

“NSHA Coffee House and Healthy Treats”

A new model of production combining Restaurant Services and Food and Nutrition services

BUSINESS PLAN

AUGUST 2015

Executive Summary

The *NSHA Coffee House and Healthy Treats* (name is for example purposes of a new name and model for the coffee stations) will be the first café of its kind for the Nova Scotia Health Authority (NSHA), initially replacing the existing Tim Hortons Café located in the Halifax Infirmary Hospital at the Robie Street entrance, and eventually replacing all other locations that are currently a Tim Hortons franchise in the NSHA.

It will form a new model of operations from the current model of a franchised Tim Hortons, managed by Morrison of Compass group, to a new model that would see the entire department of Restaurant Services merged with Food and Nutrition services. This new model will be managed and operated completely by the NSHA. Their management and employees will be employees of the NSHA and will not involve any third-party organizations, such as but not limited to, private partnerships or companies such as Morrison (Compass group), Sodexo, and Aramark.

By combining the Retail Food Services and Patient Food Services into one in-house facility and using the resources available, such as in-house management, supplies, wholesale food ordering, production, deliveries, and existing employees with current wages, it is possible to reduce the costs associated by operating two separate locations, separate management, and separate staff by merging them into one department to perform the larger quantities of food preparation and service for both patients and the restaurants at the same time and reducing duplication of same service.

Using a model like this could provide the quantity and quality of food production required at a lower overall cost and at a lower sales point, which would lead to a higher volume of sales from customers, thereby increasing overall revenues.

Cost savings would be achieved through:

- Elimination of contract management and fees, by utilizing our own management team from within NSHA;
- Eliminating duplication of menu and preparation;
- Reduced power consumption;
- Higher food control and reduced food wastage;
- Lower cost of supplies due to larger wholesale ordering contracts;
- Reduced transportation costs for transporting food;
- Reduced equipment cost and repairs;
- More efficient food service operations;
- Reduced packaging cost by switching to simplified generic packaging instead of branded packaging;
- Better staffing control and overall job satisfaction;
- Less sick time usage due to more satisfied employees and increased morale;
- Lower number of grievances;
- Lowering injury rates due to fewer staff shortages and rushing to accomplish tasks;
- Combined staff team effort to accomplish all the nutritional needs of patients, patient families, employees and customers;
- One central location;
- Fewer supervisors and management required to monitor operations.

Although Tim Hortons units are recognized by their specific coffee brand and generate huge customer flow, the high fees of associated with a franchise and their associated advertising costs should not be found within a hospital setting. Hospitals are designed to be a public service and not to create profits for third party contractors. Our cafés will be located at the heaviest public traffic locations in the buildings and in cafeterias throughout the NSHA. The Halifax Infirmary is the largest hospital in the province and is the largest tertiary care facility serving the Halifax/Dartmouth area, treating patients from all over the Maritime provinces. Approximately 9,000 staff and another 3,000 patients and their families are present in the hospital each day. This means we have 12,000 potentially customers to serve on any given day. As with other

facilities within the NSHA, the requirement for medical emergencies and treatments for the general public is a public service that is not intended to create profits for third-party contractors.

The cafes will fill the void of original café's in the market area, setting itself apart from fast food concepts. Our alternative healthy fast food/coffee shop will offer a calm gourmet coffee experience, offering well-appointed seating areas, free WIFI, and a warm friendly atmosphere.

The *NSHA Coffee House and Healthy Treats cafe* will measure its financial success in terms of increases in earnings and sustainability. The keys to our success will be the ability to offer quality gourmet coffees, cost saving measures, and a reliance on an outstanding professional, compassionate and committed staff. In order to achieve these goals, the café will offer some the area's finest gourmet coffees from local distributors. The café will enjoy larger profit margins in the form of lower overhead. The cafe will offer salaries according to collective agreements. In turn the staff will be trained to cross-sell and promote healthy food choices while still having the ability for customer choice products and menu items.

1.1 Business Objectives

The primary objectives of the business plan for the NSHA Coffee House and Healthy Treats are:

- To increase revenues to sustain at least a breakeven financial sustainability;
- Reinvest these profits back into the healthcare system (specifically to assist with new medical equipment in areas most needed); and
- Establish itself as the café of choice in the hospital setting.

1.2 Mission Statement

The NSHA Coffee House and Healthy Treats is committed to the products and services it provides to its customers, which they believe is the recipe for market success. By serving the best coffee, providing the best customer experience, and treating staff well with fair living wages and benefits, this provides an incentive for employees to not only deliver the best customer service, but also to make customers feel comfortable and be compassionate to their clientele in the hospital setting. This excellent service combined with our varieties of gourmet coffees and fresh, healthy treats will enable us to provide superior service and also provide customers with nourishment that will help provide some comfort during their stay at the hospital.

1.3 Guiding Principles

The NSHA Coffee House and Healthy Treats is committed to values such as excellence, passion, quality, integrity and leadership which allow them to navigate challenges and provide for future opportunities. These core beliefs start with their commitment to their products and their employees. The NSHA Coffee House and Healthy Treats rewards excellence and cherishes loyalty. The café will work with its employees to build a strong business and secure future while providing contributions back to the healthcare system. Together working as a team with managers, employees and the NSHA, an intricate system of collaboration will ensure the success and longevity of the new working model that we can be proud of and set new benchmarks in the food and nutrition departments for all healthcare systems to envy and create similar models.

1.4 Keys to Success

The *NSHA Coffee House and Healthy Treats* stands out from the competition. Below are their Keys to Success:

- **Great Products** – Providing exemplary products at or below market prices – will make customers want to return again and again;
- **Quality Employees** – Paying employees' rates at a living wage and according to collective agreements with opportunities for long term careers and advancement;
- **Collaborative management style** – Involving front line workers in ideas and suggestions to improve service, products, customer satisfaction, and revenues. Working as a united team effort has the benefits of providing information from both the management and frontline workers' perspectives to give a balance of customer needs, expectations, and delivery of a superior experience for patients, their families, and employees alike;
- **Convert Customers to Connoisseurs** – Only 40% of the nation's coffee drinkers consume premium ground and whole bean coffee – providing the products and service of gourmet variations of coffees, healthy food offerings, along with customer choice offerings, will aid in continued growth and excellent customer services, while attracting new customers to the great flavours of our coffees and healthy treats, while increasing the percentage of coffee drinkers and overall market share.

2.0 Operational Description

The NSHA Coffee House and Healthy Treats will be a café located in the Halifax Infirmary Hospital Robie Street entrance initially, eventually expanding to replace other locations currently operated by third-party partners and Tim Hortons throughout the NSHA.

