revenue	\$ 3,955.13	
Yearly rev. projection	\$ 632,820.00	
Net Margin Scenario 2%	\$ 12,656.40	

With a low break-even point, on the most conservative scenarios, the lunch-box recommendations is a low risk solution for an underserved customer segment on campus.

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Ben:

In order to build a financial model for this recommendation, we had to compile data from multiple sources.

- The best proxy for the Costs of Goods Sold, Labour and EBITA percentages of revenue for The Lunch Box recommendation is an average of the costs for the Residential Dining/Central Kitchen segment of UBC Food Services portfolio.
- A total of 18 different scenarios were assessed, all of them results in positive net income. (details below)
- Cost Structure
 - Three pricing strategies were evaluated (pricing is based on our competitive landscape analysis)
 - \$7.50 per lunch, \$8.50 per lunch, \$9.50 per lunch
 - Variable costs are Cost of Goods Sold, Labour and Packaging
 - Cost of Goods Sold is 32% of revenues
 - Labour cost is 50% of revenues
 - Packaging cost is set at 5.2\$/box based on secondary research (divided by 160 days of use)
 - Program costs are Program Coordinator Salary, Students Salaries and Marketing Coordinator Salary

- A program coordinator has to be hired to run this program (\$50,000/year)
 - Two UBC students will work part-time on this program (2 X 15\$/h X 7.5hours/day) from a pool of five to seven students.
 - Hire a marketing coordinator to promote all of UBC Food Services locations, but will spend half of his time on this program (\$40,000/year)
- Revenue projections
 - Three market share scenarios were assessed
 - 1% Graduates and Faculty and 0.5% Undergrads
 - 3% Graduates and Faculty and 1% Undergrads
 - 5% Graduates and Faculty and 1.5% Undergrads
 - Our secondary research provided us with updated 2016 school demographics
 - Our financial model is based on 160 operating days
 - Two net margin scenarios were evaluated, 2% and 3% (margins given by client)

Result: The Lunch Box recommendation is a financially sustainable recommendations to tap in adjacent market and attract new customers

Details of the financial implications are provided in Appendix 8

Sources:

1. Box Cost

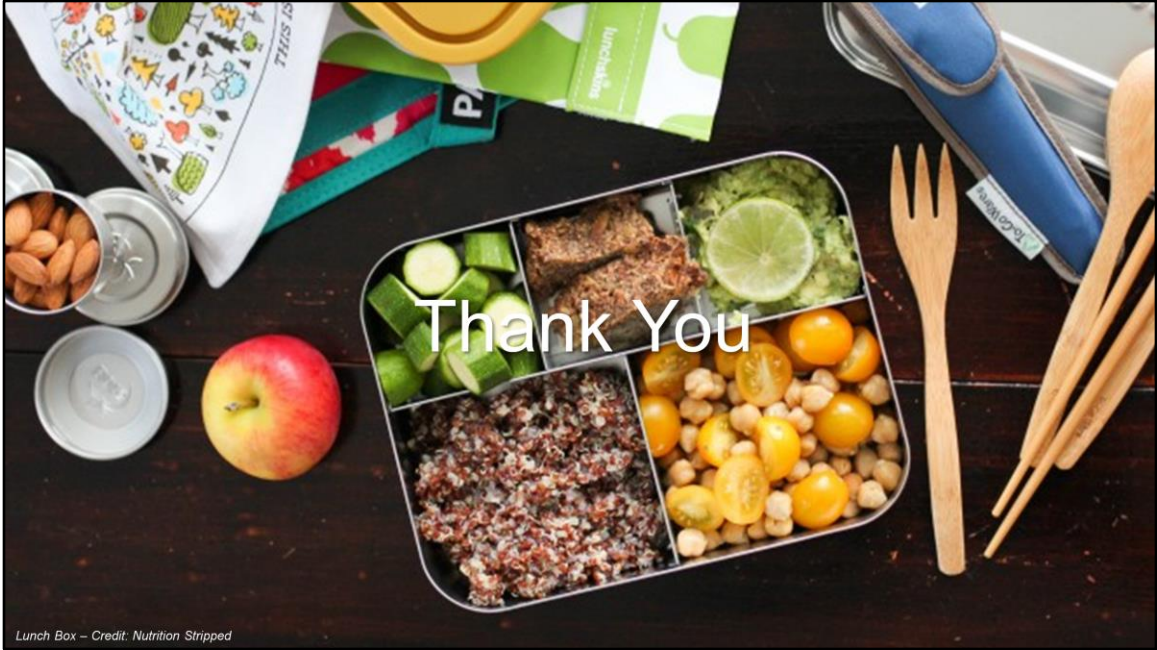
https://www.alibaba.com/product-detail/Outdoor-camping-lunchbox-steaming-picnic-lunch_60394804324.html

