

Palate Review

Elaine Zhao, Karen Liang, Mauricio Lau, Michael Worthington, Oscar Lai

University of British Columbia

COMM 486M

August 11, 2017

Disclaimer: "UBC SEEDS Program provides students with the opportunity to share the findings of their studies, as well as their opinions, conclusions and recommendations with the UBC community. The reader should bear in mind that this is a student project/report and is not an official document of UBC. Furthermore readers should bear in mind that these reports may not reflect the current status of activities at UBC. We urge you to contact the research persons mentioned in a report or a SEEDS team representative about the current status of the subject matter of a project/report".

PALATE

Alma Mater Society



TEAM 5 CONSULTING

Oscar Lai

Mauricio Lau

Yiling Zhao

Karen Liang

Michael Worthington

Executive Summary

First opened in 2015, the AMS Nest is a student-focused hub with a dual mandate of being both fiscally responsible while meeting the needs of UBC students. The Nest currently offers a variety of activities and services for students to eat, study, and socialize. In this report, we will focus on a relatively new entrant within its food offerings – the Palate. Situated in a prime location that intersects both students in the Nest and those walking around it, the specialty sandwich store has the enormous potential to become the go-to-place for UBC students.

Our analysis started with us interviewing UBC students within the Nest, and we found that student decisions on where to eat ultimately came down to three main considerations. Firstly, price has proven to be a key factor in the decision making of students – the primary target for restaurants in the AMS Nest – which has driven students to various alternatives around the Nest which deliver food at a seemingly more reasonable price point. Secondly, convenience in terms of location, space, and seating, has proven to be an important part of choosing where to purchase food – we’ve found that areas that have more space surrounding it, or space for sit-down meals, have encouraged customer visits. Lastly, variety of offered products. Currently, Palate’s offerings are less varied than that of some of their more popular competition, leading us to believe that, based on the primary research, students are driven by variety of choice as well.

As part of our analysis, we recommend Palate to undertake several operational changes starting with opening up a door along its curved windows. This will allow us to expand the preparation area and let us add an additional employee during peak hour to address an existing bottleneck. We will also undertake a small but on-going marketing effort to spread awareness of the store and its price advantages. Taking into account these considerations, we believe that the proposal will generate positive income as early as 2018. The main limitation of this report is forecasting revenue and salary expectations with incomplete data, as well as relying on a small sample size for our analysis which may be incomplete or not representative of the overall student body.



PALATE

Oscar, Karen, Yiling, Michael, Mauricio





Our first step when tackling this case was to assess the current situation, we wanted the answer to the big question: where are we now?

This led to an information gathering process which included an online & in person survey, the timing of the services, and an analysis of the Palate's structural design and its effects on the customer journey.

Online/In person survey:

In order to get to know more about our audience we decided to do two surveys. The first survey, consisted of us going to the Palate and The Delly (What we perceive to be its main competitor) and asking the people in line a series of questions. This included broad questions such as why Palate or Delly, consequently why not the Palate or Delly, what could be improved, and what type of food would you like to see in the Nest. Overall, we interviewed a total of 40 people. We found, through this survey that the main reason people we interviewed chose the Palate over Deli was due to lower prices (44%), consequently, the main reason as to why people chose the Deli over the Palate was due to the variety of products it offers (24%).

However, we understood that the people surveyed are already customers of both the

Palate and the Delly and as such our data would be skewed. As such we also decided to do an online survey in order to reach people who might not know about the Palate, or who might not go to the Nest as well. Through this survey we were looking at whether or not they ate at the Nest, how frequent do they go, which places do they go to, and why. Out of the 56 people who answered the online survey, 68% said they did go to eat at the Nest, out of which 32% eat there once or more times a week. Out of the 68%, 32% went to the Deli, with the majority citing the atmosphere, and variety of options as the reason they go there.

Timing of Services:

As a team we also wanted to get an idea of the efficiency of service provided by the Palate, which is why we decided to gather specific data relating to the speed of service. This included customer attendance turnover, which measures the amount of time it takes for the employee to take the order of another customer, and the cycle time per customer. We also counted the number of people per 10 minutes which was multiplied by 6 to get an approximate of the number of customers during peak hour, and the average number of people in line over a 10 minute period. This was also done for the Delly's sandwich section which is the only other restaurant in the Nest that provides custom made sandwiches. The results of the analysis was as following: The Palate takes 12.5% more time to take a new order, and the whole cycle which involves ordering, customizing, and paying for your sandwich takes 22.2% more time in the Palate.

