

## STRATEGIES IN POSITIONING ISLAND RED CAFÉ FRANCHISE

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### ISLAND RED CAFÉ FRANCHISE

**Island Red Café Franchise (IRC)** started as a small shop in January 2008 at Kuala Lumpur, and just celebrated its first anniversary with 10 outlets of its own. It has plans to set up 100 outlets in 2009, thereby emerging as the fastest growing café chain in Malaysia.

Being a Penangite, the founder Tedy Teow wants to launch the well-known delicious Penang Food as the comparative advantage or special selling point, helping his shop achieve the vision of becoming the largest unique model in the Malaysian cafe circle, echoing the business call: **Now Everyone Can Do Franchise!**

IRC has reached the forefront of its fraternity within one year of operations, enjoying optimum capacity everyday at all outlets. The success is attributed to its positioning by combining a Traditional Shop Business (**TSB**), Multi-Level Marketing (**MLM**) and Supply Chain Management (**SCM**) into a New Product Innovation (**NPI**), the synergy of which is an enterprise model called **Multi-Level Business (MLB)**.

**The MLB Model** was mooted by two brothers Philip and Peter Ong, founders of **MLB International** established in 2003. Tedy was confident that the MLB model could expedite, accelerate and expand IRC growth in the café franchise arena. The brothers have a consulting role in the Café, immersing themselves in the MLB model run, and now leading the largest MLM membership of IRC under their own MLB Team banner. More than 1000 MLB Team members celebrated their anniversary success on 1<sup>st</sup> February 2009 with a Chinese New Year Gala Dinner in Penang.

### MULTI-LEVEL BUSINESS MODEL – A NEW PRODUCT INNOVATION

**Multi-Level Business (MLB) Model** is a synergy of the mutually interdependent Traditional Shop Business (**TSB**), Multi-Level Marketing (**MLM**) and Supply Chain Management (**SCM**).

**TSB** sells goods to all customers, pushes them to effect a transaction, provides discounts, promotions and other offers, but there is no multi-tiered commission such as found in the MLM system. In the MLB model, the stakeholders shall relentlessly reach, move, push and pull customers to the shop, thereby generating customer volume and business velocity for their own TSB.

**MLM** sells to all customers via their members only, who in turn are rewarded multi-levelled incomes, also called commissions or bonuses deriving from their respective teams. MLM may own or franchise their TSB as stockist or distribution outlets, issuing goods to members who are also known as distributors for resale direct to their respective customers. The cardinal principle being MLM outlets do not sell direct to customers, albeit many people have mistakenly taken it as a direct sales system. Normally, direct sales provide a one time commission for the particular transaction and there is no multi-levelled downline matrix income to offer. In the MLB model, the TSB sells direct to all customers, whilst stakeholders reach, move, push and pull customers to become part of themselves, earning MLM team commissions, sharing common interests, replicating the business process loop, thence increasing customer volume and business velocity all round.

**SCM** includes the push and pull systems of attracting customers into the business process loop, vertical marketing system using MLM system, transport and logistics of resources, grocery distribution centres, also known as the central kitchen and the enabling technology for reverse logistics to keep the products fresh at all times.

**MLB** model is the new product innovation (**NPI**) providing synergy for IRC to achieve substantial customer volume, generate income velocity for business turnarounds and support the vision of becoming the largest unique model in the Malaysian café franchise circle. Unique because no other café chain or TSB has used the MLB model where small investors and non-business persons can afford to participate in the business as ordinary members, and work towards becoming major stakeholders or franchise partners without fear of risks as the financial commitment per person is very small.

### MARKETING MIX

A simple marketing mix or the 4Ps matrix is described below:

**Product** - excellent blends of multi-ethnic delicious halal local and western dishes; Penang food shall be positioned as the special selling point for comparative advantage. Products must be certified halal and suitable for Muslims; creating a niche market to attract all communities to the Café.

**Price** - products shall be cheaper than major players in the industry. Pricing model must create the business push and pull systems which are a supply chain strategy, per se - pushing sales of good delicious halal food at prices lower than major industry players and pulling more customers to the shop as a sequel. The menu must be carefully planned and designed to provide the leverage.