2. UBC Demographics

www.pair.ubc.ca

3. UBC Food Services P/L





Lunch Box - Credit: Nutrition Stripped



Wood Fired Pizza – Credit: Millstone Winery

Appendix 1 – Competitive Analysis

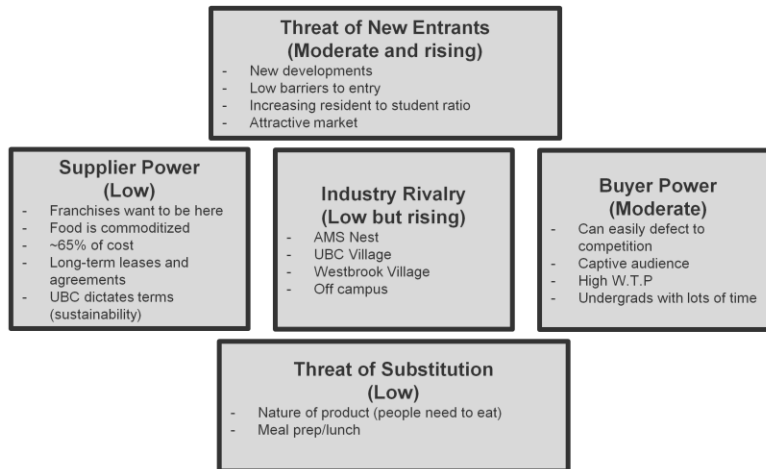


University Village	Value (High, Med, Low)	Healthy (Y/N)	Cuisine (Type)
Blenz Coffee	Med	N	Coffee
Pizza Garden	High	N	Pizza
A&W	High	N	Burgers
Suga Sushi	Med	Y	Japanese
Running Chicken	High	N	Fried Chicken F/S
Petra Cafe	High	N	Middle Eastern
Osaka Sushi	High	Y	Japanese F/S
Timpo Mongolia	Med	N	Mongolian
Pho Vietna	High	N	Vietnamese
Miyamae Sushi	Med	Y	Japanese
Noodle Shop	Med	N	Asian Fusion
Donair Town	High	N	Middle Eastern
My Home Cuisine	High	N	Chinese
Black Pearl Cafe	High	N	Chinese
Mini Super	High	N	Asian Fusion
McDonalds	High	N	Burgers
Pita Pit	Med	Y	Pitas
Only Cafe	Med	N	Diner
MioJapan	High	Y	Japanese
Starbucks	Low	N	Coffee
One More Sushi	High	Y	Japanese
Booster Juice	Low	Y	Juice Bar
5 Tastes	Low	N	Chinese F/S
Fresh Slices	High	N	Pizza
Subway	High	N	Sandwiches
Pearl Fever	Med	Y	Bubble Tea
Vera's Burgers	Low	N	Burgers
Red Burrito	Med	N	Mexican

Westbrook Village	Value (High, Med, Low)	Healthy (Y/N)	Cuisine (Type)
Doughgirls	Low	N	Cafe
Chef Huong	Med	N	Taiwanese
BierCraft	Low	N	Pub
Togo Sushi	Med	Y	Japanese
Blenz Coffee	Med	N	Coffee
Menchies	Low	N	Tea/Deserts
Jugo Juice	Low	Y	Juices

Nest	Value (High, Med, Low)	Healthy (Y/N)	Cuisine (Type)
Honour Roll	Med	Y	Japanese
Pho Tea	Med	N	Asian
Uppercase	Med	N	Café
Liquid Nutrition	Low	Y	Juice Bar
Qoola	Low	Y	Yogurt Bar
Sandwich Palate	Med	Y	Sandwiches
Pi R*2	High	N	Pizza
The Delly	Med	Y	Sandwiches
Soup Market	Med	Y	Soup
The Pit	Med	N	Pub
Flip Side	Med	N	Burgers
Grand Noodle Imporium	Med	N	Asian Fusion
The Gallery Bar	Med	N	Pub