Image:

<https://static1.squarespace.com/static/50ee198ae4b029acc68b8379/5855eb093e00be1ae0bbf7d5/586bd535e58c624be9f5d9f8/1483827351494/Vancouver-Architectural-Photography-UBC-AMS-Nest-Dialog-Brett-Ryan-Studios-1001.jpg>



Customer Journey:

Finally, we decided to map out the behaviour of the customer through a customer journey map. What we observed is that when arriving to the Nest, people tend to look for a place to sit before grabbing their food. This often lead to food locales with a closer proximity to high congestion areas benefiting from most of the demand.

The whole process of ordering food in the Palate is divided by 3 main stages. The first stage involves the first employee to take your order, place the initial main ingredients depending on what you order (meat, squash, chicken) and placing your order in the oven. After you're passed on to the second stage where the second employee waits till your sandwich is toasted, and where you ask for general ingredients such as to what vegetables, and sauces you want. The final stage is the payout process, which involves the same employee from the second stage.

Overall using the data gathered from all of the three sources we came to the conclusion that there are 3 main issues surrounding the Palate.

Waiting times: Compared to the Delly, the Palate is slower when servicing its customers, with a slower customer turnover, and a slow cycle time per customer. This

is due to the larger amount of workers available in the Deli, which include 3 cashiers to finish your purchase, and due to the bottlenecks the design of the Palate suffers from. This causes the people waiting in line to accumulate, causing the perception of even a larger waiting time, which might discourage potential customers.

Product Variety: The key reason as to why people chose the Delly over Palate was to the variety of products, Deli offers its customers, even though the Palate is the cheaper option.

Student Exposure: We found out that students are not exposed to the Palate. Some people who don't frequent the Nest very often did not know about the Palate, and those who do tend to settle in areas where the Palate is not in eye sight.

<https://s3-media4.fl.yelpcdn.com/bphoto/oord1KWJ9ILSSwsf8SOu0A/o.jpg>



Floor Plan of Proposed Palate

Feature 1 – Space Expansion

We decided to knock down ½ of the current window and expand the seating areas to outside of the current Palate beyond the window. Considering Palate as an attraction to go in AMS, we believe having the Palate door open facing outside would better attract customers.

We identify our main customers as grab-and-go type of customers. This type of customers is more time sensitive. From our primary research, we discovered that customers of this type on average are willing to wait less than 10 minutes for their orders. In respond to this, we would expand the operation space, making stage larger than before. This is to adapt to the increase in traffic by opening two doors both from inside of AMS and outside. On top of that, it provides employees with larger working space, which prepares Palate of hiring one more staff during peak hours to increase service speed.

However, there is another type of customers in AMS, which are the ones that would

hang around with friends during lunch hours. This type of customers looks for variety in the menu and large seating area. We believe Palate's competitor – Delly would have a competitive advantage over these customers since Delly owns a better geographic location to satisfy group customers. However, we would still try to attract some of these customers by increasing seating area. These tables and chairs will be located outside of the current window during spring and summer time.

Feature 2 – Menu Variety

We propose Palate more variety for students to choose from. We are aware of the extra cost that would associate with increase in food variety, so instead of massively increase variety, we recommend Palate to start off by offering "Sandwich of the day". This is a more cost saving approach to take on for the current Palate, but still brings in some changes to the menu.

Feature 3 – Increase Service Speed

We believe it is good to add in one more staff during peak hours (11:30am-1:30pm) Monday-Friday. This will increase Palate's service speed and decrease turnover time. As we identify Palate's target customers are grab-and-go type of students, increase in service speed will allow Palate to have significant competitive advantage.



Service Journey

Step 1 – Walk-in

Customers walk inside Palate, trying to decide on what to order. Customers would find from the menu that there are a lot more varieties in the menu now. Daily special, which include sandwich of the day and a soft drink or a soup is one of the most popular order. We also recommend Palate to keep vegetarian option in order to serve a wider range of students.

Step 2 – Wait in line

Customers will discover that the wait time has significantly decreased. We recommend Palate to add one more server during peak hours (11:30am – 1:30pm) for faster service. Seeing less people waiting in line, students who want a quick grab-and-go lunch will be more likely to stop by Palate.

