

8.0 Operations

8.1 Business Premises and Location

At present the only facility we will be using is the café. It is ideally located within the shopping centre to attract passing customers and is also relatively close to our main suppliers i.e. grocer and bakery. The café is fully fitted out and is fit for purpose.

There is no need for a separate operating location at this point in time. There is an opportunity to roast coffee beans and manufacture the café's own blends at a later date. If this occurs, it may be necessary to acquire operating premises to implement the idea.

8.2 Plant and Equipment Requirements

Set out below is a listing of the minimum plant and equipment items that are required to successfully operate the Café. A schedule of the plant and equipment (and their values) contained in the purchase price will be included in the contract documentation and will be subject to due diligence. The purchase price of the plant and equipment items listed below is stated in the contract at \$50,000.

The items to be acquired in the purchase price are two years old and will be subject to a Mortgage Debenture Charge as part collateral for the bank loan.

We will undertake routine maintenance and plan the replacement of plant and equipment items on the basis of annual condition assessments.

Table 17: Listing of plant and equipment

Description of Plant / Equipment Item	Number required	Cost and how financed	Ongoing costs and Maintenance
Quality coffee maker	1	Included in the purchase price.	Under warranty
Small commercial kitchen	1	Included in the purchase price.	Annual maintenance check
Benches & cupboards, sinks/drains		Included in the purchase price.	Replace as necessary
Furniture – Chairs & tables	36 chairs 10 tables	Included in the purchase price.	Replace as necessary
Signs	3	Included in the purchase price.	Replace within 6 months as part of promotional strategy
Crockery, cutlery and linen	72 settings of crockery and cutlery	Included in the purchase price.	Replace as necessary
POS Equipment (including software), computer	1 of each	Included in the purchase price.	Under warranty

8.3 Purchasing and Supply

Brendan has contacted all existing suppliers and has negotiated supply arrangements on very attractive terms. At this point there are no written contracts although three suppliers have indicated that they are currently preparing contracts for execution. Where suppliers do not provide formal contracts we will be requesting an exchange of letters to confirm the basic arrangements.

In most instances local alternative suppliers exist. Where local alternative suppliers do not exist, we have identified alternative suppliers from nearby regions who have the capacity to meet the café's needs in a timely manner at a reasonable cost.

Table 18: Listing of major suppliers

Name	Product/ Service	Volume Purchased	Trading Terms	Alternate Suppliers
Mountain Glen Fruit & Vegetable Supplies	Fresh fruit and vegetables	\$1,400 per week	30 days	Alternative local supplier 'The Greengrocer'
Tasty Meat & Delicatessen Supplies	Fresh meat, manufactured meat, and delicatessen items	\$500 per week	30 days	Alternative local supplier 'Mavs Meat Supplies'
Mountain Glen Bakery Supplies	Fresh bread, rolls, and flour etc	\$1,200 per week	30 days	Alternative local supplier 'The Daily Bread'
Café Supplies Pty Ltd	Plant and equipment	As required.	30 days	No local alternative supplier Interstate options
Hot Shot Coffee Supplies	Coffee beans	\$150 per week	14 days	No local alternative supplier Interstate options
BWS (Drink Suppliers)	Wines, beer, soft drinks	\$350 per week	30 days	A number of alternative suppliers exist Various
Uniforms R Us	Staff uniforms & badges	4 per quarter	30 days	Alternative local supplier 'Workwear'
Café Supplies	Serviettes, tablecloths, promotional material		30 days	No local alternative supplier Interstate options

8.4 Operating and Production Processes

Our major processes are sales, food and beverage preparation, table service and stock control (ordering, storing, controlling). Major processes are flow-charted in the café's Procedures Manual. A copy of this is appended to the business plan. The processing of Point of Sale (POS) transactions is electronic, with transactions being automatically posted into the accounting system (which incorporates a stock control system). The table below represents the current and the planned level of operation and the standard of these operations.