**Place** - strategically placed at main towns and accessible to the masses, it must afford the ambience for the general customers, leisure rendezvous, business stopovers, staging points for sales discussions and table-talks by stakeholders with free wifi facility available to support their computer presentations.

**Promotion** - incentives for stakeholders to perform the promotional work using the MLM bonus scheme of the MLB model as the attractor to generate the stakeholder-customer-stakeholder relationship entity into the business process loop.

## SWOT ANALYSIS

A simple SWOT analysis is described below:

**Strength** - Penang has been known as a food paradise to Malaysians, famous for its exotic blends of delicious Malay, Chinese, Indian and Nyonya or Straits flavours. Penang food provides the special selling point or comparative advantage leveraging the Café towards achieving its vision of becoming the largest unique model in the Malaysian cafe circle where **everyone can do franchise**.

Tourists have also helped spread the Penang food gospel to the world at large. Penang Restaurants are found in major cities of the United States. Kai Mayfair Restaurant in London, owned by a Penangite has achieved the world-renowned Michelin Star Award 2009; symbolizing outstanding quality of food, value, cleanliness and customer service delivery. Kai Mayfair was also named the Best Chinese Restaurant by Harden's London Restaurant Guide 2009. Island Red Cafe shall move towards this direction in due course.

**Weakness** - Franchise is a capital intensive business in Malaysia, having the usual phantom risk factors such as capital, customers and business profitability. If everyone can do franchise, there must be a unique **NPI** to make this vision possible for even the common non-business persons who are ever fearful of the word business and MLM.

**Opportunity** - The model must generate continuing flows of incomes, shareholders, members, franchisees and customers in the MLB system where the velocity of inventory, income, customer and business shall be transparent for win-win partnerships and strategic alliances.

**Threat** - Franchises are mainly acquired by the rich, small businessmen could only partake by pooling resources and non-business persons would suffer from the seemingly incurable phantom risk factor syndrome. Lack of know-how in café management and operations are also threats to the business survival 'vis-à-vis' major industry players.

## EAT AND EARN MONEY! MAKAN PUN DAPAT DUIT!

If franchise is a capital intensive business, it would not be possible for ordinary low income earners to partake the business as a traditional shop; more so for non-business people during this period of global financial turmoil. Fear of business risks raise phantoms in their minds, anything that calls for money must be carefully designed. Using the MLB model where the synergy is derived from TSB, MLM and SCM strategies working in juxtaposition, IRC has developed a franchise system for all parties; the Café can franchise to big investors, and everyone can do franchise or participate small via the membership scheme.

IRC has involved all stakeholders in its marketing outreach; customers have become shareholders, members, franchisees, replicating the business process loop and vice-versa, following the Push and Pull Systems of the SCM strategy in the MLB model. Reverse logistics is also practised at their grocery distribution centre, also known as the central kitchen to keep the products fresh at all times.

The business has four types of smart partners:

- **Shareholders**
- **Exclusive Club Members**
- **Members**
- **Franchisees**

All smart partners are allowed to sponsor new stakeholders and receive commissions for their work in addition to the multi-levelled matrix bonuses from their respective MLM teams. Part of the bonuses shall be spooled into the stakeholders' own e-wallet fund, enabling them to enjoy better incentives from the marketing plan.

**Shareholders** acquire equity in IRC with a small investment, receive a nominal monthly return with meal e-voucher for 5 years and enjoy profit-sharing from the sixth year onwards. The shareholder programme had ceased on 11<sup>th</sup> February 2009, and replaced with a dynamic Exclusive Club Membership scheme providing multiple financial entry points and good incentives for direct sponsors.

**Exclusive Club Members (ECM)** have a choice of 3 financial entry points. This scheme implemented on 11<sup>th</sup> February, 2009 makes it better available to people from various income groups. A nominal monthly bonus and meal e-voucher are meted out for 5 years to the ECM. Direct sponsors enjoy many excellent types of multi-levelled bonuses from the marketing plan.

