

**HOSPITALITY AND TOURISM
OPERATIONS RESEARCH
EVENT**

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APRIL 29, 2011



Verde Tea Cafe

MONTA VISTA DECA

MONTA VISTA HIGH SCHOOL

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I. Executive Summary

Background Information



Verde Tea Café operates as an Asian quick-serve restaurant with both dine-in and take-out, differentiating it from its competitors that do not have a classy dine-in option. It currently has three branches, and the one in Cupertino, California opened in 2010. Verde Tea Café primarily targets local students from ages 13-25 who live within a 10-mile radius. Their secondary target market is families with children under 13.

Research Methodology

Primary Research

-  Customer survey
-  Online survey
-  In-store observations
-  Management interviews






Secondary Research

-  Online Research
-  Online Reviews

Problem and Opportunity

More than 80% of Verde Tea Café’s customers have never seen Verde’s websites or Facebook page, which indicates that Verde Tea Café has great potential to attract more customers and obtain a higher market share through utilizing social media. Despite its low market share, Verde has a relatively large loyal customer base. This shows that once a prospective customer is exposed to it, the customer retention and satisfaction level is very high. Through promotions and high tech-services, Verde can obtain a larger market share and convert a majority of the new customers into loyal customers. Since people with high disposable income spend it on trends and businesses that are the most prominent in their market, Verde must hold a prominent brand image by holding the most market share in the market, so that Verde can attract the majority of Cupertino that has high disposable. To further increase the percentage of loyal customers, Verde will create a loyalty program, which introduces additional incentives for customers to return more often and thus increase sales.

Proposed Goals

-  Increase sales by 10%
-  Expand current customer base by 15%
-  Gain loyal, returning customers
-  Build customer profiles
-  Build communal brand image

Proposed Activities

Facebook Page	<ul style="list-style-type: none"> • Builds an online community of Verde’s primary target market • Continuously updates and interacts with loyal and potential customers
VIP Card	<ul style="list-style-type: none"> • Provides milestones and incentives for customers to come back • Makes Verde customers feel exclusive, leading to loyalty
Self-Checkout Machine	<ul style="list-style-type: none"> • Introduces never-before-used technology that puts Verde ahead of its competitors • Provides faster customer service and builds customer profiles
Student Promotions	<ul style="list-style-type: none"> • Fundraisers increase publicity and awareness within the target market • Student discounts encourage Verde’s target market to return more often
Co-opt with Wingstop	<ul style="list-style-type: none"> • Expands Verde’s market share and introduces Verde to the Caucasian market

Budget Requirements

Our proposed activities will require a budget of \$75,140 over five years, but has an estimated return of investment of 275%, which yields \$285,674 of total revenue after 5 years.

Methods of Evaluation

Through analyzing the number of VIP cards distributed and “likes” on our Facebook page, we will be able to estimate the final impact of our plan. Customer surveys will be issued one year after the implementation of the plan to gain an insight into the customer’s satisfaction and feedback resulting from the new Verde. These methods of evaluation will better help us assess the effectiveness of the plan and to see whether or not our original goals were achieved. It will also help us tweak the plan to optimize the customer satisfaction.



II. Introduction

A. Description of the business or organization

Operating as an Asian quick-serve restaurant, Verde Tea Café was founded in Mountain View, California in 1998. In 2010, the owner opened another branch of the restaurant in Cupertino, California. The three branches in the chain are situated in Mountain View, Cupertino, and Sunnyvale, all of which are in the San Francisco's South Bay. Verde's major competitors in Cupertino include Fantasia, Tapioca Express, Q-Cup, QQQ Tea, and Quickly and differs with its



Figure II-1| Verde offers both typical grab-and-go items for take-out (top) and elegantly-presented items for dine-in (bottom)

comprehensive menu, which consists of over 50 dishes in seven different categories, showcasing a variety of Asian fare. The café especially emphasizes its milk tea offerings, serving over 20 flavored drinks. The menu for both dine-in and take-out are the same.

Store Environment

Verde Tea Café's unique selling proposition is its stores' unique environment, enabling it to offer flexibility for its customers—either the convenience of take-out or the classy dining experience. On the outside, Verde Tea Café has a take-out structure that allows its customers to quickly order food and drinks, like its popular Pearl Milk Tea (also known as Boba) and Popcorn Chicken. An average of 70% of Verde Tea Café's customers use the take-out option to take food and drinks to-go. The take-out structure is similar to those of its competitors in the



Verde Tea Cafe



Figure II-2| Verde's classy dining option offers a calming and peaceful atmosphere for customers to enjoy their meal

geographic area. However, the other 30% of Verde Tea Café's customers dine inside Verde's refined restaurant, a desirable aspect that Verde's competitors do not have. With appealing full-course meals, Verde's dine-in restaurant maintains a peaceful ambience for customers, while the take-out system appeals to customers on the go.

B. Description of the community

Economic Factors

Cupertino generally consists of families with income that is higher than the national average—the median household income is \$118,411 compared to the national median income rate of \$44,512. This makes it an overall affluent area of the United States. With higher income, many families in the area have disposable income. Because of the wealth in the area, many students receive allowances, enabling many students in the area to spend freely. Individuals with disposable income usually spend it on trends or brands and are willing to spend money on the most prominent business in the market even if it has a high cost. There are a lot of people with high amounts of disposable income in Cupertino, which means Verde should become the most prominent in its Asian quick-

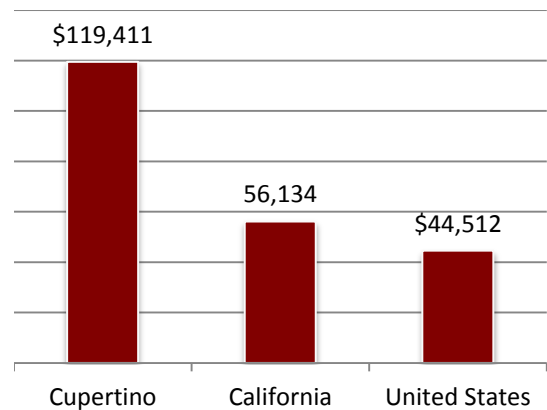


Figure II-3| Cupertino has relatively high incomes compared to the state and national median incomes



Verde Tea Cafe

serve market. If Verde Tea Café retains more of the market share, then it will become a trend that will capitalize on the majority of Cupertino that has disposable income.