Appendix 2 – Porters Five Forces



Appendix 3 – PESTLE Analysis



Political	<p>Municipal: Vision Vancouver (left of centre), Provincial: BC Liberals (right of centre), Federal: Liberal Party of Canada (centre left). Stable political environment.</p> <p>UBC: New President, board and policy scrutiny, campus safety issues.</p>
Economic	<p>Approximately \$1.5M profit annually – of which \$850k is returned to UBC as a dividend, and \$650 is reinvested into operations. 25% of the retail operations are profitable and fund the other 75%. Raising CAPEX is not an issue, and lack of lease payments mean COGS (65%) and Direct Labour (35%) are primary cost drivers. Large employer on campus with over 700 employees (500 union, 200 student). Target customer segment is undergraduate students.</p>
Social	<p>Organization is values driven, with a focus on improving the student experience, sustainability and health and wellness. From a monetary perspective this is reinforced by the fact it pays a dividend to the university for reinvestment, but also in the fact it purposefully operates certain brands at a loss based on student demand. Serves ~20k/70k per day. High international student population and growing. Driven to nourish students by providing high quality, fresh, and local meals where possible that satisfy a wide array of tastes.</p>
Technology	<p>Low tech, utilizes almost no MIS capabilities. Only data available is from P/L for entire UBC Food Services operation and by sub-brand. Recently started using Fluid Surveys to capture operational customer satisfaction data. No market research, automation, mobile apps or automation/self-serve capabilities.</p>
Legal	<p>No need for Real Estate leases. Contracts with franchises are long-term in nature (5-10 years). Collective bargaining and agreement for unionized employees (indications of good working relationship).</p>
Environmental	<p>Committed to zero waste where possible and sustainability value of UBC. 1% of product sourced from UBC farms. Local, Fair Trade, and Ocean-wise food is prioritized in supply strategy.</p>

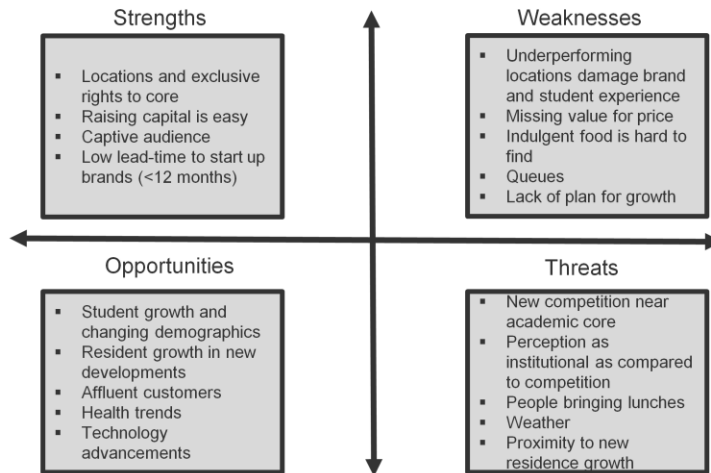
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Appendix 4 – ERRC Analysis



Eliminate	Raise
<ul style="list-style-type: none"> ▪ Perception as an institutional brand ▪ Underperforming locations (damages brand) ▪ Lack of customer focus 	<ul style="list-style-type: none"> ▪ Sustainability practices ▪ Value perception (price vs. quantity/calories) ▪ Variety of cuisines ▪ Responsiveness to food trends ▪ Awareness of locations and offerings
Reduce	Create
<ul style="list-style-type: none"> ▪ Food and packaging waste ▪ Wait time / Queues ▪ Kitchen complexity (time) 	<ul style="list-style-type: none"> ▪ Own brands ▪ Convenience ▪ Technological innovation ▪ Fun ▪ Long-term growth strategy

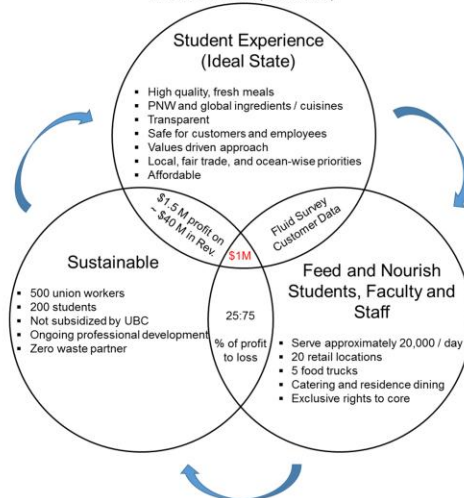
Appendix 5 - SWOT



Appendix 6: Business Model



UBC Food Services (Retail Model)