**Members** enter with a small fee and immediately take away a nominal meal e-voucher. The meal e-voucher are used as a sales tool by members, inviting prospects to lunch and dinner, hence the beautiful Malay slogan, **“Makan Pun Dapat Duit!”** or **“Eat And Earn Money!”**

**Franchisees** pay a nominal fee for the licence to use the name of Island Red Cafe. They must operate it within the terms and conditions of the franchise agreement. Five locations have been franchised and shall be launching soon: Setapak, Shamelin, Bukit Behrang, Skudai, Johor Jaya. With 15 outlets at optimum capacity everyday, IRC can easily attract more franchisees around the country.

## **TRANSPORT, PUSH AND PULL SYSTEMS**

In the first two months, 800 potential stakeholders were transported or moved by chartered buses from various origins to the Café destination at Kuala Lumpur some 500 km away; tasting the foods, experiencing the ambience, listening to talks, raising queries and understanding the business at first hand. Local table-talks were also arranged for those indisposed to travel the distance.

Income volumes are derived from the continuing replication of new investments by stakeholders, the push effects of customers becoming Cafe partners and similar iterative replication of consumption to support the interests of their own Café business. Shareholders, members and franchisees are also food consumers, hence they would also frequent their own Café as customers.

MLB income profile and sales reports of the partners in a respective area can be retrieved to reveal the income inventory visibility and velocity of the work progress, indicating the volume of business done there. Hence, customers can be planned, reached, and pulled to the hinterlands for the viability of the TSB before deciding to open an outlet by using the MLM system.

People who have not immersed themselves in MLM may be wondering how could there be business without a shop. The computer has made a virtual TSB possible on virgin terrains, and also served as an enabling technology for e-commerce in the supply chain management of the MLB model.

## **FRANCHISE FOR EVERYONE**

Team work has helped turn many customers into shareholders, members, franchisees and vice-versa. Layman becomes businessman by induction into the simple membership plan. Capital poolings are done easily with each party responsible for only a small contribution. Risks are non-existent or minimized because the commitment per person is very small.

Capital pooling is accelerated by the MLB strategy of achieving good volume of customers to ensure success of the next new shop; planning, reaching, moving, pushing and pulling customers to the area before deciding to open an outlet, compared to the normal TSB practice of opening a shop, waiting for customers and then pushing the sales.

Customer volumes and profitability margins are further enhanced by the following critical success factors:

- **creating business volumes via the velocity of customers due to strategic positioning at main towns, near factories, business centres**
- **mind anchor – stakeholders eating at own café, using e-vouchers, entertaining families, friends and associates; thereby generating business volumes**
- **magnetic lure of eat and earn money – eating at other cafe one earns nothing no matter how much is spent, but IRC allows one to eat and earn money**
- **sponsoring and replicating new shareholders, members, franchisees and customers in a continuing business process loop, using meal e-vouchers to recruit prospects**
- **herd mentality – new stakeholders attracted by the consistent good business of the outlets, and the staging point effects of partners sponsoring new alliances at the Cafe**

This is a win-win situation for the shareholders, members, franchisees and customers; an alternative career for many enterprising individuals, a cushion to survive the global economic crisis, a god-send for laid off workers as well as a first step to self-employment. Whatever the raison d'être, the truth is the multiplier effect of its resounding business call:

### NOW EVERYONE CAN DO FRANCHISE!



IRC Krystal Point, Penang



Customers Galore!



IRC is Good for You!



Makan Pun Dapat Duit!



What a Feeling...!



Peter, Prof Ong, Philip (red coat)



Yes, I Can! Saya Boleh!



Enjoying "Lau Yusheng!"

**Pix1 = IRC Krystal Point, Penang**

**Pix2 = Customers Galore!**

**Pix3 = IRC is Good for You!**

**Pix4 = Makan Pun Dapat Duit!**

**Pix5 = What a Feeling...!**

**Pix6 = Peter, Prof Ong, Philip (red coat)**

**Pix7 = Yes, I Can! Saya Boleh!**

**Pix8 = Enjoying "Lau Yusheng!"**

### PROFESSIONAL ROLES OF THE AUTHOR

Prof Dr Ong Khee Lye has the following roles in developing business strategies and market positioning:

Principal Advisor of MLB International Group of Companies

Principal and Training Consultant of KLGK Enterprise

Chartered Logistics, Transport and Supply Chain Management Consultant

Chartered Information Systems Engineer

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### NOTE

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