Geographic Factors

Cupertino, a small and low-populated city in the Bay Area, is at the heart of Silicon Valley, which is a center of commerce and innovation. This suburban city is part of the Santa Clara County and is located

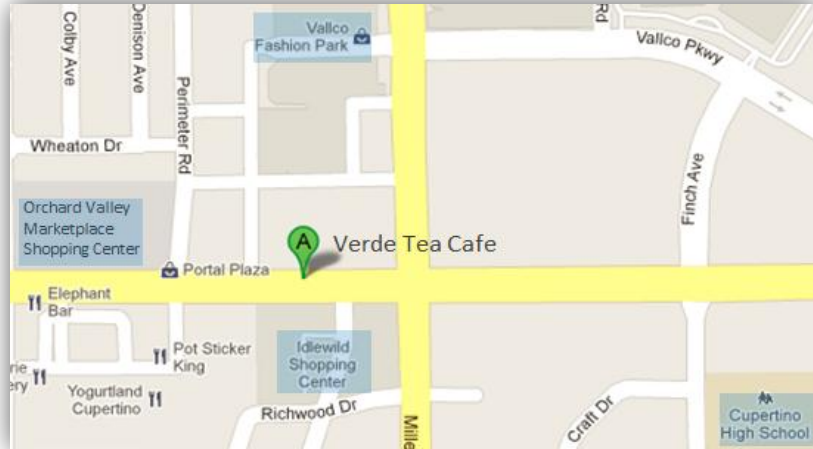


Figure II-4 | Cupertino Verde's location in the middle of three shopping plazas as well as its close distance to Cupertino High School helps its business significantly.

approximately 10 miles west of San Jose and 45 miles southeast of San Francisco.

Cupertino's Verde Tea Café is at the center of Cupertino on Stevens Creek Boulevard, surrounded by three shopping centers. Located near Vallco Fashion Park, Verde sits at the center of the marketplace and is surrounded by several supermarkets, making it a convenient place to get a meal or a quick snack after a shopping trip. Since Cupertino High School is only three blocks away, their students capitalize on the opportunities of an open campus, often going to Verde to socialize during lunch or after school.

Demographic Factors

With a population of 54,782, the population of Cupertino mainly consists of recent US immigrants from India, Asia, and Indonesia. With a concentrated Asian culture, the Asian quick-serve restaurant market has been thriving in the area. Verde has spread its chain to Cupertino



Verde Tea Cafe

where its target markets are demographically represented as majorities. Verde's cuisine is comprised of Asian dishes, which attracts a lot of the Asian residents. Verde's advertising has not been directed towards the minority of the population in Cupertino; it has the potential to expand and serve to Caucasians.

Socioeconomic Factors

Since Verde is located near many public schools, many students socialize at this restaurant. High academic rankings attract high-income families, which include students and middle aged adults to this region; they also comprise Verde's primary and secondary target markets.

De Anza College, a community college, ranks among the top 3 community colleges in the nation from the massive number of Associate Degrees awarded. Monta Vista, Lynbrook, and Saratoga High School are prodigiously ranked in the list of the top 100 high schools in the United States. These schools raise the house market price in the area, and therefore attract wealthier families with teenagers and young adults from around the area. Cupertino Verde's business mainly comes from people in the age group of 11-25, most of which are students from De Anza College and high schools in the area.

C. Description of the business's target market

In order for the loyalty system to properly commence, it has to be sculpted to attract the most frequent customers. Many other markets are noted in our research, yet for optimal profits, our proposed activities are geared towards the primary and secondary target markets.



Primary Target Market

Cupertino Verde Tea Café's primary target market is teens and young adults. The majority of the people in Cupertino are young adults that vary from teens to adults in their late 30s, which accounts for 58% of the population. Majority of the teens and young adults enjoy Verde Tea Café because of the store's expedient takeout; less of them dine in because for many students, the peacefulness inside the store is

not a place where they would typically socialize and hang out. The primary target market in this community tends to receive a lot of allowances from their parents, who give their children excess money to spend on luxuries such as the food at Verde Tea Café. Verde accumulates around 55% of their sales from this young generation.

Secondary Target Market

The secondary target market is comprised of middle-aged adults with families that congregate for Verde's dining experience for a tranquil lunch or dinner. The secondary target market also addresses one of the prominent age groups in the area since it constitutes around 31% of the population. Families dine at Verde Tea Café because of the small innovative interior, calm atmosphere, and the quality food. Because of the high income earnings in this valley, the average middle-aged adult has a high disposable income for the classy and slightly expensive dining of Verde. Verde accrues around 45% of their sales from these affluent, working-class families.

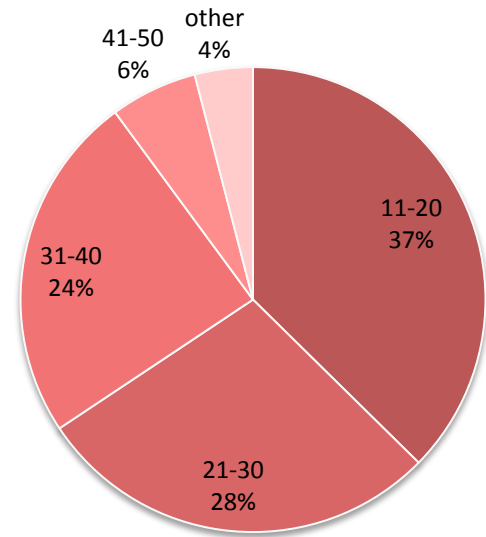


Figure II-5 | The range of ages of the customers at Verde Tea Café



III. Research Methods used in the Study

While researching this business, background information and observations from other sources is significant since they show us information that we may not be able to see first-hand. Secondary research gave us background information on several different Asian quick-serve restaurants and how they compared in regards to Verde Tea Café. The background knowledge gained from secondary research led to our primary research, where we extended to more detailed results and statistics. All the information gained from surveys and observations helped build statistical data that drew us to Cupertino Verde's problems and their respective solutions. The primary research gave more specific and detailed information than the secondary research, but they complemented each other.

