

# Report on caribbean internet cafe case

[Business](#), [Industries](#)



## **Assignment -**

### **CASE SUMMARY**

David Grant is an MBA student hoping to open Caribbean Internet Cafe in his hometown Kingstons, Jamaica upon his graduation as he always wanted to be his own “boss”. Due to low accessibility and usage of internet in Jamaica, David thought of it as a good timing to pursue this business opportunity. He has gathered data on all the relevant costs: equipment, rent, labor, etc. He has also found a partner in the local telephone company, Jamaica Telecommunications Limited (JTL), where he previously worked.

JTL has offered to provide equity and a long-term loan at favorable interest rates. He is now faced with the task of analyzing the gathered information and making a decision of whether he should proceed with the venture, and if so, if it would be a profitable business for him and JTL.

### **INTRODUCTION**

The report deals with the study of a business proposal to open an internet cafe. The report studies the decision of David Grant who is an MBA student, to open Caribbean Internet Cafe in his home town Kingston, Jamaica. David while studying in London visited a number of cafes and was intrigued by the concept. While visiting his hometown Kingstons, Jamaica during summers he noticed that in spite of high awareness of the internet, there was low accessibility and usage of the same. Seeing a potential market of consumers, David decides to open a European concept based Cafe which will offer brewed coffee, imported wines, juices and baked products.

He decides to have three areas in the cafe: a computer area with booths, a wine lounge with comfortable sofas, and a general cafe area with table and chairs. He envisioned providing the customers, a perfect vehicle to use internet and other service without making an expensive investment in computer hardware and in addition a social outlet where people can surf together , listen to music or simply relax and socialize. He gathers the required information for starting the cafe and makes notes.

## **PROBLEM DEFINITION**

After gathering all the information David Grant has to decide whether it will be a profitable and sustainable decision to open an Internet Cafe in Kingstons, Jamaica.

## **CONCEPT FEASIBILITY STUDY**

In order to make a sound decision a feasibility study is carried out which will focus on analysing the target market, location , the competitors in the area and the three categories of costs: Start up costs required to be invested in the business, Fixed monthly costs that are to be borne as result of operations and variable costs, that result with every customer visit to the cafe.

## **TARGET MARKET**

It was assumed that main segment that can be targeted as the potential customers would be university students, who have computer knowledge and professionals with high disposable income as they would appreciate a venue where they could relax and socialize along with availing internet facilities. Total segment size was assumed to be around 20, 000.

## **LOCATION**

Location that was chosen for setting up the cafe was New Kingston as most of the banks, other financial institutions and corporate had their head offices in that area.

Also this area consisted of hotels and shopping centre, which would mean more masses, would come to know about CIC. Along with these factors, one more important reason was that New Kingston was close to several affluent suburbs from which CIC could attract patrons.

## **COMPETITION**

In Jamaica, internet accessibility and usage was low. There were many reasons, that accounted for low internet usage such as 1) High cost of computer as percentage of average salary, 2) the lack of telephone lines in some areas of Kingston and, 3) the high rates that was being charged by the existing service providers.

Along with these factors, the idea of an "Internet cafe" was not very popular in Jamaica. So, this overall plan was quite new for that region and as a result the competition was not quite great.

**TARGET CUSTOMER SEGMENT – 20000** An independent research firm, commissioned by JTL, conducted a study and came to the conclusion that the estimates by the owner regarding target size and demand were indeed correct.

They also provided three scenarios of the demand that the cafe would attract. The market firm projected that, optimistically, 50% of the segment would visit the cafe, on an average of, five times a year. A realistic

projection was that 40% of the segment would visit the cafe on an average of three times a year. Finally, a pessimist estimate was that 30% of the segment would visit the cafe twice per year. Total Customer Visits / Year  
Optimistic (50%, 5x/yr) - 50000 Realistic (40%, 3x/yr) - 24000 Pessimistic (30%, 2x/yr) - 12000

## **PROFITABILITY**

In optimistic scenario the cafe would generate a profit of 45263 JA\$ \* In realistic scenario the cafe would incur a loss of 214737 JA\$ \* In pessimist scenario the cafe would incur a loss of 334737JA\$

## **CONCLUSION**

After analyzing the various aspects of the proposal it may be seen that the only scenario turning out to be a profitable and sustainable proposal is the optimistic one where the assumption is based on the fact that 50% of the total segment i. e. 10000 of the total 20000 customer segment will visit the cafe on an average of 5 times a year. But it would not a practically advisable to go ahead with such an assumption as the realistic as well as pessimist scenario shows a loss reflecting a negative probability of the business being profitable and sustainable in the long run.

But it has been mentioned that the area does not have a cafe which provides internet facility and at the same time a hang out joint offering snacks and music at the same place, which makes Caribbean Internet Cafe first of it kind in Kingstons Jamaica. Therefore scrapping the whole idea leads to loosing out on an opportunity which gives David Grant“ First Mover Advantage” of

offering a new experience to the customers. Secondly, a potential unexplored market which can be catered to by opening such cafe.

Therefore David must proceed with his proposition but only after making certain changes in the area cost and tariff.

## **RECOMMENDATIONS**

David should revise his tariff of 120\$ per hour considering the average charges of the internet facility is 90JA\$ per hour. \* Also David can reconstruct the menu of the snack bar as the offerings does not fits the demand of the local people and is adding to the cost due to being exotic in nature. Eg. It is clear from the case facts that local people does not drink coffee and hence it may be omitted from the menu.