The café will serve a variety of coffees including gourmet coffees, espresso and drip coffee, lattes, smoothies and iced coffees. The simple pastry offerings may vary seasonally, but the primary line will be muffins, breads, cookies, scones and rolls, as well as light lunch offerings such as soups, sandwiches, pizza subs and quick breakfast options such as egg muffins with sausage or bacon, bagels with cream cheese and more. All food and pastries will be supplied daily by our own kitchen and bakery in restaurant services.

The café will be owned and operated by NSHA and managed by a qualified Chef and Manager with several years' experience employed by the NSHA in a non-unionized managerial position overseeing the daily operations, and managing kitchens and restaurants. The café will be open for business Monday to Sundays from 6 a.m. to 1 a.m. (possibly expanding to 24-hour operation eventually).

2.1 Ownership

The NSHA Coffee House and Healthy Treats will be owned 100% by the NSHA. Although the NSHA is a new health authority, it has access to years of experience in the operations of food and nutrition and cafeteria services by incorporating the knowledge and expertise of dietitians, and qualified in-house managers with Chef's papers. Combined with the knowledgeable, experienced team of professional health care workers, we can create a warm atmosphere for our patients, patients' families, and hospital staff alike that sets us apart from other health care facilities in the region, and allows us to provide an experience that all customers will enjoy, while still providing good wages and opportunity for growth to our employees.

The NSHA Coffee House and Healthy Treats will be a café that all hospitals will want to be modeled after, and the healthcare system will be rewarded by having profits going back into the healthcare system to help with expenditures. The NSHA will be credited and admired for its in-house abilities to create a sustainable food service program.

2.2 Legal Form

The NSHA Coffee House and Healthy Treats will be formed as part of the healthcare system in whole, owned by NSHA. No outside private company or partnership, shall contribute in any way or form including management services or investments, the café shall be staffed and managed (non-union management) by employees (union) hired directly by the NSHA, and provide wages and benefits, according to the collective agreements, policies, and procedures.

2.3 Start-Up Summary

The NSHA Coffee House and Healthy Treats will use existing or renovated structures in similar locations currently occupied by Tim Hortons, and with regards to restaurants, and food and nutrition kitchens, will begin the development of one central location for the efficiencies of producing at a lower cost for the food and nutritional needs of all food service operations. This may include using one of the current major kitchens such as the patient food service kitchen located under the Veteran's Memorial building.

There will be no space rental cost, but cafés will contribute their share of expenses for housekeeping services and electricity costs. The sites consist of a cafeteria or restaurant dining room, one or more cafés, on floor public restrooms, and storage room in back. The location is already plumbed and wired appropriately. Painting, new floors, and renovations to countertops and serving areas may be needed.

A custom coffee bar needs to be built that will ensure efficient customer service and a friendly and warm visual experience for customers. Utilizing our in-house trade workers, the cost to renovate will be substantially less than contracted workers. The coffee house equipment will consist of two commercial espresso machines, air pots and urns, a commercial blender, commercial brewer, top loading coffee bins, barista syrups, cold drink dispenser, frothing equipment, iced coffee machine, a commercial refrigerator, microwave and stainless steel food prep bar. The cost for the equipment is to be costed and determined. The furniture will consist of couches, coffee tables and high back chairs with tables, bookcases, and window treatment. The artwork will come from local artists and will be sold on a consignment basis. The books can be secured via donations. Total cost to furnish to be costed and approved prior to purchasing. Other startup expenses will be dishes, utensils, disposable coffee cups, paper supplies, and in-house marketing all to be determined, **all of these are either currently in the locations, or could be implemented over time, reducing the need for high expenditure at the initial setup.**

2.4 Location and Facilities

The new NSHA Coffee House and Healthy Treats initially will be located in the highly desirable entrance of the Halifax Infirmary's main entrance on Robie Street that almost all people pass as they enter the hospital. As each of the existing Tim Hortons units are converted, those locations will also become a NSHA Coffee House and Healthy Treats location. All are located in excellent locations and have easy access for internal customers and those simply passing by on the street. The properties are owned by NSHA across the province. The locations will serve approximately 24,000 employees and thousands of patients each day. Due to the 24-hour nature of hospital operations, customers will want access to purchase from the NSHA Coffee House and Healthy Treats at all hours, which guarantees a constant flow of income revenue from customers.

The facilities offer access to all the amenities required within a hospital setting, including public washrooms, cafeterias/full restaurants and food production kitchens.

3.0 Products/Services Descriptions

The NSHA Coffee House and Healthy Treats primary offering is gourmet roasted coffees with such varieties such as mocha, caramel, white mocha, latte, brewed coffee and other cold beverages. Complementing the coffee will be a smoothie line including wild berry, strawberry, peach, mango and lemonade. Rounding out the simple menu line will be pastries obtained from our restaurant service and bakery, freshly made and delivered daily. The pastry offerings may vary seasonally, but the primary line will include muffins, breads, cookies, scones and rolls. There will be a quick breakfast offerings of egg muffins, bagels with cream cheese, toasted breads. A light lunch menu consisting of soups and sandwich bar, providing simple fresh made salads and sandwiches. Initially this service will pertain to the café stations and bring a transition of incorporating the services of food and nutrition, patient food services, by moving under a total model of one operation for all food service needs, removing duplication of service and one central location, will provide for the efficiencies reducing not only the cost associated with the coffee stations, previously Tim Hortons, but also with the entire cost and production for the food services to patients, and restaurants. We will provide a more efficient service to the public, at a lower cost to taxpayers, and a service that remains a public entity, while giving back to the healthcare system and the public we serve.

3.1 Competitive Comparison

Considering the uniqueness of this opportunity and due to a hospital setting where the customers are a captured audience, there is little opportunity for competition within the building itself, this ensures a steady customer base that guarantees constant revenue flows, and results in break even or profits that will be inputted back into the health care systems general revenues. This will ensure a better expenditure of tax dollars and sustainability that will provide benefits back in to the system, through the profits realized instead of an outside contractor keeping the profits for their own corporate profits and not providing those profitable contributions back into the healthcare system.

3.2 Product/Service Sourcing

The NSHA Coffee House and Healthy Treats can negotiate supplier agreements with several local food-service wholesalers and coffee wholesalers in the Halifax area that have a reputation for quality and reliability. Initially the products required will be associated with the café's, but once these items are combined with restaurant and patient food service, this will create a requirement for a substantial food and supply purchase agreement from one location, which will ensure lower cost contracts with suppliers. We can research the following local suppliers:

- Mother Parkers
- Just Us!
- Java Blend

As we move forward with the transformation to one departmental unit for all food service needs, other food suppliers will need to enter into discussions and the supplier who provides the best products for the best prices as required would be awarded a significant contract. In the event that a supplier cannot produce the required products, agreements to purchase from other suppliers "as needed" will be in the contracts, so we ensure that we have the ability to provide the products and services in case of short supply from one supplier.

In the event that one of the aforementioned local specialty suppliers cannot meet our needs, the following national suppliers can both provide all of the food-service products that they require. In addition, the following wholesalers will supply the café with general restaurant supplies:

- Sysco
- GFP
- Others to be researched.