A. Description and rationale of research methodologies

Primary Research Methods

Research Methods	Description	Rationale
Customer Survey	Multiple-question survey handed out at Cupertino Verde over a period of days in order to reduce bias, and asks for information about the customers as well as their opinion on the store.	To gain a better perspective on customers in Verde and what induces them to go to Verde and classifying/categorizing the different types of customers..
Online Survey	Multiple-question survey about customer loyalty and comparing Asian quick-serve restaurants posted on Verde Tea Café page and its competitors' pages on Facebook and Twitter.	To learn what promotes customer loyalty and customer preferences regarding Asian quick-serve restaurants and learn Verde's position compared to its competitors.
In-Store Observation	Observations of customer behaviors and the difference between the inside and outside environment.	To see how the store usually functions when both customers and workers behave naturally.
Management Interview	Specific questions towards the Verde Tea Café management through phone and in-person meetings.	To help provide more statistical data regarding Verde's financials as well as learn about the owner's plans for the future.



Secondary Research Methods

Research Methods	Description	Rationale
Research on Verde and its competitors' websites and web pages	Research done on Verde's competitors through their different websites and Facebook pages.	To highlight the differentiating qualities of Verde and to gain knowledge on Verde's unique selling proposition which differentiates it from other stores.
Online Reviews	Research done on online review sites such as Yelp while also looking and different forums where people talked about Asian quick-serve restaurants.	To gain a larger perspective of what people think about Verde, especially since majority of the reviews were answers to questions that weren't asked on the survey, giving us more insight on customer opinions.

B. Process of conducting selected research methods

Online Research

In order to gain a better understanding of Verde, we looked at different Asian quick-serve restaurant websites and saw how Verde Tea Cafe differed from its competitors. Its competitors' pages gave a better aspect of Verde as we were able to compare the strengths and weaknesses of various Asian quick-serve restaurants. With online research, we learned how Verde functioned as a store before we actually made a visit, which helped us make unbiased customer and online surveys. We also observed what made Verde unique, which helped us find a solution by highlighting and promoting the store's good qualities, which its competitors lack. Further analysis aided us in better understanding the market that Verde is competing in.

Online Reviews

In order to understand more about the way people perceive Verde Tea Café to be, we looked at online reviews at sites such as Yelp. We also viewed several different forums to understand more about what the community thinks about Verde Tea Café. Both the forums and reviews were extremely valuable since unsatisfied customers complain on these websites



(which they often do not while they are at the store), helping us understand if there are any discrepancies at Verde and need for improvement.

Customer Survey

Surveying customers gave us statistical data about their opinions concerning Verde as it showed us first-hand information on why its consumers continue going back to Verde. This gave us information about our loyal customers and will be useful when a loyalty program is implemented since it revolves around serving our loyal customers. Through the classifications of different customers, we also got to see the split numbers between the loyal and un-loyal customers. We handed out the survey to everyone who came to the store that was willing to take it, eventually surveying 143 customers. The sample size taken during the survey represented all demographics and age ranges of Verde's customers. This ensures that the survey results will be representative of everyone's opinion and remain unbiased.

Online Survey

We created an online survey in order to gain a better perspective of the average person's expectations towards Asian quick-serve restaurants and which stores they prefer. The survey was written as a broad and general survey about preferences of Asian quick-serve restaurants, not specific to any store in general. To assure that our survey results were unbiased, we did not mention that we were specifically analyzing Verde in our statistics; we also listed the restaurants in alphabetical order so that the people taking the survey would not know which company we are surveying. The online surveys surveyed people who may not necessarily know about Verde and revealed a consumer's knowledge regarding Verde in



particular. It also gave approximate knowledge of the market share distribution between Verde and its competitors.

In order to receive response from our primary target market, we posted our survey on two of the most popular websites among teenagers and young adults: Facebook and Twitter. With over 103 million users, 35.9% of Facebook users are 13-24 years old,¹ which is Verde Tea Cafe's primary target market. Also, Facebook is currently the most popular site as its numbers of users has pushed past Google.² Twitter, another interactive site, has 66% of its users in the age range of 15-24.³ We posted the online survey on several different pages over there as well, without disclosing which restaurant we were researching.

In-Store Observations

Since customer service serves as an important factor in Verde Tea Cafe's image, observation was an important research method to use. Contrary to surveys and interviews, customers and employees act in a more natural manner when they are completely unaware that they are being observed.

While one researcher was taking surveys, the other was carefully observing the customers, looking for signs of dissatisfaction or problems that may have occurred, such as looking to see if any of the customers were unsatisfied by the employees. Walking in with a set criterion for observations helped pinpoint problems that occurred in the store. Through

¹ Corbett, Peter. "Facebook Demographics and Statistics Report 2010 – 145% Growth in 1 Year | IStrategyLabs "An Idea Foundry" IStrategyLabs "An Idea Foundry" | Interactive Strategy, Experiential Marketing, Content Creation, Social Media Strategy. IStrategyLabs LLC, 4 Jan. 2010. Web. 15 Jan. 2011.

² Mui, Ylan Q., and Peter Whoriskey. "Facebook Cements No. 1 Status." *Washington Post - Politics, National, World & D.C. Area News and Headlines - Washingtonpost.com*. 31 Dec. 2010. Web. 30 Jan. 2011. <<http://www.washingtonpost.com/wp-dyn/content/article/2010/12/30/AR2010123004625.html>>.

³ Sysomos Inc. "Twitter Statistics – In-depth Report by Sysomos on Twitter's Growth." *Social Media Monitoring Tools for Business by Sysomos*. Sysomos Inc., June 2009. Web. 15 Jan. 2011. <http://www.sysomos.com/insidetwitter/>.



observing the environment and the interactions between people, we were able to see the difference between the atmosphere in the dine-in restaurant and take-out area and who customer preferred coming with (couples, friends, co-workers, families, etc.). We also observed certain customer behaviors that can be capitalized in the loyalty plan.

Management Interviews

Research about Verde and its competitors helped gain background information, making it easier to create surveys and questions for the management. We spoke with the owner and manager who had some valuable information about the store, such as financial data. By talking to these two people, we also learned about their future goals and actions. Through these interviews, the owner told us about their current marketing strategy, which can help build a loyalty programs around their needs and goals.