Step 3 – Order

As Palate used to be, the new Palate would also process order in the same way. However, customers would find that the operation space has become larger than before. A larger operation space would allow more room for staff to turnaround,

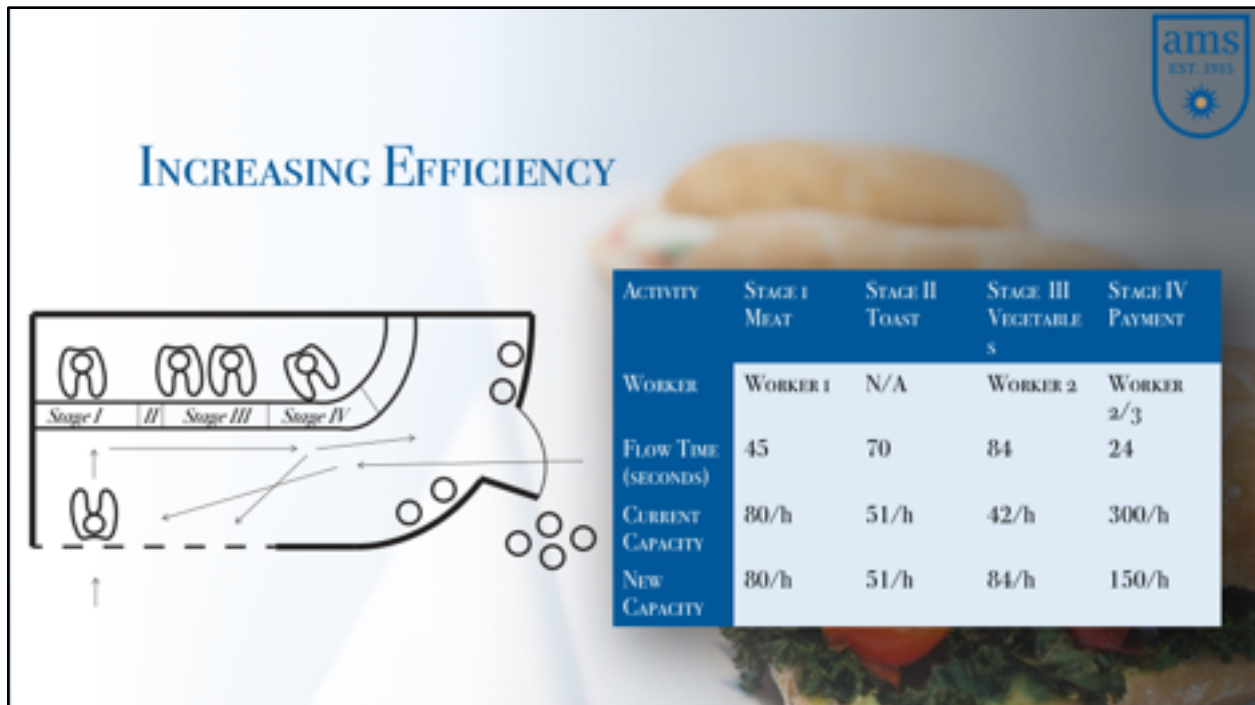
which we believe would enhance customer experience and foster positive synergy among employees in Palate.

Step 4 – Order Pick-up and After

Customers pick up their orders feeling satisfied that the service is much faster than before. Now we group the customers into two categories – grab-and-go type of customers (often come to Palate alone) and Hanging around type (often come with friends and have more flexible time). We identify our primary customers being the grab-and-go type, however, we also want to capture some of the students that would like to hang around with friends during lunch time, so we increase some seating space beyond the window. During summer time, students can enjoy the sunshine while chatting with friends.

Step 5 – Customers Leave Palate

Now there are two doors for entry/exit – one opens inside AMS (the one current Palate has) and a new one facing outside of AMS (by knocking down ½ of window). Students will find entering and exiting Palate much more convenient than before.



Propose to: Replace ½ of the glass window with glass doors, increase efficiency, add options in the menu.

Comparing with Dolly, Palate is lack of the spatial advantage for customers to sit in nature. We proposed two ways to deal with this issue.

First, we suggest replacing 1/2 of the glass window by door to make Palate looks more welcoming. Currently, it is not convenient for customers from outside to access Palate because they have to pass through two doors from the building entry. After the change, customers can enter Palate directly from the outside, making the palate looks more welcoming and increasing chances for passersby to check out food options in Palate, eventually increasing sales. In addition, having an extra entry will enable Palate to expend operating space by placing seats outside during summer to compensate the disadvantage in lack of eating areas.