3.3 Inventory Management

Inventory will be performed by our in-house management, stores clerks and employees twice a year to ensure efficient use of product, as well as serving sizes and controlling of cost saving measures are all in-line. Product quality checks must be adhered to in order to ensure deliveries meet expectations, and that we reduce cost of spoiled and unsatisfactory product deliveries. Pricing checks during ordering and upon delivery will ensure prices are within the agreed-upon purchasing agreements to alleviate any unanticipated cost increases in products.

3.4 Warehousing and Fulfillment

In-house storage and store rooms located in main kitchens of restaurants services as well as storage in back rooms at location of the café' and food production kitchens will provide space for inventory levels and main stock sufficient to ensure product are available at all times.

3.5 Future Products/Services

Hospital employees will comprise two-thirds of the market share and sales of the products that we serve in our cafes and restaurants. For our patient families, coffee shops have not been traditionally considered "family friendly." To overcome this hurdle, the NSHA Coffee House and Healthy Treats can construct plans to accommodate a small indoor play area for children. This concept allows

patient families, patients, and caregivers/employees an opportunity to meet and relax with other adults while the children can enjoy the indoor playground amenities. This will provide an opportunity for comfort in otherwise stressful and difficult situations for all in times of need.

A website may be developed to have an option to order by phone or online, to purchase menu items and have them delivered to those who cannot leave their work area, such as operating room doctors and nurses as well as other staff, patients and patient families. Payments can be made online using credit cards or debit options, and delivery service provided by porters or catering employees. This service will only be available to inside customers. This will generate additional revenues from those who would not otherwise have the ability to travel to the location of the coffee shop or restaurant, this service will be especially important to keep nutritional needs available for all patients, patients families, and employees alike. It will reduce travel times to the location of the coffee house or restaurant, and ensure less time wasted during breaks for employees. There will be a small additional fee for this service to ensure its continued operation and pay for additional staffing requirements. To be consistent with policies, tipping will not be allowed for this service as with all other services.

4.0 Market Analysis

NSHA Coffee House and Healthy Treats, Halifax is a great place to live and work and is considered the leader in the business community in the province of Nova Scotia. National publications and organizations recognize Halifax for its business environment and livability. Here's a sampling of what Halifax has to offer.

<http://www.richardpayne.ca/moving-to-halifax/top-10-reasons-to-move-to-halifax-nova-scotia>

<http://www.theratchfordteam.com/about-halifax.html>

By providing more public services, keeping healthcare publicly owned and providing stable jobs and living wages, Halifax will grow and becomes a leader in economic growth and, increased population density. This relates to larger usage of hospitals and other government facilities, and generates further revenues through taxation, and services provided. Hospitals provide a unique service to the public as they are a captured type of customers and employees, who are required to stay at the site, providing these services of coffee stations, restaurant, and food and nutrition services to patient, is a nonprofit service provided by our provincial and federal governments, through our taxation dollars, its model is not to exhibit profits from those requiring medical, and emergency procedures as it is within general public, outside of a hospital setting. Sales of food and beverage products should be priced in a manner that ensures a breakeven point with regards to finances, and not to create profits for third party contractors, if profits are created, they should be administered back to the healthcare system, and not as bonuses to the managers and profits to private companies.

This analysis is what sets apart the food and beverage industry within a hospital setting, and that of outside a hospital setting, Hospitals are a nonprofit service administered by public employees on behalf of the general public. No one should profit from the misfortune of those requiring medical services, or those who provide the services in a medical or hospital setting to the public.

4.1 Industry Analysis

The Halifax coffee shop industry includes more than 150 stores with combined annual revenue of about \$40 million or more annually. Major companies include Tim Hortons, Starbucks, Just Us Café, and MacDonald's. Coffee shops are part of the specialty eatery industry, which also includes outlets specializing in products such as bagels, donuts, muffins, frozen yogurt, and ice cream, and more recently, simple breakfast, lunch and dinner items. Throughout the province and city there are many restaurants. These businesses all exist for one reason: to make profits from the sales of products and service they provide.

Competitive Landscape

Consumer taste and personal income drive demand. The profitability of individual companies depends on the ability to secure prime locations, and deliver high-quality products. Large companies have advantages in purchasing, finance, and marketing. Small companies can compete effectively by offering specialized products, serving a local market, or providing superior customer service. Specialty eateries, which include coffee shops, are labour-intensive: the average annual revenue per worker is about \$40,000. Coffee shops compete with businesses such as convenience stores, gas stations, quick service and fast food restaurants, gourmet food shops, and doughnut shops. In a hospital setting, there is less opportunity for competitive choices of outside business such as Tim Hortons and Starbucks, resulting in guaranteed revenues. This provides a greater opportunity to generate revenues and successful break even or profit margins within a hospital setting.

Products, Operations, Technology

Within coffee shops, major products and services include beverages and food preparation. Beverages include brewed coffee and tea; espresso drinks (cappuccinos, café lattes); cold blended beverages; bottled water; soft drinks; and juices. Food includes pastries, bakery items, desserts, sandwiches, soups, Pizza. Many coffee shops sell whole or ground coffee beans for at-home consumption. Some coffee shops sell coffee or espresso-making equipment, grinders, mugs, and other accessories. Discussions on the possibility to provide whole beans or grounds for purchase as a separate sale item could take place.

Restaurants promote healthy food choices for patients, patient families, and employees, to purchase for consumptions; menu that deliver a selection of healthy and alternative choices for customers, at a price that is reasonable ensures repeat customers, development of a website or call in service that offers delivery services of takeout option is new and innovative technology in a hospital setting that should be considered to boost revenues and service to our customers.

Patient services provide strict nutritional menus and meals to patients according to the restrictive diets, and nutritional needs, for those who do not have restrictive nutritional needs the call in order service could be made available to them with proper monitoring of patient nutritional restrictions.

Operations will be managed supervised and staffed completely by a combination of Non-unionized management, and employees that are directly employed by NSHA, there will be no third party companies involved in a hospital setting as they function strictly on a non for profit bases of providing a public service.

4.1.1 Market Size

The Halifax coffee shop industry includes about 150 or stores more with combined annual revenue of about \$40 million. Major companies include Tim Hortons, Starbucks, MacDonald's, and Just Us Café. The industry is concentrated: the top companies generate more than 70 percent of sales.

The NSHA Coffee House and Healthy Treats and Restaurants will target three primary groups in their direct marketing area: hospital employees, patient families, and patients. Our unique hospital setting relates to guaranteed sales and sustainability if managed properly.

4.1.2 Main Competitors

- Tim Hortons
- Starbucks

- MacDonald's
- Just Us Café

Although these coffee shops would normally be considered competition that would take a portion of the market share, due to the hospital setting we operate within, there is less likelihood of losing the market shares. This guarantees a high volume of sales through the services and products offered. The key will be the quality and consistency of the service and products, as well as a fairly priced menu that will ensure return customers.