IV. Findings and Conclusions of the Study

A. Findings of the research study

Through the online survey we conducted, we created an approximate distribution of market share, which shows that Verde is not highly prominent in the area as the percentage of people who have tried Verde is lower

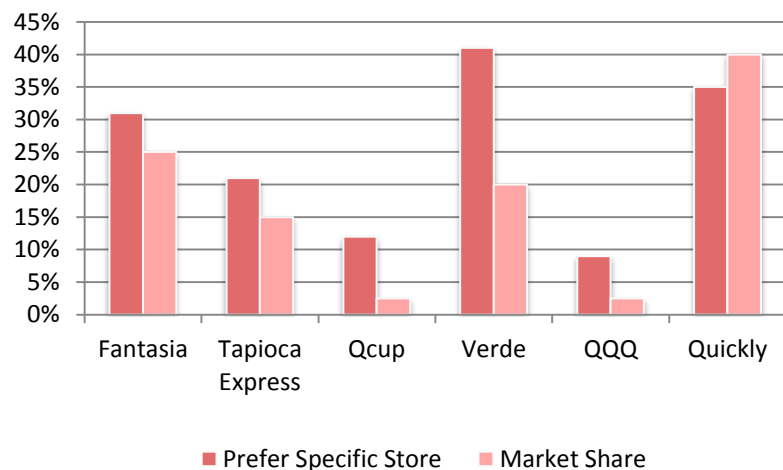


Figure IV-1 | Verde Tea Cafe has the highest percentage of loyal customers compared to all its competitors, yet Verde lags behind in market share



Verde Tea Cafe

than that of other stores; however, a high percentage of that small quantity of customers favored Verde over its similar competitors.

To attract loyal customers, Verde needs more people visiting at higher frequencies. On average, the loyal customers are people who eat at Verde at least once a week, which accounts for 20% of the current clientele. However, a majority of the customers only come once a month. Verde Tea Café's social media is not heavily publicized or prominent among the customers. As shown in IV-2, only about 13% of Verde's customers became aware of Verde through their website and even less know about its Facebook page. This data is representative of an inactive Facebook page and an incomplete company website. This data shows that Verde Tea Café is not at its full potential as they are not fully utilizing and publicizing their websites and webpages.

Through general observations, we sighted that there were several instances where customers bought drinks from Verde Tea Café and other food products from WingStop, which is a neighboring store. We saw an interaction between the Wingstop and Verde Tea Café market as people flocked to both stores, seeking a combination of both stores' foods as 9% of Verde's customers also went to Wingstop.

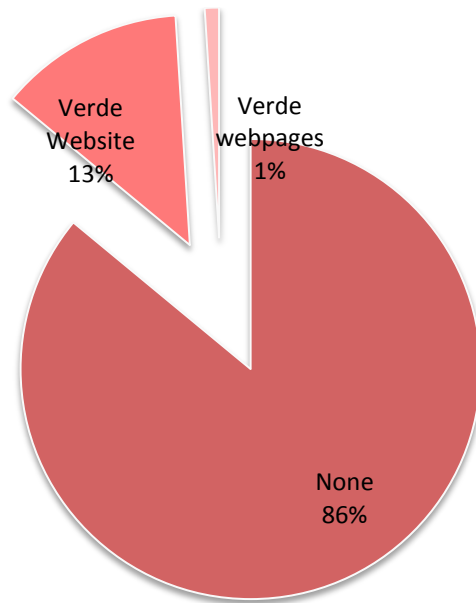


Figure IV-2| Of the customers that we surveyed at Verde Tea Café, a large 86% claimed that they have never seen Verde's website and webpages before.



B. Conclusions based on findings

Since Verde has a higher percentage of loyal customers and a relatively small customer base, this demonstrates Verde's potential as an Asian quick-serve restaurant. The consumers in this market tend to favor Verde because of its differentiation from its other competitors. Verde supplies a more luxurious interior differentiating from the mundane ambiances of all the other fast food competitors. Since there is a high percentage of Verde's customers that prefer Verde over its competitors, Verde can be considered a growing trend in the Asian quick-serve restaurant market. Because Verde has a

high retention rate, an increased awareness of Verde translates to Verde Tea Café obtaining a larger portion of the market share, surpassing that of Quickly and Tapioca Express. This transition will also translate to a higher number of loyal customers because the potential customer loyalty seen by surveys. By increasing the customer base, it will increase the pool of

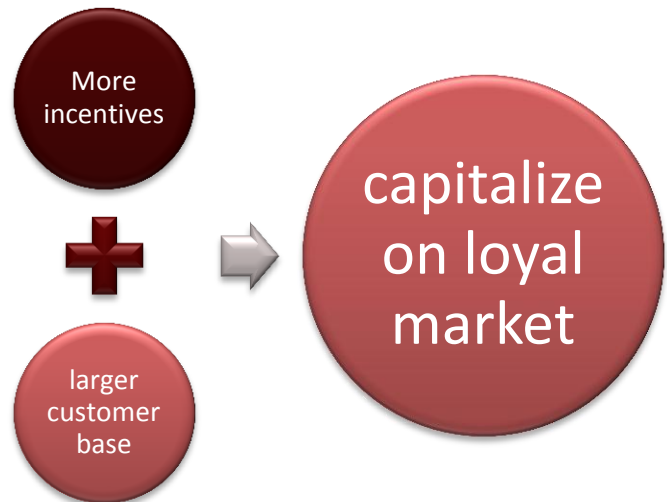


Figure IV-3 | In order to gain the most monetary benefits from Verde's loyal market, Verde needs to offer more incentives for people to return and expand their customer base.

potential loyal customers. By adding more incentives, it will motivate all of the marginal loyal customers to transition into becoming complete loyal customers because of the rewards that Verde's loyal customers will receive. Verde Tea Café can achieve this popularity and increased customer base through attracting different markets of people and creating a more prominent online image.



Verde Tea Cafe

Since a couple customers were observed making separate trips to both Wingstop, this opens an opportunity to cooperate with Wingstop, which will introduce their market to us and our market to them. This will effectively attract different markets of people, as Verde usually attracts the Asian market in Cupertino. By working with Wingstop, Verde would be able to add to the market, increase its share, and appeal to the Caucasian market in the area.