Second, we position Palate mainly as grab-and-go type of food service store. Thus, we suggest Plate to improve efficiency to compensate the limited spatial disadvantage. Based on information we collected during the field trip, we conducted the process analysis and found that Stage 2, adding vegetables and packaging, is the bottleneck

for the whole process. Thus, we suggested to hire four workers in total during peak hours which is from 11:30 am to 1:30 pm, allocating 2 staff in charge of stage 2 and 1 staff for each other activities instead of 3 staff in charge of each process currently. By doing so we can increase the capacity rate from 42 units/hr to 51 units/hr.

INCREASING VARIETIES

	PALATE	DELLY
BREAD OPTIONS	2	6
SANDWICHES	11	17

Students who eat in Nest frequently are looking for food varieties. Comparing with Delly, Palate has less food options. Thus, we highly suggest Palate to increase varieties to enhance its competitiveness. We do aware that increasing the food options will result in higher cost. Therefore, we suggested Palate to offer special “sandwich of the day” rather than upgrade food varieties for the whole menu. Except saving cost, offering “sandwich of the day” can also help Palate to constantly attract and maintain customers’ interests and encourage purchases as the sandwich is only available on certain special days.



INCREASING AWARENESS

- Banners and signage early in Semester One.
- Promotion cards on study desks early in Semester One
- Promotion cards in popular venues in AMS Nest, i.e. Gallery 2.0.

Diff image

Marketing is going to be important.

It was noted that Palate is in a prime location, but we found that less people walked through the entrance next to Palate than most of the other entrances.

People do know what palate is, but we've found that of the people who do not go to the nest often seldom know what palate is, making the position it's in convenient **only** if you're looking for it. It's not in plain sight to people who aren't looking for it. Sign on the window is not that visible, possibly because of the backdrop and lighting behind it so people can easily walk past it without too much recognition.

Nothing drawing a person to the place except for the appeal of 'vegan' options.

Students like the food when they know it's there. It just needs to be better known to the masses.

A few recommendations for marketing:

Easier website to navigate.

- **More posters or signage or banners to direct people there for a period of time — e.g. September** when school begins, if signs are up directing people there, there's high traffic among new students and you can capture the new student

turnover as others may have their routines more concrete

- **Further to that, putting little infographics or info cards on study desks around the NEST — maybe even 5% off coupons** for people to pick up with indication for where the store is will encourage people to go and try it for that discounted cost — no indication of the retention of customers unless you survey them at a later date. But it could increase awareness and traffic in long term solely by putting palate on the map.
- **Promotion in popular locations** — not about cannibalization. People go to, for example, **Gallery** for food OR/AND for drinks. You can place little info cards or stand up promo cards on tables that are less for eating and more for studying/drinking/relaxing - e.g. the ones with couches or lounge chairs



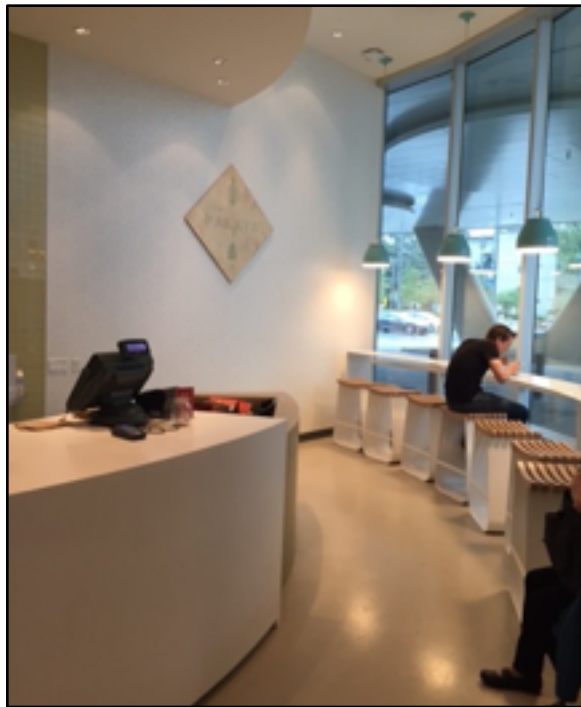
To find out how to best serve the student body at UBC, we did some primary research at the Nest and online to find out what students care most about. Combining our results from over 100 responses in person and from an online survey, we found that the three key value that students look for are price, convenience, and variety.