4.1.3 Market Segments

The *NSHA Coffee House and Healthy Treats* is targeting the three top segments of the population. Employees make up 55 to 65% of the population in the hospital environment. Patients make up 15 to 20% and their families make up the remaining 20 to 25%.

- Employees (55-65 %) – Employees who work in the facility don't typically leave the facility during their work day, during breaks, before and after work. Lunches and Dinner times, they will enjoy the comforts of the coffee shop offerings. Prices must be reasonable to ensure regular daily purchases, and repeat visits
- Patients (15-20%) – Although many are confined to their rooms depending on their medical needs, and are limited as to what they can eat and drink, some do have the ability to travel throughout the building and venture into restaurants and coffee shops. Also, for those who are not mobile and not on restrictive diets, by using the future call-in delivery services, additional revenue can be generated.
- Patient families (20-25%) – As a hospital setting and tertiary care centre for the Maritimes, many family members of patients both locally and from other provinces will spend a considerable amount of time within the hospital. Due to the nature of their visits, family members can use the *NSHA Coffee House and Healthy Treats* locations as a comfortable place to meet with other family members. This will help alleviate some of the stress of circumstances due to the medical needs of loved ones while in the hospital.

4.2 Market Tests

The hospital has always provided a place where coffee and baked goods and nutritious meals can be purchased for staff, patients, and families. Over the last number of years through the franchise of Tim Hortons and private management companies, it has been determined this is not sustainable or profitable. While this does not seem plausible at first, it is due to increased costs of outside management fees, franchise fees and branded product purchasing.

By moving to an in-house owned coffee shop and restaurant service combined with patient services and food and nutrition services, which will be run by our own employees and internal management, we remove extra unnecessary costs, such as expensive contracted management services fees and franchise fees, reducing the duplication of production, and allowing for larger quantity purchasing contracts with wholesale distributors. By producing our own homemade products, removing the cost of branded products and lowering product pricing, we will generate high volumes of customers resulting in higher revenues and lower operating costs.

Additionally, by providing a call in takeout service in the future, we can generate additional services for sales and revenue and provide an opportunity to generate profits and additional financial support for the healthcare system, all while maintaining in-house public services delivered by current hospital employees. This model has the potential of the *NSHA* being credited for a model that will be first in Canada, and provide the healthy food, and nutritional needs to our customers internally while contributing to healthcare both

financially and as a public service. The model would gain national recognition and all while treating their employees as professionals within the health care setting and recognizing them as an integral part of the system.

4.3 Target Market Segment Strategy

Most adult coffee drinkers said their lifelong habit began during their teenage years. In fact, 54% said they began drinking coffee between 13 and 19. Another 22% reported their coffee cravings started between the ages of 20 and 24. This means that 76% of adult coffee drinkers began drinking coffee by the time they were 24. So, despite the large amount of marketing and advertising directed at the younger age groups, savvy coffee shop owners will not forget to cater some of their offerings to the adult and senior market.

The *NSHA Coffee House and Healthy Treats* will offer a unique experience for coffee aficionado by offering a quiet and cozy yet sophisticated cafe and offer a sense of refinement and peace in an otherwise hectic and stressful environment. While other coffee shops cater to convenience with drive-thrus or loud music, the *NSHA Coffee House and Healthy Treats* and restaurants will stand apart from its competitors with its quiet ambience, capturing a truly unique (and much needed) market niche to its unique clientele, and provide a comforting zone for those who need it. Restaurants will provide customers, with the opportunity of purchasing breakfast, lunch diners, for patients, patient families, and employees, throughout the day and evening, Hours of operation can be discussed to ensure open for service at time required to provide the service, the majority of the customers will be employees who work within the hospital setting, but also provide the means of customers of patients and their families to have a nutritional meal at meal times while there stay visiting loved ones.

4.3.1 Market Needs

Coffee shop customers, by nature, are looking for something special — that's why they are willing to pay so much for a cup of coffee! Many customers of the big national chains, while satisfied with their daily coffee, would be intrigued to find a local coffee that is different. The *NSHA Coffee House and Healthy Treats* will deliver the difference customers are looking for and will do it in the unique atmosphere of a hospital setting. This will create a return customer base.

Restaurants will provide the additional larger meals for servicing of breakfast dinner and lunch requirements of our customers' needs, while also presenting that same warm atmosphere, just on a larger scale with more food choices and alternative nutritional needs. Providing this service within a hospital setting at a non-profit service keeps menu item prices low, and with our consistent customer base, will ensure steady revenue to reach at least a break-even point.

4.3.2 Market Trends

The following list is market trends used today. By using a combination of these as well as our own developed trends that are unique to a hospital setting will ensure a successful business operation that customers will enjoy for years to come:

- Unique products (specialized roasts, local ingredients, locally themed or named drinks, custom drinks by the 'star' barista, etc...);
- Games, puzzles, mind benders and other activities that encourage customers to linger over their coffee;
- Hosting or sponsoring local events (entertainment, readings, book clubs, etc.);
- Using technology to creatively compete in marketing with the big chains — services like Foursquare, Yelp, and Google Places can increase visibility in the local market;

- Delivering amazing service from knowledgeable employees — spending time to properly train staff and utilize online services; and
- Selling coffee-related items (and track down any co-marketing opportunities with a local community college or other student-related group in the area).

Although the above market trends are generally geared to business and food industries outside of a hospital setting, these trends may be important to research and apply those that could make a difference to sales and services to our café and restaurants in our hospital setting.

4.3.3 Market Growth

Despite global economic woes, 37% of total coffee consumed in 2011 was classified as “gourmet.” According to the National Coffee Drinking Study, this suggests consumers were set on drinking good coffee and visiting their local coffee shop even in the face of an uncertain economy.

The sales of coffee dominate sales of hot beverages, making up 83.3% of the total hot beverage market. Coffee consumption is expected to increase through 2015 at an average annual rate of 2.7%, while tea consumption is expected to increase through 2015 at an average annual rate of 3.1%. Positive expectations for continued growth in coffee sales, despite its “mature” product position in the market, are due to the innovations in premium coffee products (pods, single-serving instants, etc.)

4.4 Positioning

The NSHA Coffee House and Healthy Treats will position itself as a local coffee house providing a sanctuary for those in the ‘hospital setting’ without the hassle of having to drive downtown in addition our restaurants will be located in a central well directed location for all customers to locate and enjoy.

By charging similar or lower prices as the large chains – the service and quality of the product will commensurate with the price. The NSHA Coffee House and Healthy Treats is a genuinely unique place to gather and provide comfort to patients, patients family members, friends, and to employees, and enjoy coffee and light healthy treats. Restaurants will provide larger meals and selection of menu to accommodate healthy menu choices as well as some alternative meal selections.