The lack of social media usage at Verde Tea Café restrains Verde from reaching out to more of its market share of teenagers and young adults. Updating our social media and creating active websites and webpages is an effective way to communicate with our primary target market because research has shown that a relatively large portion of their daily life is spent on interacting through social media. By capitalizing on this form of communication with this generation, we will be able to lure more young adults and teenagers into the restaurant and increase our market share.

Verde Tea Café has a larger percentage of loyal customers compared to that of its competitors, yet none of these customers get rewarded for their loyalty. To capitalize on this extreme loyalty that is bereft from all of Verde's other competitors, Verde needs to implement a loyalty system that rewards the loyal customers, which will be named the VIP card system. This reward system will retain customers and increase the percentage of loyal customers in Verde.

The management interview helped us tweak and refine our initial ideas to better fit Verde's goals as stated by their executives. We shared our ideas and we were able to hear a lot of good feedback about different ways the plans can be realistically implemented. These interviews helped us step in the shoes of the executives and create/implement the plans in a



more professional and real life manner. We hope to aid Verde by accomplishing their goals, as projected by the manager, to expand into a bigger restaurant chain. Expansion will be the final byproduct of all the extra profits gained by the plan.

V. Proposed Strategic Plan

A. Goals/objectives and rationale

	Expand Customer Base	Build Customer Profiles	Gain loyal Customers	Build Communal Brand Image	Increase Sales
Social Networking	✓		✓	✓	✓
VIP Card		✓	✓		✓
T-shirt/ Lanyard Contest	✓			✓	✓
Co-opt with Wingstop	✓		✓	✓	✓
Student Promotion			✓	✓	✓
Self-Checkout machine		✓	✓		✓

Figure V-1| The chart above shows how each proposed activity will help each of Verde Tea Café’s goals



Short Term Benefits

Goals	Rationale
Expand current customer base by 13%	To expand the Verde Tea Café's market. Because of the high retention rate, a lot of those new customers will become loyal, which will aid in increasing the number of loyal customers.
Build customer profiles	Customers will be able to access their own profiles, which accents the experience of Verde's loyal customers. This also provides incentive and motivation for the marginal loyal customers since they would like to receive these same benefits and become loyal customers.

In order to increase the sales and have a larger pool of potential loyal customers at Verde Tea Cafe, it is important to have a large market to try Verde's product to expand its customer base. It is therefore crucial to spread Verde Tea Café's name and for the customers in the market to become more familiar and aware of the store, which induces people to make a visit. With more customers, Verde will receive more sales. From our research, we have found that the people who have tried Verde are more likely to stick with them, so Verde needs to improve its marketing in order to expand its customer base.

Building customer profiles is crucial in the hospitality business, especially because it gives customers a feeling of familiarity as they feel more special and exclusive. Since customers are allowed to access their profiles, they can track their preferences, expenditures, and prizes from buying at Verde, making them feel more exclusive. This also provides incentive and motivation for the marginal loyal customers to reap the same benefits. This will cause these borderline loyal customers to visit frequently to attain the loyal customer status and will increase Verde's percentage of loyal customers. Since Verde is also allowed to access the customer behavioral profiles, they can obtain information about customers' reactions to the menu and the VIP loyalty system. Verde can take this feedback and change their marketing, menu, and other aspects to cater to the customers' needs.



Long Term Benefits

Goals	Rationale
Gain returning, loyal customers	To increase the number of visits that a customer makes during the year to Verde Tea Café. Loyal customers not only increase the revenue of the store, but they also introduce Verde to their friends and associates .
Build a communal brand image	To help Verde Tea Café stand out among its competitors. We want to make Verde Tea Café seem more like the local dining area that people in the community are familiar with. We want to have people feel that Verde has a “home-like” feel to it, making them return more.
Increase Sales by 15%	To increase the revenue that Verde Tea Café earns, since earning a large return on investment is crucial to this plan.

Cupertino’s Verde has been faring well due to the loyal customers that constantly return as they are satisfied with the business’ services and products. Loyal customers not only bring in more revenue, but since they are really satisfied with Verde, they also bring in more customers through word of mouth when they introduce Verde to their friends.

In the hospitality business, customers return mostly because of the reputation that the company has, which is largely based of off their impressions of the customer service and products. This is why it is crucial that Verde Tea Café builds a brand image in the city of Cupertino. Therefore, we want Verde Tea Café to build a brand image that represents how Verde is a rendezvous for the community, which will definitely differentiate Verde Tea Café from its competitors. When people think Verde, we want them to think of it as a place where they hang out with their friends or dine with their family, just some place that customers are special and part of something larger: a community. By gaining market share and becoming the most well-known business in the market, Verde will have successfully developed a brand image, attracting customers with high disposable income. Since a majority of Cupertino’s families are affluent with disposable income, Verde should capitalize on its potential and strive to become



the top in its market so it can show up on the radar of more families of Cupertino and gain a lot more loyal customers.

An increase in sales of around 10% would be a big yet feasible step towards attaining more profit. After talking to the manager, we were able to see the direction that the management wanted to head towards: open more branches around the Bay Area. In order to do this, Verde Tea Café needs to earn surplus money from their everyday business through increased promotional activities and different loyalty programs.

B. Proposed activities and timelines

Proposed Activities	Description	Benefits
Social Networking	A new Facebook page will build a new online community for members and the page will periodically send out updates about Verde's events and deals.	It expands the customer base as more people (especially the primary target market) would find out about the store through increased familiarity of the store.
VIP Card	A card that will offer incentives for customers to become loyal. In order to obtain this card, customers must complete the VIP stamp card.	It encourages customers to return more often as there are incentives to spend more and exclusive benefits amounting to a whole new customer experience.
VIP Stamp Card	After customers have five purchases at Verde Tea Café within one month, they will receive a free Pearl Milk Tea (a popular item) and will receive a VIP card.	This card makes it so that not everyone can become a VIP member, which increases the exclusivity and uniqueness of the VIP card
T-Shirts/Lanyards	Prizes that will be given to the customers who reach specific expenditure milestones. There will be a T-shirt and lanyard contest online, in which people who "like" the page may vote for the best design, which will eventually become the official Verde T-shirt and Lanyard.	The prizes act as incentives for people to go to Verde Tea Café more often. The T-shirt and lanyard contests will publicize Verde on Facebook and the T-shirts and lanyards make the general public more familiar with Verde when customers wear them.
Co-opt with Wingstop	A Co-opt with the Wingstop next door will offer customer deals where if they buy a drink at one shop and wings at the other shop, it will be cheaper.	It introduces Verde to a new market of people, in particular the Caucasian market.
Student Promotion	Verde will work with schools in fundraisers, and if students go in groups of four or more during the school's lunch break, they will all receive a 10% discount.	This will promote publicity within schools and attract more students, Verde's primary target market.
Self-Checkout machine	A touch-screen machine that will improve customer service as it will make lines quicker and more expedient.	By using this novel technology in this market, it will help Verde differentiate from its competitors in the area.