Appendix 7 – The Food Lab – Financial Analysis

Scenario 1 - Base Case - Year 1		Details
Revenues	\$ 900,000.00	Retail segment as proxy (Retail UBC Food Services own brands)
Cost of Good Sold (VC)	\$ 348,300.00	Approx 38.7% of revenues (Retail UBC Food Services own brands)
Cost of Labour (VC)	\$ 330,300.00	Approx 36.7% of revenues (Retail UBC Food Services own brands)
Contribution Margin	\$ 221,400.00	
Transition Cost (FC)	\$ 20,000.00	Cost of transitioning technology, processes and redeveloping menu items on semi-annual basis
Development Cost (FC)	\$ 115,000.00	Proxy from food truck development and technology costs of kiosks and web/app development (one-time cost, conservative approach)
EBITA	\$ 86,400.00	
Net Income	\$ 21,600.00	
Scenario 1 - Base Case - Year 2		Details
Revenues	\$ 900,000.00	Retail locations as proxy (Retail UBC Food Services own brands)
Cost of Good Sold (VC)	\$ 348,300.00	Approx 38.7% of revenues (Retail UBC Food Services own brands)
Cost of Labour (VC)	\$ 330,300.00	Approx 36.7% of revenues (Retail UBC Food Services own brands)
Contribution Margin	\$ 221,400.00	
Transition Cost (FC)	\$ 10,000.00	Cost of transitioning technology, processes and redeveloping menu items on semi-annual basis
Development Cost (FC)	\$ -	No development cost in year 2
EBITA	\$ 211,400.00	
Net Income	\$ 52,850.00	

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Appendix 7 – The Food Lab – Financial Analysis

Scenario 2 - Optimistic - Year 1		Details
Revenues	\$ 1,100,000.00	Retail segment as proxy (Retail UBC Food Services own brands)
Cost of Good Sold (VC)	\$ 425,700.00	Approx 38.7% of revenues (Retail UBC Food Services own brands)
Cost of Labour (VC)	\$ 403,700.00	Approx 36.7% of revenues (Retail UBC Food Services own brands)
Contribution Margin	\$ 270,600.00	
Transition Cost (FC)	\$ 20,000.00	Cost of transitioning technology, processes and redeveloping menu items on semi-annual basis
Development Cost (FC)	\$ 115,000.00	Proxy from food truck development and technology costs of kiosks and web/app development (one-time cost, conservative approach)
EBITA	\$ 135,600.00	
Net Income	\$ 33,900.00	

Scenario 2 - Optimistic - Year 2		Details
Revenues	\$ 1,100,000.00	Retail segment as proxy (Retail UBC Food Services own brands)
Cost of Good Sold (VC)	\$ 425,700.00	Approx 38.7% of revenues (Retail UBC Food Services own brands)
Cost of Labour (VC)	\$ 403,700.00	Approx 36.7% of revenues (Retail UBC Food Services own brands)
Contribution Margin	\$ 270,600.00	
Transition Cost (FC)	\$ 20,000.00	Cost of transitioning technology, processes and redeveloping menu items on semi-annual basis
Development Cost (FC)	\$ -	Given by client (one-time cost, conservative approach)
EBITA	\$ 250,600.00	
Net Income	\$ 62,650.00	

Appendix 7 – The Food Lab – Financial Analysis

Scenario 3 - Pessimistic Year 1		Details
Revenues	\$ 650,000.00	Retail segment as proxy (Retail UBC Food Services own brands)
Cost of Good Sold (VC)	\$ 251,550.00	Approx 38.7% of revenues (Retail UBC Food Services own brands)
Cost of Labour (VC)	\$ 238,550.00	Approx 36.7% of revenues (Retail UBC Food Services own brands)
Contribution Margin	\$ 159,900.00	
Transition Cost (FC)	\$ 20,000.00	Cost of transitioning technology, processes and redeveloping menu items on semi-annual basis
Development Cost (FC)	\$ 115,000.00	Proxy from food truck development and technology costs of kiosks and web/app development (one-time cost, conservative approach)
EBITA	\$ 24,900.00	
Net Income	\$ 6,225.00	

Scenario 3 - Pessimistic Year 2		Details
Revenues	\$ 650,000.00	Retail segment as proxy (Retail UBC Food Services own brands)
Cost of Good Sold (VC)	\$ 251,550.00	Approx 38.7% of revenues (Retail UBC Food Services own brands)
Cost of Labour (VC)	\$ 238,550.00	Approx 36.7% of revenues (Retail UBC Food Services own brands)
Contribution Margin	\$ 159,900.00	
Transition Cost (FC)	\$ 20,000.00	Cost of transitioning technology, processes and redeveloping menu items on semi-annual basis
Development Cost (FC)	\$ -	Given by client (one-time cost, conservative approach)
EBITA	\$ 139,900.00	
Net Income	\$ 34,975.00	

