

Background of old town white coffee



The company was established in 1958 in Ipoh, Perak, Malaysia. Old Town white coffees history can be traced back to the incorporation of white cafe in 1999 , with the intention to provide quality white coffee to Malaysian households and the food services industry, the co-founders and executive directors, Mr. Goh Ching Mun and Mr. Tan Say Yap formulated their own blend of 3-in-1 instant white coffee and commenced manufacturing in 1999.

In 1999, they have successfully commercialized their instant 3-in-1 coffee mix under the ‘ OLDTOWN’ brand name for the retail sector. In 2000, they commenced their first export of the ‘ OLDTOWN’ brand of 3-in-1 instant coffee mix to Singapore. In 2001, they expanded their product line to include different variations of their instant coffee mix and have also expanded their export markets to Hong Kong for their instant coffee mix.

In year 2002, they successfully expanded their nationwide retail distribution of our 3-in-1 instant coffee mix to cover East and West Malaysia through major hypermarkets and supermarkets. In 2003, they also successfully commercialized their own formulated blend of 3-in-1 instant milk tea for the retail market under the ‘ OLDTOWN’ brand name.

In 2004, they further penetrated the export markets for our 3-in-1 instant coffee to cover the United States, Canada and United Kingdom and subsequently in 2005, Taiwan and Indonesia. In 2006, they incorporated Dynasty Kitchen as a distribution centre, which commenced operations in 2007. Besides, they also incorporated old town Berhad, which will focus on investment holding and provision of management services pursuant to its

listing in the Main Market of bursa Securities. Subsequently they also started exporting to Thailand and the Philippines.

In 2007, they provide management services, supply of food and beverage items to cafe outlets in Singapore . OTK Singapore commenced operations in 2008 with the launch of their first ‘ OLDTOWN WHITE COFFEE’ cafe outlet in Singapore. In 2008 they also expanded they product line to include 3-in-1 instant coffee mix with cane sugar. In 2009, Gongga food obtained a HACCP certification from BM TRADA Certification LTD for the production of roasted coffee powder.

Organization chart of old town white coffee

Board of Directors

Board Committees

Mark Wing Kong

Dr. Leong Chik Weng

Datuk Dr. Ahmed Tasir Bin Lope Pihie

Goh Ching Mun

Mark Wing Kong

Lee Siew Heng

Datuk Dr. Ahmed Tasir Bin Lope Pihie

Dr. Leong Chik Weng

(Chairman)

Dr. Leong Chik Weng

Datuk Dr. Ahmed Tasir Bin Lope Pihie

Mark Wing Kong

(Chairman)

AUDIT COMMITTEE

REMUNERATION COMMITTEE

NOMINATION COMMITTEE

the competitive strategies used by Old Town White Coffee

The competitive strategy used by Old Town White Coffee is differentiation. Because they have offer product or services that are unique and superior value compare to those of competitors. They also have trying to create their brands to different themselves from their competitors.

The differentiation of Old Town White Coffee is provides the product is cheaper compared forms other competitors such as Papparich, Check Hup, and Starbucks and so on. Because they have provides affordable products focusing on different target market to attack more customers. The meal of Old Town White Coffee has cost around RM6. 90 to RM10. 00 on average. Currently, OLDTOWN offer the “ OLDTOWN Signature” outlets are targeting the mid to higher end of the middle income section of customers who are discerning and prefer finer dining. This type of outlets will provide the meal

cost around RM10.00 to RM15.00. OLDTOWN able to serve the customers from the low end up to high end because of these two categories outlets, thus this help OLDTOWN effectively enlarges their business.

Besides that, Old Town White Coffee has their special services to the customers. Although, White Coffee has variety of foods which target a wide range of customers and offer an excellent price-quality ratio. Has continuously adapt to these change due to fulfill customers' needs. They have advantages in term of adapt customer preference to change, so they have their own Research and Development team to do the survey and continuously improvement. They do the research first about the customer's taste and what their favor, thus they able to gain the customer loyalty.

Old Town White Coffee also an authentic taste of coffee. Their process of making coffee have to dries the caffeine after the mild low temperature cultivates and the special craft processing, the elimination high temperature carbon roasts the distress and the sour astringency which produces, removes the caffeine massively, reduced the caffeine, the retention coffee original luster and the fragrance, the color is lighter than the ordinary coffee gently, light milk golden yellow. In fact that's, their coffee becomes the most famous in Malaysia.

Furthermore, they keep the creative design of packaging and advertising of their products to attract and promote the customers. Old town always create the advertisement about their promotions and product to remind and attract the customers. For examples: the advertisement of Old Town White Coffee 3 in 1, Old Town White Coffee-Marathon TV60s by director, Adrian Calumpang and so on. They also provide their environment in old town style and the place is cleanliness to their customer to eat in comfortable place and feel like they are going back to the old generation.