Price – Palate has an advantage in this area as it is common known that Palate has cheaper sandwiches. A lot of the people who we interviewed spoke of value when we asked them why they chose the store. This is a point we want to really leverage on. If we can successfully improve the other two factors, convenience and variety, we are confident that we can grab a larger market share within the Nest. Not only that, of the 2/3 of the people who reported to not eat at the Nest, about half of them say that it's because it's too expensive. Part of our marketing efforts will be to communicate the cost savings from going to the Palate, which will ideally increase overall traffic into the Nest.

Convenience – it's hard to compete with the Delly because of its vast seating area. It's a place where people like to meet after class and that makes the Delly a very clear choice when they're looking at places to eat. Our strategy in this area is to shift our focus away from a sit-down sandwich store into a grab-and-go location. It's

conveniently located both for passerby on campus and for those in the Nest. We will keep the number of cashier the same but streamline the operation by adding another person to help with Stage 2 of the food preparation process.

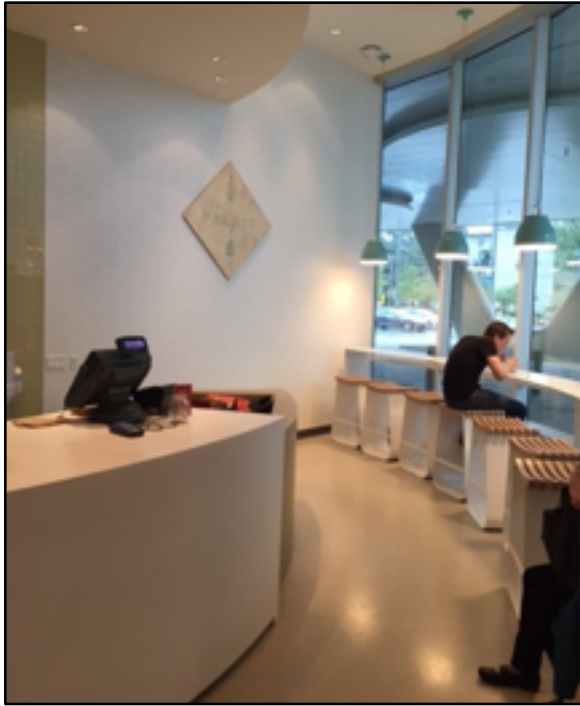
Variety – Lastly, we want to address the issue of variety but we don't want to go overboard. Delly has a huge selection of food due to its size, and we're not going to imitate that. Instead, let's focus on what we do well – which is sandwiches – and build on that. Let's introduce a sandwich of the week or do more to promote the soup-sandwich combo so we can market ourselves as the more nutritious sandwich option compared to the Delly. Based on what people like every week, that can be the basis of what forms our menu selection. By doing this, we can also shrink the menu down to focus on a few things and do them well.



FINANCIAL ASSUMPTIONS

AMS Palate P&L (\$CON)	2016	2017F	2018F
Revenue	234,650	269,847	310,324
<i>Growth Rate</i>		15%	15%
COGS	86,820	99,843	114,819
<i>% of Rev</i>	37%	37%	37%
Gross Profit	<u>147,830</u>	<u>170,004</u>	<u>195,505</u>
Salaries	85,461	94,007	103,408
<i>Y/Y Increase</i>		10%	10%
Renovation Expense	-	8,000	-
Other Expense	87,537	90,000	90,000
Operating Expense	<u>172,998</u>	<u>192,007</u>	<u>193,408</u>
Net Income (Loss)	<u>(25,169)</u>	<u>(22,003)</u>	<u>2,097</u>





APPENDIX I: PREDICTED PROFITABILITY

FY17 Profitability

		Revenue Growth Rate				
		10%	15%	20%	25%	30%
YoY	0%	(20,849)	(13,457)	(6,064)	1,326	8,717
	5%	(25,122)	(17,730)	(10,339)	(2,947)	4,444
	10%	(29,395)	(22,003)	(14,612)	(7,220)	171
	15%	(33,668)	(26,276)	(18,885)	(11,493)	(4,102)
	20%	(37,941)	(30,549)	(23,158)	(15,766)	(8,375)
	25%					

FY18 Profitability

		Revenue Growth Rate				
		10%	15%	20%	25%	30%
YoY	0%	2,997	11,497	19,998	28,498	36,998
	5%	(1,703)	6,797	15,297	23,797	32,298
	10%	(6,403)	2,097	10,597	19,097	27,597
	15%	(11,104)	(2,604)	5,897	14,397	22,897
	20%	(15,804)	(7,304)	1,196	9,696	18,197
	25%					

APPENDIX II: STORE APPEARANCE