Social Networking

In order for Cupertino Verde's customers to have an expeditious and easy access to the store's updates, we propose that Cupertino Verde make an official page on Facebook.

Facebook effectively reaches out to Verde's target market. In particular, Facebook is currently the most popular website on the World Wide Web, and the younger generation use it as a center of communication and interaction.⁴ Through findings, we discovered that nearly 75% of online teenagers and young adults use social networking sites.⁵ We have decided to use social networking as the solution of the problems since Cupertino Verde's primary target market is teenagers and young adults.

By issuing frequent updates and notifications about Verde's events, the Facebook page will be able to retain current customers. By clicking the "Like" button for the Verde Facebook page, the Facebook user will get frequent posts of Verde's events and updates on their newsfeed. Since an average Facebook user spends two hours a day on Facebook, they will be constantly informed about events, like special deals and contests. These frequent updates will be monitored and issued by a part-time webmaster that will be hired for this purpose. Active users on Facebook will naturally become active customers of Verde Tea Café. Because of their increased knowledge about Verde's events (ie. T-shirt and Lanyard contest), they will participate in more of Verde's events and increase the overall frequency of a customer's expenditures at Verde. Customers will become active members of the Verde online community.

⁴ Mui, Ylan Q., and Peter Whoriskey. "Facebook Cements No. 1 Status." *Washington Post - Politics, National, World & D.C. Area News and Headlines - Washingtonpost.com*. 31 Dec. 2010. Web. 30 Jan. 2011. <<http://www.washingtonpost.com/wp-dyn/content/article/2010/12/30/AR2010123004625.html>>.

⁵ Lenhart, Amanda, Cathryn Zickuhr, Aaron Smith, and Kristen Purcell. "Social Media and Young Adults | Pew Research Center's Internet & American Life Project." *Pew Research Center's Internet & American Life Project*. 3 Feb. 2010. Web. 15 Jan. 2011. <<http://www.pewinternet.org/Reports/2010/Social-Media-and-Young-Adults.aspx>>.



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Verde will also get an opportunity to attract new customers through the Facebook page. Once someone “likes” the page, their action will be posted on all of their friend’s newsfeed. One of their friends will “like” the page and their friend’s will be informed about his/her new interest. Gradually, Verde Tea Café will become more prominent since more and more people will hear about it on Facebook. This is a form of advertising that will attract new customers to the store. Facebook users can also interact in the Verde community by posting on the wall of the Facebook page and organizing hangouts with friends. The “check-in” option lets the user post who they are with at Verde Tea Cafe. Customers are able to post about their excellent experience at Verde Tea Café on Facebook and all their friends will see it on their newsfeed. This will become another quick channel of advertising to increase the store’s popularity via word of mouth through the Internet. Cupertino Verde will have online event invitations, spreading the word through social media, and its fans will continue to spread the word by inviting their friends. This chain reaction will promote Verde’s page even further. Other people that are not fans of Verde will also find out about Verde’s events because users can see the events that the friends are attending, as shown in Figure

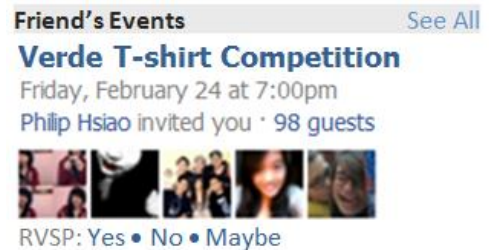


Figure V-2 | Not only do followers receive event invites, but their friends find out about it since it appears on their homepage

V-1. The variety of interactive options on Facebook attract new customers the Verde community. The goal is to create a vibrant Verde community and make our customers interact with each other in the Verde environment and feel like individuals whose voices are heard.

The implementation of the page will begin by publicizing and maintaining the site. In order to first encourage customers to join the pages, there will be fliers put up in the store



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informing customers about the new Facebook page that will have exclusive offers for the followers.

We expect the number of fans on the page to increase dramatically since it is very easy for Facebook users to come across this page. We estimated to have at least 5,000 “likes” by the end of 2012 and have effectively built a special community on this Facebook page.

VIP Card

In order to increase and maintain the amount of loyal customers, the VIP customer loyalty program will be implemented. This system allows clientele to track their total spending ever since the inauguration of the card. The customers can also earn rewards after every expenditure milestone they achieve, encouraging customers to spend more. These benefits are exclusive to those that obtain the card; this exception will challenge other customers to own a card too.

To gain access to these exclusive deals of the VIP card, a customer must complete the VIP challenge. This challenge requires the customer to fill a stamp card with five stamps/visits to Verde within a month. The stamp card will include an expiration date to ensure that the five stamps are reached before the deadline. Once someone completes the VIP stamp card, they will receive the exclusive VIP card and a free Pearl Milk Tea.



Figure V-3 | After five purchases at Verde Tea Café, customers will be able to receive a VIP card, which comes with a free Pearl Milk Tea

One of the main of goals of the VIP card is to create an incentive for the marginal non-loyal customer to step up their number of visits and gain a VIP card as well. The marginal non-



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loyal customer will then strive to attain the prestigious status of a loyal customer and be satisfied to enjoy all the benefits as well. In this process, Verde would have successfully increased the percentage of loyal customers at Verde. The other goal of the VIP card is to make the customers feel exclusive. By having a VIP card, customers become more loyal as they feel as if they are part of something exclusive at Verde Tea Café.

The VIP card expires in exactly a year, so the loyal customer would have to redeem themselves to maintain this prestigious title. This redemption disallows the “one-time” customers from obtain the VIP card and obtaining its benefits. Since people have to redeem themselves, it only allows the always loyal customers and causes more exclusivity in the loyalty market.