In conclusion, they provide special in standardized food in terms of taste and package. This will give the customer more comfortable to eat because of their good quality services. The good quality of food will give the customer more satisfaction and fulfill their needs. After that, OLDTOWN White Coffee will provide the cleaning environment to their customer to eat in comfortable place.

Assess the grand strategy of the company

OLDTOWN white coffee can implement grand strategies of growth strategy. It is because they are existing product and services to attract the customer. OLDTOWN white coffee provided variety of food and beverages can let their customer choice their own favorite. Besides that, they also provide the free Wi-Fi accessibility services will attract more customers to enjoy their food in OLDTOWN White Coffee. This method will increase their sales and revenues and also will improve their image. White coffee is the main beverages so the customers come there and will order their white coffee. The OLDTOWN White Coffee design will attract customer and good image for the customers.

Moreover, they increase the promotion and marketing efforts to try to expand its market share. They are used the sign of “ the customers from different states or different countries have difference culture” through include its promotions reflecting upon specific culture to attract customers. Therefore, they are provided the HALAL food and product in those Muslim areas. So that, they are successfully encouraging growth was observed in its coffee products sale in supermarkets which are located in the high-Muslim populated areas e. g. Shah Alam, Bangi and Putra Height. Nowadays, OLDTOWN is eyeing to capture more market shares of the existing 60% Muslim customers in Malaysia despite its cafes’ primarily Chinese customers at the moment.

OLDTOWN white coffee is implementing in growth strategy. It is because they are expanded into new product or services. They are provided many type of product and services to increase their sales and revenues. For example: White Coffee Legacy, OLDTOWN white coffee 3-in-1 blends, Nan Yang white coffee ‘ o’, simply pure white coffee and etc.

Besides that, OLDTOWN white coffee is popular beverage or drink in Asia. It is a universal drink that appeals to the majority of the population. Moreover, their price is inexpensive to prepare. In the fact that OLDTOWN White Coffee became profitable businesses that are relatively easy to operate.

Old Town White Coffee Company’s Mission And Vision Statement

Vision – To be Asia Pacific’s Leading White Coffee Brand. Old Town White Coffee would like to provide high quality products to customers globally. To

promote their Unique Malaysian Taste – the authentic Ipoh White Coffee and continue White Coffee Legacy through continuous improvement and innovation that exceeds customer expectations. As a Market Leader, Old Town white coffee takes pride in distinguishing ourselves to be ahead of the pack. They strive for continuous improvement, incorporate innovations and technology in their commitment to create customer value in their both products and services. These continuing efforts maintain and reinforce their market leader status and move us forward to become a leading white coffee producer in Asia Pacific.

Mission

PEOPLE: Old Town White coffee Believe That Our People Are Our Assets

They acknowledge and appreciate our people as those who grow with us and for their full dedication. They cultivate the passion of delighting their consumers into all their staffs to bring forth the best experience possible.

COMMUNITY: Old Town White Coffee Nurture The Community

We are aware and committed to our community hence we operate our business in a manner that does not compromise the wellness of our future generations. We will not look lightly upon our social responsibilities as we believe in giving back to the community as part of the effort towards a better future.

CONSUMERS: Delight Their Consumers With Products

They are consumer centric and are always focused on consumer needs. Hence they are dedicated to delighting their consumers with all their product

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offerings, by committing ourselves in sourcing the finest ingredients through ethical ways to provide consumers with the best quality products.

INVESTORS: Focus on Prospering Their Investors

They are dedicated to growing and maximizing the financial rewards of their investors as they see it as a platform for their company to continue to provide to consumers and the community.

Basic Strategies used to respond to uncertainty

The basic strategies used to respond to uncertainty of Old Town White Coffee are Prospector. First of market prospects is Integrated Business Model and Strategies , as at the end of FY2011, Old Town White Coffee operated a total of 196 cafe outlets in Malaysia, Singapore, Indonesia and China. Amongst the 196 cafe outlets, 79 are fully owned cafe outlets, 18 partially owned outlets, 96 franchised and 3 licensed outlets. All the 196 cafe outlets in Malaysia, Singapore, Indonesia and China are based on the traditional coffee shop in Ipoh with contemporary settings with some modification to suit the local landscape especially for the overseas markets.

Besides that, Old Town White Coffee also involved in manufacturing, marketing and sales of coffee and other beverages where their products are exported to countries such as Hong Kong, Singapore, USA, Taiwan, China and etc. Their products includes instant coffee mix, roasted coffee powder, instant milk tea mix, instant chocolate mix and ready to drink canned coffee. They have 11, 390 retail outlets as at the end of FY2011 which carry and distribute our beverage products. Amongst others are Tesco, Jusco, 7-Eleven, SOGO, Isetan, Giant, Mydin, Carrefour, Wal Mart, Petronas, Shell, Fair Price, <https://assignbuster.com/background-of-old-town-white-coffee/>

The Store, Cold Storage and etc., various types of hypermarkets and retail outlets located in Malaysia, Singapore and Hong Kong.