Amenities such as free WIFI and comfortable seating will create a relaxing environment, and warm professional and courteous staff will make your visit more welcoming.

The NSHA Coffee House and Healthy Treats will position itself as a place that customers can enjoy a needed service. To provide a warm environment, and understanding setting with professional hospital employees, that can provide a comfort to all customers who are in need.

5.0 Marketing Strategy and Implementation

The NSHA Coffee House and Healthy Treats locations will provide a quiet and relaxing environment to enjoy gourmet roasted coffee and smoothies and an opportunity to visit with patients, family, and employees, provide comfort, or just a meeting place. They will also be a place to get a nourishing breakfast, lunch, and dinner, or just a beverage.

The staff will be extremely knowledgeable and offer assistance in any purchase while simultaneously providing customers with outstanding service. Marketing of the new model will include internal websites, flyers, and newsletters as well as public or media announcements, it will provide details of the new model, healthy food offerings, and NSHA ownership, as well as NSHA employee staffing, the advertising will provide details of the reasons for continuing as a public service the merging of retail food services, and food and nutritional services, cost savings associated with the combination of the two departments into one, and explanations of reducing duplication of food preparations, lower food and supply cost as well as a more efficient system of food producing, staffing and managerial expenses and fees, the elimination of franchise, advertising, and branding fees, from Tim Hortons, which will reduce expenses and produce cost saving measure that will provide a break-even or possible profitable financial and sustainable system.

5.1 Analysis

The analysis examines the strengths and weaknesses that need to be addressed. Further, this section examines the opportunities presented to us as well as potential threats.

5.1.1 Strengths

- The fact that it is not a franchise or managed by third party contractors, the *NSHA (Coffee House and Healthy Treats)* and restaurants is a unique coffee shop concept unlike any other in the hospital environment.
- Elimination of Franchise fees Royalty fees and advertising levies.
- The owner NSHA and manager will have firsthand experience, in operating in both retail foods as well as patient food services, having an internal management system eliminates expensive management fees from third party contractors.
- Hospital employees will bring professionalism and enthusiasm to the shop. Something not obtainable with third part contracted employees, having high turnover of staff with no intention of long term employment.

5.1.2 Weaknesses

- Franchises are not intended for business and services within a healthcare setting. Fees and cost associated too expensive and creates deficits.
- The NSHA Coffee House and Healthy Treats and Restaurants has a minimal budget but will not need to compete for market share. Prices of menu items have to be with in customer range considering majority are employees who work a 24 hour service, pricing must be low enough for staff to enjoy the service daily, as well as provide enough revenues to break even.

5.1.3 Opportunities

- The NSHA demographics support the need for a unique coffee shop.
- Additional opportunities to provide a call in order delivery service to provide better service, and increase sales opportunities.
- A small slice of a much bigger pie is the goal. Only 40 percent of the nation's coffee drinkers are consuming premium ground and whole bean coffee. Encouraging coffee drinkers to become coffee connoisseurs is the key to continued growth. The restaurant can also benefit in the call in takeout services to increase revenue and customer service opportunities.

5.1.4 Threats

- Not having the right coffee blends, over pricing, not having proper management (outside simply profit driven management with no vested interest in the Healthcare system), and monitoring systems, not providing customers with their choice of food items or restricting choice offerings to specific nutritional specifications. Quality of service, not having seasoned professional staffing with interest in longevity employment opportunities.

5.2 Strategy Pyramid

- In the short-term, a number of promotions and activities can be planned around awareness. The coffee shop and restaurants could have a contest offering five bottomless mugs and will publicize this promotion via advertising, as well as countertop displays and posters.
- In addition, during its first year of operations the coffee shop and restaurants will pass out a limited number of coupons for a free cup of coffee or menu item to prospective customers. This will also entice customers to purchase other food products thus increasing promotional sales.

5.3 Unique Selling Proposition (USP)

The NSHA Coffee House and Healthy Treats truly stands out from a crowded sea of coffee chains and franchises. What sets us apart from the competition is primarily hospital setting that provides comfort to patients' families, patients and employees, its cozy size combined with premium coffees served and healthy menu items knowledgeable professional Hospital employees providing so much comfort and assistance for the products they sell while understanding the environment and the needs of the customers they serve.

5.4 Competitive Edge

The NSHA Coffee House and Healthy Treats competitive edge, its size, is also its greatest attribute. Because the hospital operates 24 hours a day, hours of operations can be adjusted to accommodate an afterhours needs. The *(NSHA Coffee House and light Treats and Restaurants)* will truly cater to its customers' needs.

5.5 Marketing Strategy and Positioning

The NSHA Coffee House and Healthy Treats utilizes a focus strategy on its Clients. By specifically targeting three primary segments they can cater specifically to their needs.

- Employees – Employee who work in the facility are captive during their work day, during breaks, before and after work. Breakfast, Lunches and Dinner times, they will enjoy the comforts of the coffee shop offerings. Prices must be reasonable to ensure regular daily purchases
- Patients – Patients although many are confined to rooms, and limited as to food and drink consumptions, many do have the ability to travel throughout the building and venture into Restaurants, and coffee shops, also by using the call in delivery services, revenue can be generated by order services, and delivered to their room for convenience, this service would be important for those who are not mobile and not on restrictive diets, a system can be incorporated to ensure that each patient who uses this system does not receive any restricted food or drink item on the menu.
- Patient families – as a hospital setting and emergency center as well as a major triage center for the Maritimes. Many Family members of patients both locally and from other provinces will be captive within the hospital for undetermined periods of time, Patient families due to the nature of their visits, can use the NSHA Coffee House and Healthy Treats as a comfortable meeting

place with other family members, and their children can utilize a play area, so the adults can meet in a comfortable setting. This will help alleviate some of the stress, of circumstances due to the medical needs of loved ones while in the hospital. Food and coffee offerings will be purchased by Patient families regularly, and during lunch or dinner times provide a quick meal for those in need of nutritional meals at a cost that the families can appreciate.

5.5.1 Positioning Statement

The NSHA Coffee House and Healthy Treats is a coffee and food lover's dream. It is truly one of a kind offering outstanding gourmet coffees and blends, baked goods, and nutritional meals served by enthusiastic and knowledgeable staff, in a warm, relaxed environment. It is the place to go in a comfortable setting, with family, patients, family friends, and hospital employees, to escape stressful situations or just to enjoy a warm beverage or nutritional meals.

5.5.2 Pricing Strategy

The NSHA Coffee House and Healthy Treats primarily utilizes market based pricing or lower. The café and Restaurant does not utilize coupons and discounts (other than opening promotion) because they believe that the most valuable customer demographic of daily coffee and healthy food consumers is not influenced by discount programs or coupons.