Appendix 8 – Lunch Box – Financial Analysis



Scenario 1: Conservative RSP

- Price per lunch is set at \$8.50
- Break even: 442 lunches
- Projected yearly profit (conservative): \$14 343

Scenario 1		\$/Unit	Details
Price per lunch		\$ 8.50	
Food Cost	COGS	\$ 2.72	32% of RSP
Food Cost	Direct Labor	\$ 4.25	50% of RSP
Packaging Cost	Box Cost	\$ 0.03	\$5.2/160days
Total V.C.		\$ 7.00	
Unit Contribution		\$ 1.50	
Program Cost	Program Coordinator Salary	\$ 312.50	1*\$50,000/160days
	Students Salaries	\$ 225.00	2*15\$/h*7.5h
	Marketing Coordinator Salary	\$ 125.00	\$40,000/2/160
Program Cost		\$ 662.50	
Break-Even		442	

Revenue Projection	Scenario 1		Scenario 2		Scenario 3	
	Grad., Faculty & Staff	Undergrads	Grad., Faculty & Staff	Undergrads	Grad., Faculty & Staff	Undergrads
Marketshare	1%	0.50%	3%	1%	5%	1.50%
Number of participants	312.42	214.93	937.26	429.86	1562.10	644.79
Price per lunch	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50	\$ 8.50
Sub-Total Revenue	\$ 2,655.57	\$ 1,826.91	\$ 7,966.71	\$ 3,653.81	\$ 13,277.85	\$ 5,480.72
Daily Revenue	\$ 4,482.48		\$ 11,620.52		\$ 18,758.57	
Yearly rev. projection	\$ 717,196.00		\$ 1,859,283.20		\$ 3,001,370.40	
Net Margin Scenario 2%	\$ 14,343.92		\$ 37,185.66		\$ 60,027.41	
Net Margin Scenario 3%	\$ 21,515.88		\$ 55,778.50		\$ 90,041.11	

Appendix 8 – Lunch Box – Financial Analysis



Scenario 2: High RSP

- Price per lunch is set at \$9.50
- Break even: 395 lunches
- Projected yearly profit (conservative): \$16 031

Scenario 2		\$/Unit	Details
Price per lunch		\$ 9.50	
Food Cost	COGS	\$ 3.04	32% of RSP
Food Cost	Direct Labor	\$ 4.75	50% of RSP
Packaging Cost	Box Cost	\$ 0.03	\$5.2/160days
Total V.C.		\$ 7.82	
Unit Contribution		\$ 1.68	
Program Cost	Program Coordinator Salary	\$ 312.50	1*\$50,000/160days
	Students Salaries	\$ 225.00	2*15\$/hr*7.5h
	Marketing Coordinator Salary	\$ 125.00	\$40,000/2/160
Program Cost		\$ 662.50	
Break-Even		395	

Revenue Projection	Scenario 1		Scenario 2		Scenario 3	
	Grad., Faculty & Staff	Undergrads	Grad., Faculty & Staff	Undergrads	Grad., Faculty & Staff	Undergrads
Marketshare	1%	0.50%	3%	1%	5%	1.50%
Number of participants	312.42	214.93	937.26	429.86	1562.10	644.79
Price per lunch	\$ 9.50	\$ 9.50	\$ 9.50	\$ 9.50	\$ 9.50	\$ 9.50
Sub-Total Revenue	\$ 2,967.99	\$ 2,041.84	\$ 8,903.97	\$ 4,083.67	\$ 14,839.95	\$ 6,125.51
Daily Revenue	\$ 5,009.83		\$ 12,987.64		\$ 20,965.46	
Yearly rev. projection	\$ 801,572.00		\$ 2,078,022.40		\$ 3,354,472.80	
Net Margin Scenario 2%	\$ 16,031.44		\$ 41,560.45		\$ 67,089.46	
Net Margin Scenario 3%	\$ 24,047.16		\$ 62,340.67		\$ 100,634.18	

Appendix 8 – Lunch Box – Financial Analysis



Scenario 3: Low RSP

- Price per lunch is set at \$7.50
- Break even: 503 lunches
- Projected yearly profit (conservative): \$12 656