Secondly is Cafe Chain Operation Development Plans. Under Old Town White Coffee's market development plans, they intend to open approximately 20 to 30 new outlets by 2012, of which 50% is operated by the franchisee and the remaining 50% is fully owned by the Group. China is another market that presents vast business opportunities to the Group in the long run in view of the size of the country and its population. They target to open a total of 36 new outlets by 2015, after the first two China outlets were successfully opened in November 2011 and March 2012 in Guangzhou city. They also were exploring the possibility of appointing potential licensees from other regions of China.

Lastly, Manufacturing of Beverages Development Plans also is a part of market prospects. In view of the rising demand towards Old Town White Coffee's age products. They are planning to relocate their existing beverage manufacturing operations to new premises by constructing a new factory in Ipoh with cost of approximately RM44. 13 million excluding the land cost of RM5. 03 million. They also plan to acquire new machinery and equipment with estimated cost of RM12. 00 million. The new beverage manufacturing facility is targeted to begin its commercial production by the third quarter 2012.

Analysis of internal Strengths & Weaknesses (Old Town White Coffee)

Strength

Well-trained human resources: OLDTOWN White Coffee has established a regional office in Malaysia™ Ipoh to provide training and recruitment support for the region. Each outlet of OLDTOWN White Coffee can lead and control by the manager who is suitable enough and have knowledge and experience about the region. Then they always have the greatest ability to find suitable adaptable strategies. In additional, special training is provided to staff to be more forward in greeting and helping the customers. The OLDTOWN White Coffee is recruited the well-trained workers as their waiters and waitress to serve their customers. Two supervisors play as an important role to leading the workers to achieve their objectives and offers good customer services.

Computer order system: The operation of OLDTOWN White Coffee is implemented the computer order system. After the customers wrote the orders, workers will key-in their orders through the computer order system for sending the orders into kitchen. Then, workers will print out a receipt for customers about their orders which are processing. While the kitchen received the orders, then cook the meals for customers. To retrieve the record or data in computer order system, they can access the bill which is paid by customers effectively and efficiently. Through computer order system, they can handle and offer customer services effectively and efficiently.

Kitchen operation systematically: Operation of kitchen divided into 3 phases, such as beverage and toast, food or meals, and wash or clean. There are

handle by 10 above well-trained workers. In the kitchen, they are used the purified water for cooking, beverages and washing. In fact, purified water is water that is mechanically filtered or processed to be cleaned for consumption. Hence, the OLDTOWN White Coffee is very pay attention to cleanliness in kitchen and healthy customers.

Menu and promotion: The OLDTOWN White Coffee is designated the menu to meet the customer flavor and taste. For example, My Asian Favourites, My All Time Favourites, My White Coffee, My Drinks, My Desserts, Set Menu and others. To adapt the changing of demand, OLDTOWN White Coffee has promotes the set meals or activities to attract customers. For example, My Breakfast Set Meals Pay Less For More RM3. 90* to meet the customer taste.

Business opportunities: The profits obtained by OLDTOWN White Coffee are quite high compared to other coffee shop in Malaysia. The OLDTOWN White Coffee has many branches throughout Malaysia, Singapore, Hong Kong, China and Indonesia. The latest updates of number of outlets in May 2012 are 203 outlets which officially opened by the OLDTOWN White Coffee. Their products have export to over 13 countries.

WEAKNESSES

Low product diversification: OLDTOWN White Coffee is dependent on a main competitive advantage, white coffee. It could make them difficult to diversify their product. The OLDTOWN White Coffee just paid attention white Coffee ' o' , simple Pure White Coffee their R&D into coffee. For examples, white coffee legacy, old Town White Coffee 3-1-1 Blends , Nan Yang, Ready to drink Products and others. Therefore, it makes hard to goal new markets.

Low innovation: Innovation is slow because depend on one product only.

Therefore, they remain vulnerable to the possibility that their innovation may falter over time.

Opportunities

Global Market: The OLDTOWN White Coffee able to expand its operation to the global market to be introduction throughout ASEAN. For examples China, Indonesia, Singapore.

Export Activities: The OLDTOWN white coffee is offers the business opportunities to be distributor or agents to distribute their products because they are looking for new markets and global synergies. Nowadays, they are successful to exported their products to over 13 countries. For example: Canada, UK, USA, Shanghai, Shenzhen, Hong Kong, Taiwan, Thailand, Philippines, Singapore, Brunei, Indonesia, Australia, and New Zealand.