5.5.3 Promotion and Advertising Strategy

- Online Advertising - The NSHA Coffee House and Healthy Treats will advertise regularly on NSHA web sites. Compared to traditional print advertising, this is a cost effective tactic that will allow them to reach prospects in a highly targeted way.
- Website - The NSHA Coffee House and Healthy Treats will develop a simple website, which will provide basic information about the menu and links to their online ordering menu and payment options.(in-house delivery only)

5.5.4 Website

The NSHA Coffee House and Healthy Treats will have a simple website identifying its menu items of gourmet coffees, smoothies and pastries, along with the address, map and hours of operation. The website will also have a link to menu items.

5.5.5 Marketing Programs

The café and restaurant will also rely on signage and draw to its location. Employees, patients and visitors could potentially draw in up to 10,000 purchases a day or much more.

5.6 Sales Strategy

The *NSHA Coffee House and Healthy Treats* and Restaurants will use the following methods to increase sales revenue:

- The menu will focus on the healthiest products sold. The café will always draw customer attention to the call in or on line ordering and delivery service;
- Provide a range of menu items while promoting the healthier choices;
- As warranted, they will raise prices when needed, but will strive to keep prices as low as reasonably possible. Prices communicate a perceived value of a product; so if set too low, the customers might assume that the beverages are inferior or if prices are too high, it will lessen the number of visits, from customers;
- Control waste and theft – audit sales and inventory reports to evaluate ingredient waste due to inefficient preparation, returned drinks and employee consumption. Retail locations can easily waste 20% or more of their daily sales under these three key categories;
- Monitor and evaluate hours of operation; and
- Run employee sales contests – The staff are the salespeople and have a great deal of influence over the customer ordering process. All Staff will have some form of sales and customer service training to make each transaction active, rather than passive. Sales contests will emphasize high margin items or up-selling

5.6.1 Sales Forecast

The sales forecast assumes a 28% increase in revenues during each year. The following chart shows estimated sales over the next three years. These figures are based on figures provided by the employer with regards to Tim Hortons Robie street entrance only, from 2014 and 2015, and then using the percentage of increase to calculate average increases. The figures, at current wages for 2015, based on 7.5 employees consisting of 4 full time restaurant workers, 1.5 SOC, and 2 utility workers, included in the labour cost is management fees, of which the wages of management is divided in to 9 units to average labour rates for each unit equally based on yearly salaries. Although there is no wage increase in the 2016 year as of yet, we projected for that increase nonetheless. This shows an average pattern of profitability of 39.4 % on a percentage bases. These profits could be returned to the healthcare system to provide additional financial support and patient care. After entering all expenses, and employee earning including management fee as provided by the employer and using existing number of staff in the new model at the current wages under collective agreements, and with benefits and sick time included, shows a profit averaging 39.4% each year

Table 5.6.1 Annual Sales Forecast

| Annual Sales Forecast | | | | | |
|-----------------------|---------------|---------------|-----------------|---------|--|
| T 400 | A2014 | E2015 | E2016 | % bases | |
| Gross Revenue | \$ 701,584.00 | \$ 903,134.00 | \$ 1,156,011.00 | 28% | |
| Labour Cost | \$ 224,994.72 | \$335,827.38 | \$ 363,738.95 | 28% | |
| Food Cost | \$ 238,539.00 | \$ 298,034.00 | \$ 372,542.00 | 25% | |
| Other Expenses | \$ 146,180.00 | \$ 184,522.00 | \$ 232,959.00 | 26.50% | |
| Net Earnings | \$ 91,870.28 | \$ 108,083.95 | \$ 186,771.05 | 39.40% | |

*Figure 5 estimation purposes only***5.6.2 Sales Programs**

The NSHA Coffee House and Healthy Treats will run employee sales contests – The Staff are the sales people and have a great deal of influence over the customer ordering process. All staff will be required to have sales and customer service training to make each transaction and customer experience exceptionally great. The sales will emphasize high margin items and cross selling and upselling, but it will be done in a manner that customers will appreciate and have choices, and will be aimed at the healthiest menu items. About 50% of the customers will purchase a suggested menu item when employees upsell properly.

5.6.3 Legal

The (NSHA Coffee House and Healthy Treats and Restaurants will be completely owned by NSHA, as a public entity, and is operated by qualified manager and Chef Employed by NSHA there will be no third party partnerships, or contracted private corporations in part or otherwise involved, including, management services, the operations will be governed by only employees of the NSHA, both non-union Management, and unionized employees.

5.6.4 Exit Strategy

In the event the establishments were not successful and have to close, terms of the collective agreements would be followed with regards to employee, TSP offerings and payments, placement rights, layoff and employment protections.

6.0 Organization and Management

6.1 Organizational Structure

The *NSHA Coffee House and Healthy Treats and Restaurant Services* are formed as a public service wholly owned and staffed by the NSHA, staff will be unionized employees under NSGEU and Support Services collective agreement.

6.2 Management Team

The NSHA Coffee House and Healthy Treats will be owned 100% by the NSHA. The management team will be employees of the NSHA, and consist of a qualified manager and chef, and professional administration staff, management will be non-unionized employees

6.3 Management Team Gaps

The NSHA Coffee House and Healthy Treats will rely on its POS (Point of Sale) system to generate daily accounting and cost activity reports, which the manager will supply to an accountant for preparation of annual income taxes.

6.4 Personnel Plan

The café and restaurants will be under the direction of a full time (1) manager, (1) chef, 4 full-time restaurant worker staff, and 2 part-time restaurant workers or as required specifically for the café on Robie Street. Restaurants will be staffed similar in nature as they are now, but again managed and supervised by the same manager and supervisors as the café's. An example of the cost specifically for the Tim 400 level Robie Street entrance is shown on the next page.

Keep in mind that although the manager's wages are allocated directly to the labour cost for the Tim Hortons unit, this figure would be lower as the manager will be looking after several locations. Their actual management costs and wages would be spread over all the nine units, resulting in lower cost of labour than as shown in the fees associated with labour costs with the information given from the employer for one particular unit, as shown on the next page.