The VIP card system comes with exclusive benefits in many different ways. Since the card can calculate total number of customer spending at Verde, one reward system gifts the customer with a free complementary prize after an incremental amount of spending. The prizes include pearl milk teas, popcorn chicken, the official Verde Tea Café lanyard, and the official Verde T-shirt. These prizes at incremental spending levels motivate the customers to continue spending to obtain more prizes. As the customers make this positive affiliation between more spending and winning, they will feel more content to dine and eat at Verde, which accumulates to more revenue from our loyal customers.



Figure V-4 | The chart above shows the milestones that the customers to reach in order to obtain each prize/food.



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The Verde Tea Café T-shirt and lanyard design will be chosen by the customers. The T-shirt and lanyard design contest not only helps Verde Tea Café gain publicity for its Facebook page, it also involves the Verde customers to take action and influence the Verde community. The best design will be voted on Facebook and will serve as Verde Tea Café's official T-shirt. The winner will receive a \$100 Verde gift card. The prize gives an incentive to make more people submit designs so that there will be more designs to choose from. The best design that the majority of people prefer would also induce VIP customers to go to Verde more in order to win the T-shirt.

Not only are T-shirts and lanyards are trendy at this time, but they also provide Verde Tea Café with free advertising. Lanyards are currently very popular among teenagers and young adults, especially ones that like to show off how they can drive. The T-shirt and lanyard promote publicity, and people subconsciously become more familiar with Verde's brand as people constantly see other people wear Verde's apparel. Also, when people hear about how Verde customers did not purchase the T-shirt and lanyard, but instead were given as rewards and prizes, it encourages other people to become more interested in the VIP card and perhaps motivated to also receive those rewards too.

The last feature of the VIP card is periodic drawings. With access to a VIP card, one may also participate in periodic drawings on every month. If the customer spends more than thirty dollars in a month and has a VIP card, they will be entered into drawings to receive miscellaneous prizes, including a free Pearl Milk Tea or a free lanyard or a \$20 dollar Verde Tea Café gift card. The customers participating will receive a ticket. If their number is drawn, they will receive the miscellaneous prize. Their number will be announced on Verde's Facebook page.



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The prize can be redeemed at the winner's next visit to Verde. This promotes Verde's Facebook page as participants in these drawings are active on Verde's Facebook page since they are very apprehensive as to whether they have won or not.

Self-Checkout Machine

While observing the hundred comments of the many people that took our survey at Verde, we noticed that most of them stated that Verde's services were very "slow during business hours". Because of Verde's



Figure V-5 | Welcoming page of Self-Checkout Machine

immense popularity, lines for take-out would often trail outside during the busy Saturday lunch period. So we implemented another system that will introduce a more expedient customer service. It also provides a way of tracking sales and recording customer profiles through an intricate database. It has an interactive, touch-screen monitor that processes a customer's order using a unique GUI (Graphic User Interface) as seen in Figure V-4. There will be two present for customers with or without VIP cards that are ordering a take-out meal.

Using the machine will require a quick three step process. First, the customer signs in as a VIP card member (with a card) or a regular customer. This will log them into the system and access their customer profile and other information. On the back of the card, there will be a 4-digit key number that is unique to their VIP card that they can use to access their customer profile on the Verde Tea Café website. Second, the customer orders their meal. The VIP customer is recommended to the top 3 bundles of items that he/she usually buys. They are



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referred to as the “Quick 3” and expedite the process with one easy click and no more browsing. If they do not like any of the recommendations, they can browse through the multiple selections on the menu. The special deals with the VIP card are also advertised in the machine. Also, the customer is shown how much money they have spent on Verde with their VIP card, and it also displays how much more money it would take to reach the next prize milestone. The regular customer does not get the special deals or the customer profile, yet they get the option of seeing the “Top Sellers”, which are the three most popular buying combinations that Verde’s customers use. Finally, after the customer chooses their desired food item(s), the machine’s payment page accepts cash and credit cards. The expenditure is also calculated on the VIP card.

The machine will also advertise the VIP card for the customers without VIP cards, which is another method of attracting loyal customers. The default “welcome” page of the machine gives the user the option to use the machine without a VIP card. If a non-VIP card user logs into the machine, the machine will display a page that outlines the multiple benefits of a VIP card. The customer will recognize the limited benefits of being a normal customer and then gain an incentive to become a VIP customer.

This unique system is undoubtedly the future for customer service. Since all the other competitors are bereft of this futuristic style of customer service, Verde will accrue more popularity because of its trendiness. It will grab the spotlight away from Quickly and Fantasia and gain market share. It introduces more benefits of being a loyal customer at Verde, which makes the title all the more prodigious and wanted. This system will expedite the long take-out lines during business hour and make customer service faster by having the order go straight to the kitchen staff.



Database

The database is an electronic memory holder which accumulates all of the information of the purchases and expenditures of loyal and non-loyal customers. It will efficiently create customer profiles for the loyal customers that can be viewed on Verde's website and on the self-checkout machine. This database provides a way to track sales and customer visits. This information can be collected and analyzed in the future to assess Verde's menu or other promotional plans and alter them to fit the customers optimal customer satisfaction.

Co-opt with Wingstop

During our general observations, we noticed that 9% of all Verde customers bought food from both Wingstop and Verde Tea Café before leaving the plaza since they are right next to each other.



Figure V-6 | Since Wingstop is right next to Verde, we will be working with them since both our stores are interested in working together to increase our market share

Majority of them would buy the meal at Wingstop and drinks at Verde Tea Café. We propose to cooperate with Wingstop by making joint deals and discounts. We can offer discounts and coupons to give incentive for more customers to buy food from both stores. This exposes Verde's customers to Wingstop and Wingstop's customers to Verde. Wingstop is based on a very heavy Caucasian demographic and Verde is based on an Asian demographic. It is a win-win situation for both restaurants, since their customer bases differentiate tremendously. This will broaden our market and increase potential of a larger number of loyalty customers.

Verde and Wingstop will both implement a deal that will give incentive for buying from the other store. For instance, if a Verde customer buys two or more pearl milk teas, they will



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get a \$2 discount from an order of ten regular wings at Wingstop, and vice versa. These coupons will expire the next day, so this encourages people to check out the other store immediately after their primary purchase. We estimate that 5% of Wingstop customers will try Verde Tea Café. This way, a lot of Wingstop customers will become introduced to Verde, increase awareness of Verde, and also increase Verde's customer base.