Promotion through culture: OLDTOWN white coffee can use the sign of “ the customers from different states or different countries have difference culture” through include its promotions reflecting upon specific culture to attract customers. This is a successful method of reaching the local or overseas markets.

High profit margin: White Coffee is popular beverage or drink in Asia. It is a universal drink that appeals to the majority of the population. Moreover, their price is inexpensive to prepare. In the fact that OLDTOWN White Coffee became profitable businesses that are relatively easy to operate.

Threats

Price of raw materials: The result of increasing the price of raw materials which they have used will be make the price product is also increase.

Nowadays, OLDTOWN White Coffee is exposed to rises in the cost of coffee and dairy products.

Product imitation: The coffee which they have used is very common.

Therefore, their product imitation is a very higher.

Risk of substitute: nobody will know if the market for coffee will grow and stay in favor with customers, or in the future whether another type of beverage or leisure activity will replace coffee.

Competitors: The increase global relationships of culture, people, and economic activity could affect the global distribution of the production of goods and services, through reduction of barriers to international trade. For example: tariffs, export fees, and import quotas and the reduction of restrictions on the movement of capital and on investment. Hence, it brings an easier way for new entrants markets and increasing the competition in specific markets. Problems of copycat brands also appear risk.

Utilizing the identified strengths and opportunities

OLDTOWN White Coffee needs to maintain their well-trained human resources such as staff and worker need to improve their English language to help and service the customers. Besides that, OLDTOWN White Coffee needs to change to use the high technology system. For example: after the customers wrote the orders, worker can use scanner to scan their order though the computer order system for sending the orders into kitchen.

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Through computer order system, they can handle and offer customer services effectively and efficiently. In addition, OLDTOWN White Coffee can improve to be the best at the kitchen operation systematically. Hence, the OLDTOWN White Coffee has to pay attention to cleanliness in kitchen and healthy customers. Moreover, OLDTOWN White Coffee has given more promotion the set meals or activities to attract customer. For example: set breakfast, set lunch and set dinner Pay Less than RM9. 90. Next, OLDTOWN White Coffee able to expand its operation to the global market to get more opportunities. Hence, OLDTOWN White Coffee can also continue to export their product to over 13 countries.

Assess the overall achievement of Old Town White Coffee

Old Town white coffee should be assesses the overall achievement in multi-pronged growth strategy and expand footprint abroad. It is because of the company was seen as offering investors a mixture of fairly flexible earnings with decent yields and growth prospects.

Multi-pronged growth strategy is the way to assess the overall achievement. Old Town has a pretty visible path to growth under its multi-pronged approach. Domestically, the company cans plans to open more cafes about half of which will be under its franchise scheme. There was a net addition of six outlets in the first six month s of the year. A further 16 are planned for the second half of the financial year ending Dec 31(2FHY12). It desire to keep up this pace of growth for the next few years. Besides, they are expecting earnings growth to come from existing new outlets. In particular, organic growth should pick up pace once all of its outlets are certified HALAL, expected by end-2012. The move to certify all of the cafes will significantly

expand its addressable market, currently skewed towards the non-Malay consumers. The company also should exploring the possibility of the kiosk business model, based on the takeaway concept for snacks and drinks and located in high foot traffic areas as a fresh source. The business will leverage its established Old Town white coffee name but allow the company to capture a different market segment without cannibalizing the existing cafes. Now they are opened the first kiosk in Suria KLCC, Kuala Lumpur in October 2012. If it is successful, Old Town can intends to adopt a franchise scheme similar to that of its cafes for a faster rollout. Going forward, the overseas market is likely to become an increasingly important driver of growth. The instant coffee mix manufacturing business in particular has fared well abroad. Its products have been gaining market share over the past few years and now hold dominant market positions in Singapore and Hong Kong. Early sales numbers in china, a new market have been encouraging. There are plans to go through other markets such as Vietnam and South Korea in the near term.

Besides, Old Town white coffee can also expanding footprint abroad to overseas with a much larger target market. We believes the beverage manufacturing business can maintain growth at a double-digit clip. By contrast, overseas contributions from cafes are still small but should pick up steam going forward. Currently there are 17 outlets abroad, primarily in Singapore and Indonesia. The company has a master franchise agreement with a local Chinese partner for the Guangzhou and Macau provinces. Three cafes were opened in the past 12 months with a target of 30 more outlets over the next three years. A new food processing centre in Guangzhou, in

which old town has 19% stake, is in the works to support the rollout. In addition, the company is exploring the appointing of licensees for other provinces in china to further expand its footprint. Licensing, like the local franchise model, limits the company's investment risk. Old Town has a strong balance sheet with net cash totaling RM80. 6 million as at end-June this year. This is sufficient to fund the new manufacturing plant, estimated to cost roughly RM61 million, including land cost. It is in the process of raising fresh equity via a private placement of up to 33 million new shares, the proceeds will keep the company in a net cash position.