Table 19: Analysis of operating facilities and processes

Detail	Current Level of Operation/ Standard	Meets Industry Standard	Planned Level of Operation/ Standard	Meets Industry Standard
Plant/Office Capacity	'Dine in' seating for 36.	Yes	36 + May need to increase floor space	Yes
Scheduling (operation, sequences & timing)	Current schedules working well.	Yes	Efficient, effective & economical	Yes
Equipment/Tooling Requirements	Equipment sufficient for our needs	Yes	Maintain and replace as required.	Yes
Layout of business premises	Premises well designed and lay out excellent.	Yes	Review design and lay out if additional space acquired	Yes
Material Requirements	All goods and produce readily available at reasonable prices	Yes	No change envisaged at this time.	Yes
Location	Excellent	Yes	Excellent location	Yes
Distribution	Customers come into the café.	Yes	Customers come into the café.	Yes
Quality Controls	QA system working well	Yes	Ongoing continuous improvement	Satisfies all industry requirements
Staffing Levels	Adequate at present	Yes. All appropriately trained	Appropriate	Yes
Purchasing lead times	Excellent. Great service from suppliers	Yes	No change envisaged at this time.	Yes

8.5 Stock or Inventory

All stock at this stage will be stored 'on site' at the café. Fresh produce such as vegetables are purchased in vacuum sealed bags or cartons and meat in vacuum sealed packs. These will be stored in a small commercial refrigerator. Other items such as coffee beans, canned and packaged products will be kept in the storage cupboards.

Other perishables including cakes and cheese cakes will be kept in refrigerated display cabinets and will be stored for a maximum of three days.

On average, we expect to turn stock over once per week.

Stock will be controlled using our stock control system, which is a module of the accounting software package.

8.6 Information Communication Technology Systems

ICT systems include the computerised EFTPOS system, linked to the accounting system. The EFTPOS system will process Direct Debit, Credit Card, and Cash transactions directly to the bank and the accounting system. The accounting system will process the payroll, stock control, general ledger transactions and maintain the Human Resource records.

These systems effectively reduce manual accounting and processing to a minimum. They provide real time reports, thus enhancing productivity and management decision making.

8.7 Operational Forecast

We have projected sales transactions at 17,900 for QTR 1, 19,500 for QTR 2, 15,900 for QTR 3, and 18,600 for QTR 4. Our average sale price is estimated to be \$7.46 with the average cost of sales at \$2.20.

Our average number of employees is estimated at 5 with 6 required at peak times. This includes both full time and casual employees.

Profit per person is projected at \$4,448 per month. Our target for client satisfaction is a rating of 85% for the first year.

Figure 2 Operational targets

Operational Targets	QTR 1 Budget	QTR 2 Budget	QTR 3 Budget	QTR 4 Budget
Number of units produced				
Number of customers				
Number of Sales	17,900	19,500	15,900	18,600
Average sale value	\$7.43	\$6.97	\$8.75	\$7.91
Average Cost of Sales	\$2.20	\$2.21	\$2.17	\$2.21
Leads				
Lead conversion rate				
Number of persons employed incl owner	5	6	5	5
Profit per person / % of nett profit to labour	\$4,951.20	\$6,104.29	\$4,050.20	\$6,054.20
Customer satisfaction - %	85.0%	85.0%	85.0%	85.0%

Table 20: Analysis of operational performance (existing/planned)

Operational Feature	Rating out of 10		Notes - Methods for Improvement
	Current	Expected (in next 6 months)	
Cost	8	9	Change menu to match seasonal availability and cost of food items
Quality	7	9	Ongoing QA audits and training
Wastage	8	8	Monitor stock control (orders & wastage)
Flexibility	9	10	Workplace Agreement
Skill Levels	7	8	On the job training, mentoring and coaching
Dependability	10	10	None at present
Scheduling	10	10	None at present
Downtime	10	10	None at present
Safety	10	10	None at present
Service	8	10	Train staff and encourage excellence in service
Technology	7	8	On the job training for the EFTPOS
Innovation	7	9	Evaluate changes in consumer tastes and behaviour and monitor the menus of the leading restaurants and cafés

The current rating is based on our observation of the existing operation under the current owner. We propose to lift standards significantly within a few months of taking over. We believe that this is necessary and achievable.