Student Promotions

Because Verde Tea Café's primary target market is teens and young adults and a majority of its consumers are students, Verde needs to continuously increase awareness among students in the area in order to increase its sales. Therefore, Verde Tea Café will be working with schools doing fundraisers throughout the area

with their classes, clubs, and organizations. 10-15% of participating students' purchase will go towards whichever class, club, or organization. This encourages students, new customers, to try Verde's food, yet gives Verde a better and more charitable image among students in the area.

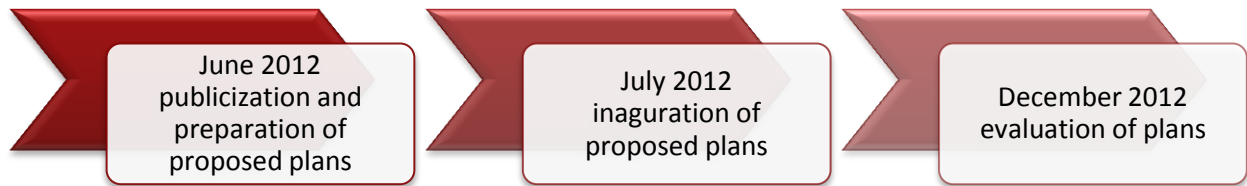
A way to keep customers loyal is to make the consumer feel like what they're getting is special and exclusive. Because our primary target market is teens and young adults, we want to appeal to these students with more than just the VIP Card and give them good deals. Therefore, whenever a group of 4 or more students go to Verde during a school's open campus time frame, they will all receive a 10% discount off of all their expenditures. This also encourages customers to bring their friends along, increasing the clientele of Verde Tea Café's primary market.



Figure V-7 | Since Verde is in such proximity with Cupertino High School, Verde can effectively attract their primary target market of teens and young adults.



Timeline and Evaluation



The implementation of these plans will follow a strict timeline and schedule in order for the benefits to be optimal. The webmaster will be hired around June 2012 to construct both the Facebook page and redesign the current Verde Tea Café website, both of which will be aired July 2012. Publicizing of the new VIP cards and the Self-Checkout Machine will also begin in July 2012 and continue being publicized on Verde’s new website and Facebook page. The VIP card system will effectively commence during this time too, along with the cooperation of Wingstop, the student promotions, and the inauguration of the Self-Checkout Machine. The T-shirt and lanyard design contest will be in September 2012 and will be publicized through the Facebook page and the Verde Tea Café website. The contest will last for two months until the final winner will be chosen based on the number of likes of the design on Facebook.

After 2013 has ended, Verde will begin an evaluation process to test the productivity and efficiency of all the proposed plans. Surveys will gain important feedback that will be necessary to see if our projected plans have been implemented realistically and whether they can stay in execution for a period of five years. The surveys will be distributed at the store, and an online version will be displayed on the website and Facebook page. Verde will then tweak and adjust the currents plans and promotions to fit the customers’ needs and feedback in the plans.



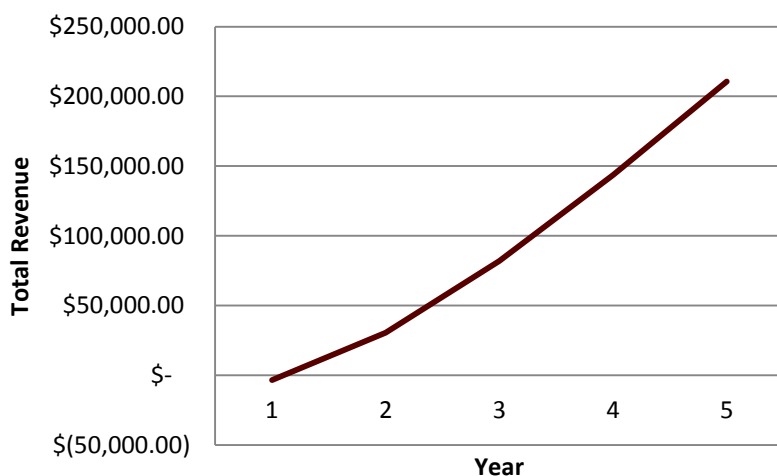
C. Proposed budget

Expenses	Cost per year	Number of years purchased	Total Costs
Webmaster	\$ 5,000.00	5	\$25,000.00
T-shirts	\$ 4,435.20	5	\$22,176.00
Lanyards	\$ 328.80	5	\$ 1,814.00
VIP cards	\$ 2030.00	5	\$10,150.00
Self-Checkout Machines and VIP Card Database	\$16,000.00	1	\$16,000.00
Co-opt with Wingstop	\$ 0.00	5	\$ 0.00
TOTAL EXPENSES			\$75,140.00

D. Proposed metrics

Through the self-checkout database, we will track customer sales and visits to see if our plan is effective and if sales have increased. By observing the number of the likes on our Facebook page and the amount of comments on our posts, we will determine how many customer stay up-to-date with the webpage.

This promotional plan provides extended growth for Verde in the Asian quick-serve restaurant market. In the year 2016, Verde’s customer base will increase by 17%, and go from



10,000 customers to 11,650.

Upon implementation of the plan, the percentage of loyal customers will rise 15%.

With an increased customer base and percentage of loyal customers, more of the new

customers will be loyal and

Figure V-8| This graph represents the total additional revenue accrued from total revenue from the start of the implementation, and the revenue is then calculated for five years.



greatly increase Verde's profits. In fact, Verde's sales will jump by around 12%. The enhanced customer base will also aggregate a higher market share in the Asian quick-serve restaurant market. This will accrue to Verde's brand image and it will inevitably become prominent trend among the majority of people in Cupertino with high disposable income. By this time, Verde will have surpassed Quickly and Fantasia in terms of market share.

With a \$75,140.00 investment and the additional \$285,674 of revenue, Verde will acquire a 275%⁶ return on investment in five years. Verde will hope to use this profit in 2018 to expand into another building and make the restaurant chain bigger.

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⁶ ROI = (gain of investment-cost of investment)/cost of investment