| <u>Classification</u> | <u>Wages according to yearly service increments</u> | | | | | <u>Total wages</u> | <u>Total</u> | <u>Total Labour</u> |
|--|---|-------------|-------------|-------------|----------------|--------------------|------------------|---------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | | <u>benefits</u> | <u>Cost</u> |
| | | | | | | | <u>at 20% of</u> | |
| | | | | | | | <u>wages</u> | |
| Restaurant worker | \$16.7038 | \$17.0455 | \$17.3857 | \$17.7273 | \$18.0680 | | | |
| | \$32,572.41 | \$33,238.73 | \$33,902.07 | \$34,568.23 | \$35,232.52 | | | |
| Shor order cook | \$18.890 | \$19.310 | \$19.730 | \$20.360 | \$20.989 | | | |
| | \$36,836.34 | \$37,654.91 | \$38,473.47 | \$39,701.31 | \$40,929.14 | | | |
| labour cost of 4 employees FT at year 5 increment (4 full time employees) | | | | | | \$176,162.60 | \$35,232.52 | |
| labour cost of 1 part time employee (.7) 5th increment level | | | | | | \$24,662.76 | \$4,932.55 | |
| labour cost of 1 part time (.8) 3rd increment level (2 part time employees) | | | | | | \$27,121.66 | \$5,424.33 | |
| Baker SOC full time. Bakes products for 3 locations, total wages divided by 3. Per location. | | | | | \$40929.14 / 3 | \$13,643.05 | \$2,728.61 | |
| Shift Premium For 1 FTE SOC | \$1.85 / hour X 1950 | | | | | \$3,607.50 | \$721.50 | |
| 1 part time baker, .5, bakes products for 3 locations, evening, but mostly there for cafeteria work? 1 Hour /day | | | | | | \$2,518.68 | \$503.74 | |
| Total employee salaries. | | | | | | \$247,716.25 | \$49,543.25 | \$297,259.50 |
| Factor sick time of 6.15 % | cost of sick time usage | | | | | | \$15,234.55 | |
| Manager | Wages / 9 units | | | | \$100,000.00 | \$11,111.11 | | |
| Supervisors. | Wages X 2 / 9 units | | | | \$55,000.00 | \$12,222.22 | | |
| Total estimated cost of salaries and benefits | | | | | | | | \$335,827.38 |
| cost of benefits | | | | | | \$49,543.25 | | |
| Sick time cost | | | | | | \$15,234.55 | | |
| Total including sick time and benefits | | | | | | \$64,777.80 | | |
| Gross Revenues (employer figure) | | | | | | | | \$903,134.00 |
| Food Cost (employer figure) | | | | | | | | \$298,034.00 |
| Other cost (employer figure) | | | | | | | | \$184,522.00 |
| Total Profits | | | | | | | | \$84,750.62 |

For the purpose of the coffee shop on Robie Street, a typical staffing needs of operation would look like this taking in consideration that the manager and the supervisor would also be looking after all 9 units and patient food services so their total wages would have to be broken down and divided evenly amongst all 9 units to ensure proper cost sharing per unit.

Table 6.4 Personnel Plan

| Position | | Year 1 | Year 2 | Year 3 | |
|----------------------------|---------------------|-------------|-------------|---------------|--------------|
| 1 Manager | Wages / 9 units | | (Estimated) | \$ 100,000.00 | \$ 11,111.11 |
| 2 supervisors | Wages X 2 / 9 units | | (Estimated) | \$ 55,000.00 | \$ 12,222.22 |
| Restaurant worker FTE | | \$33,902.07 | \$34,568.23 | \$35,232.52 | \$7,046.50 |
| Restaurant worker FTE | | \$33,902.07 | \$34,568.23 | \$35,232.52 | \$7,046.50 |
| Restaurant worker FTE | | \$33,902.07 | \$34,568.23 | \$35,232.52 | \$7,046.50 |
| Restaurant worker FTE | | \$33,902.07 | \$34,568.23 | \$35,232.52 | \$7,046.50 |
| 1 SOC FTE | | \$38,473.47 | \$39,701.31 | \$40,929.14 | \$8,185.83 |
| 1 Restaurant worker .7 | | | | \$24,662.76 | \$4,932.55 |
| 1 Restaurant worker .8 | | | | \$27,121.66 | \$5,424.33 |
| total Labour | | | | \$233,643.64 | |
| Cost of benefits. | | | | | \$ 70,062.06 |
| Sick time Factor 6.15 % | | | | \$14,369.08 | |
| Total Labour Inc. Benefits | | | | \$318,074.79 | |

Figure 4 illustration purposes

This chart illustrates the salaries at each increment of 1950 hours; this illustrates the cost of operating the new café on Robie Street with the required number of employees including benefits and sick time costs, as well as management cost if the management were employees from NSHA and not of a third-party contracted management service. The figures here show that it costs less to operate as compared to the employers cost under a third-party management service or contracted out. This lower cost shows that profits can be made, as evidenced in the table above.

Even though incomplete financial information and proposals were provided to the union for this report, this graph clearly shows that if properly managed, the coffee shops can be sustainable with current employee wages, and that further cost savings could be realized if the departments of Food and Nutrition and Retail Food Services were combined. This would lead to reduced duplication of services and greater controls on purchasing, supplies, preparations, scheduling of employees, lower management cost, and no franchise, royalty or monthly rental fees associated with a Tim Hortons franchise.

The employer has stated that there were no franchise fees or monthly costs associated with Tim Hortons, but according to Tim Hortons' website the fees are stated as below. By moving to our own in-house service owned and operated by NSHA, this would eliminate substantial additional costs associated with a franchise and, when combined with other cost saving measures, give the ability for the café and Restaurant Services to be sustainable, or even profitable.

Without having the actual numbers provided by the employer we can only project franchise fees. Current franchise fees of a Tim Hortons are as follows (information providing the associated fees and regulation of a Tim Hortons franchise can be found here <http://www.timhortons.com/ca/en/team/franchise-ca-faq.php>):

In addition to the initial investment of a Tim Hortons franchise, the on-going payments that is required to make during the term of the License?

On-going payments include:

A weekly Royalty fee of 4.5% of gross sales for the term of the License;

A monthly Rental fee (which is the greater of a fixed minimum rent or 8.5% of gross monthly sales);

A monthly Advertising levy of 4% of gross sales for the term of the License.

at the end of each five (5) year period of the License term, at the sole discretion of The TDL Group Corp., an obligation to refurbish the restaurant to meet current Tim Hortons standards

These added fee costs add up to 17% of the gross monthly sales which add tremendous expenses to the operations of the Coffee shops, and are based on the gross sales before deduction of expenses are taken into consideration

7.0 Financial Plan

The financial plan will cover the following:

- Cost of Start-Up
- Profit and Loss
- Cash Flow
- Balance Sheet
- Financial Ratios

7.1 Important Assumptions

- The sales forecast is conservative and assumes increase in Year 1, and further increases in Year 2.
- The analysis accounts for economic seasonality – wherein some months revenues peak (such as holidays) and wane in slower months.
- Sales are cash basis – nonaccrual accounting
- Moderate ramp- up in staff over the 3 years forecast
- The average staff salary is determined by the collective agreement.
- In general, most cafes have an 85% gross profit margin
- In general most cafes have a 3% net profit margin

8.0 Costs reduction Measures

The following are the areas of costs reductions associated with the (*NSHA Coffee House and Healthy Treats and combined Restaurants and Food and Nutrition Services.*)

There would be no startup cost associated with the transfer of Restaurants to Food and nutrition service.