Scenario 3		\$/Unit	Details
Price per lunch		\$ 7.50	
Food Cost	COGS	\$ 2.40	32% of RSP
Food Cost	Direct Labor	\$ 3.75	50% of RSP
Packaging Cost	Box Cost	\$ 0.03	\$5.2/160days
Total V.C.		\$ 6.18	
Unit Contribution		\$ 1.32	
Program Cost	Program Coordinator Salary	\$ 312.50	1*\$50,000/160days
	Students Salaries	\$ 225.00	2*15\$/hr*7.5h
	Marketing Coordinator Salary	\$ 125.00	\$40,000/2/160
Program Cost		\$ 662.50	
Break-Even		503	

Revenue Projection	Scenario 1		Scenario 2		Scenario 3	
	Grad., Faculty & Staff	Undergrads	Grad., Faculty & Staff	Undergrads	Grad., Faculty & Staff	Undergrads
Marketshare	1%	0.50%	3%	1%	5%	1.50%
Number of participants	312.42	214.93	937.26	429.86	1562.10	644.79
Price per lunch	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50	\$ 7.50
Sub-Total Revenue	\$ 2,343.15	\$ 1,611.98	\$ 7,029.45	\$ 3,223.95	\$ 11,715.75	\$ 4,835.93
Daily Revenue	\$ 3,955.13		\$ 10,253.40		\$ 16,551.68	
Yearly rev. projection	\$ 632,820.00		\$ 1,640,544.00		\$ 2,648,268.00	
Net Margin Scenario 2%	\$ 12,656.40		\$ 32,810.88		\$ 52,965.36	
Net Margin Scenario 3%	\$ 18,984.60		\$ 49,216.32		\$ 79,448.04	

Appendix 9 – Business Canvas Model (Before)



Key Partners <ul style="list-style-type: none"> • UBC Food Services • Students, faculty & staff • Franchises • Campus residents (non-student) 	Key Activities <ul style="list-style-type: none"> • Catering • Residential dining • Retail and Franchises • Mobile Food Trucks and Concessions(?) 	Value Propositions <ul style="list-style-type: none"> • Feed and nourish students, faculty and staff • Improve the student experience 	Customer Relationships <ul style="list-style-type: none"> • Captive audience in academic core 	Customer Segments <ul style="list-style-type: none"> • Undergraduate students • Graduate students • Faculty and staff
Key Resources <ul style="list-style-type: none"> • unionized employees • student employees • Residence dining • Exclusive rights to academic core of campus 		Channels <ul style="list-style-type: none"> • Direct to consumer sales for retail stores • Residents dining halls 		
Cost Structure <ul style="list-style-type: none"> • High retail prices across all locations • No lease for required for all locations • Direct material 			Revenue Streams <ul style="list-style-type: none"> • Residence dining programs • Catering functions and conferences • Retail operations 	

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Appendix 9 - Business Model Canvas (After)



Key Partners <ul style="list-style-type: none"> • UBC Food Services • SEEDs Sustainability Program • Students, faculty & staff • Franchises • Campus visitors • Campus residents (non-student) 	Key Activities <ul style="list-style-type: none"> • Catering • Residential dining • Retail and Franchises • Mobile Food Trucks and Concessions 	Value Propositions <ul style="list-style-type: none"> • Feed and nourish students, faculty and staff • Improve the student experience • Self-funded and sustainable 	Customer Relationships <ul style="list-style-type: none"> • Low loyalty as indicated by Likelihood to Recommend (high chance of defection to competitors) • Captive audience in academic core 	Customer Segments <ul style="list-style-type: none"> • Undergraduate students (~40,000) who comprise 80% of the business • Graduate students (~10,000) • Faculty and staff (~20,000) plus non-paid staff (~9,000) • UBC Food Services feeds approximately 20,000 of the 70,000 individuals on campus any given day
	Key Resources <ul style="list-style-type: none"> • 500 unionized employees • 200 student employees • Central kitchen facility • Residence dining program experience and profit centre • Exclusive rights to academic core of campus 		Channels <ul style="list-style-type: none"> • Direct to consumer sales for retail operations • Strategic partners off campus that accept UBC Card payments and discounts 	
Cost Structure <ul style="list-style-type: none"> • 36% Cost of Goods Sold • 38% Cost of Labour • 9% EBITA • 2-3% Margins for retail 		Revenue Streams <ul style="list-style-type: none"> • Residence dining programs • Catering functions and conferences • Retail operations • Mobile food trucks and concessions 		

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End