Since the services are in all nine units are pre-existing including staff, counters, and equipment, no additional cost would be required during the initial startup and combining of the two departments, in fact there would be savings realized very shortly which could take effect almost immediately, and then further reductions in cost would follow in the form of:

- Elimination franchise fees on a percentage of gross sales
- Elimination of Tim Hortons Rental fees 8.5% of gross sales
- Elimination weekly Royalty fees, 4.5% of gross sales
- Elimination every 5 years an obligation to upgrade to keep up with Tim Hortons standard including renovations and equipment.
- Reductions in paper supplies cost
- Elimination contracted management fees
- Operating equipment cost and repair
- Elimination of duplication of menu production
- Efficiently in staffing
- Reduction in whole sale supplies and food purchase due to larger purchasing contracts.
- Reduction in food preparation cost
- Reductions Electricity cost
- Efficiencies would be realized in many areas, food production, wash wares, purchases, staffing
- Many more

| Calculations of cost reduction measures | Percentage of savings. |
|--|-------------------------------|
| Elimination franchise fees on a percentage of gross sales | unknown |
| Elimination of Tim Hortons Rental fees 8.5% of gross sales | 8.5% |
| Elimination weekly Royalty fees, 4.5% of gross sales | 4.5% |
| Elimination every 5 years obligational upgrade including renovations and equipment. | 2.0% |
| Reductions in paper supplies cost | 4.0% |
| Elimination of contracted management fees | 5.0 % |
| Operating equipment cost and repair | 2.0% |
| Elimination of duplication of menu production labour cost | 5.0% |
| Efficiently in staffing | 3.0% |
| Reduction in whole sale supplies and food purchase due to larger purchasing contracts | 3.0% |
| Reduction in food preparation cost | 3.0% |
| Reductions Electricity cost | 2.0% |
| Food wastage | 3.0% |
| Total cost saving on a percentage bases | 45.0% |

The percentages listed above may vary to a small degree but what is more interesting is the amount of savings of 45% that can occur. By eliminating an outside contracted management service, the Tim Hortons franchise and fees associated with them then combining the restaurant and food and nutrition services, the savings from duplications, in management, food preparations, and other efficiencies, are astounding, and will create huge savings not only to restaurant services but within food and nutrition services as a total combined unit as well.

9.0 Break-Even Analysis

This first chart shows the exact figures that were provided by the employer, showing the Tim Hortons on the 400 level Robie street Halifax Infirmary is in a deficit position (this includes the projected 9 FTE as indicated by the employer for staffing needs, management fees and all costs associated with a franchise):

| T 400 | Annual Sales | |
|----------------|---------------|---------------|
| | A2014 | E2015 |
| Gross Revenue | \$701,584.00 | \$903,134.00 |
| Labour Cost | \$431,115.00 | \$549,129.00 |
| Food Cost | \$238,539.00 | \$298,034.00 |
| Other Expenses | \$146,180.00 | \$184,522.00 |
| Net Earnings | -\$114,250.00 | -\$128,551.00 |

This second chart shows the figures that were calculated by the verifying the exact number of employees and labour cost with the estimated management costs, if managed by in-house management under a Tim Hortons franchise on the 400 level Robie street Halifax Infirmary. It shows by using actual staffing costs, and using NSHA managers, that the establishment would in fact show profits rather than a deficit:

| T 400 | Annual Sales Forecast | | | |
|----------------|-----------------------|--------------|----------------|---------|
| | A2014 | E2015 | E2016 | % bases |
| Gross Revenue | \$701,584.00 | \$903,134.00 | \$1,156,011.00 | 28% |
| Labour Cost | \$224,994.72 | \$312,494.05 | \$363,738.95 | 28% |
| Food Cost | \$238,539.00 | \$298,034.00 | \$372,542.00 | 25% |
| Other Expenses | \$146,180.00 | \$184,522.00 | \$232,959.00 | 26.50% |
| Net Earnings | \$91,870.28 | \$20,415.62 | \$186,771.05 | 39.40% |

This third chart shows that after we implement the cost reduction methods and reduce the overall cost by as much as 55%, and show a projection into the year 2016, not only would there have been a substantial change in fiscal position in the past, but also leading into the next year there will be profits to be submitted back into the healthcare system. The chart immediately below shows that by combining the services of Retail Food Services and Food and Nutrition Services; eliminating the Tim Hortons franchise and the contracted management services; and removing the duplication of preparation, that in fact it would be in a more positive benefit to the healthcare system to invest in this type of model rather than a contracted-out model. In reinvesting ownership of the restaurants back into the Food and Nutrition department, the NSHA could realize significant savings:

| Annual Sales Forecast | | | | |
|-----------------------|--------------|--------------|----------------|---------|
| T 400 | A2014 | E2015 | E2016 | % bases |
| Gross Revenue | \$701,584.00 | \$903,134.00 | \$1,156,011.00 | 28% |
| Labour Cost | \$224,994.72 | \$312,494.05 | \$363,738.95 | 28% |
| Food Cost | \$238,539.00 | \$298,034.00 | \$372,542.00 | 25% |
| Other Expenses | \$146,180.00 | \$184,522.00 | \$232,959.00 | 26.50% |
| Net Earnings | \$91,870.28 | \$20,415.62 | \$186,771.05 | 39.40% |

This fourth and final chart shows that even when using the employers' financial figures and implementing our proposed cost reduction measures, we can realize a cost savings and develop a profit. The cost reduction has also been scaled down to a modest 15% cost saving measures that resulted in a profit, using the same fees as projected by the employer with the nine employees again as stated by the employer:

| Annual Sales Forecast | | | | |
|-------------------------|--------------|----------------|----------------|---------|
| T 400 | A2014 | E2015 | E2016 | % bases |
| Gross Revenue | \$701,584.00 | \$903,134.00 | \$1,156,011.00 | 28% |
| Labour Cost | \$431,115.00 | \$549,129.00 | \$702,885.12 | 28% |
| Food Cost | \$238,539.00 | \$298,034.00 | \$372,542.00 | 25% |
| Other Expenses | \$146,180.00 | \$184,522.00 | \$232,959.00 | 26.50% |
| Total expenses | \$815,834.00 | \$1,031,685.00 | \$1,308,386.12 | |
| Cost reduction measures | \$122,375.10 | \$154,752.75 | \$196,257.92 | |
| Net Earnings | \$8,125.10 | \$26,201.75 | \$43,882.80 | 39.40% |

10.0 Conclusion:

As per section 32.24 (c) of the collective agreement, the above business plan is submitted as an alternative proposal to mitigate management's desire to outsource the work of Tim's 400.

While requested information regarding management fees paid to Compass Group and franchise fees paid to Tim Hortons has not been forthcoming, we believe the information provided lays the groundwork for a successful in-house model for retail food services.

The provincial government has asked unions to be innovative in the way they approach negotiations and we believe we have been. We ask the management follow the same advice and give this proposal full consideration. We are ready to work on making this proposed model a success and look forward to further discussions.