

Report to: Senior Management Team Aberystwyth University
Report from: Aberystwyth University Guild of Students
Date: 17 November 2011
Subject: Proposed Guild Coffee Shop: Starbucks

Background

Since the mid 1980s Aberystwyth University Guild of Students' has been heavily reliant on the surplus created by its trading operation to top up the funding of its core services: sports, societies, democracy & representation, volunteering, and student welfare. Although the block grant funding received from the University provided the main contribution to each of these areas their success depended on the ability of the trading operation to produce significant surpluses. Over the past decade, and especially the last five years, this model has faced significant challenges on many fronts. By far the biggest contributor to this surplus was, and remains, our licensed trade operation but the profitability of this area has suffered greatly as a result of many environmental changes: national minimum wage, relaxation of licensing laws, availability of significantly cheaper alcohol in supermarkets, emergence of corporate social responsibility and press interest in alcohol related public disorder.

The Guild has responded to this change by closing loss-making operations, such as the travel shop, and investigating alternative income sources. The most recent consideration being a lettings agency which was discontinued due to a poor medium term outlook, the number of letting agencies already in the town and the limited pool of rented properties in the locality.

In addition to the downturn in licensed trade, the Union building has suffered neglect due to lack of funds and any security of long term funding. Only minimum reactive maintenance has taken place since 2001 and this has naturally left the building looking dated. The main spaces within the building are the main room and bar area which need to serve a multi functional role, such as a capacity evening events, Guild General Meetings, clubs or society training/rehearsal areas and student fairs. The lack of dedicated space for any one of these activities results in not being able to meet any of their differing requirements with any satisfaction. The day time usage of the building is limited to soft seating in the bar and hard seating in the main room, all of which needs to be cleared for evening events. Although both the bar area and main room are well subscribed during the day the layout and facilities are not ideally suited to a positive student experience. There is however the possibility that with a few adjustments, such as this proposal or storage units being available nearby, that some 'quick wins' can be achieved which will allow a better usage of the building.

Introduction

The proposal for a coffee shop was born from three concerns: a declining trading operation, a lack on non-alcohol related social space and limited daytime appeal.

Our vision for the coffee shop is as a dedicated area for day time activity which would draw students to the Union, allow them to spend unlimited time there in comfort between lectures/library whilst contributing to a trading surplus. We see this as providing a positive contribution to the student's experience within the building. This is also seen as the first phase of building improvement and setting a standard for other areas of the building to reach. Our medium to long term aim is for students to see the Union as being a 'living room on campus', an area where they can feel comfortable, a sense of ownership, and receive support and advice. Coffee culture now appears to be the main daytime socialising activity and although there are already two dedicated coffee units on campus we believe that there is demand for a student focussed coffee unit within the Union building.

It has been noted recently that growth in the University is only likely to come from an increase in international and postgraduate students. The current building set up is unlikely to be appealing to students whose non-drinking culture or religion prohibits the consumption of alcohol and even ordering a coffee from a bar may cause discomfort. Comments from postgraduate students received in our ongoing membership survey indicate that the Union building is seen as being for the younger members of the student community. As a Guild of Students we are struggling to be seen as relevant or beneficial to either of these groups. Although a coffee shop will not necessarily change this on its own it will allow us the opportunity to attract members from these under represented communities and begin to break down barriers whilst encouraging participation.

A successful coffee shop will also result in additional employment opportunities for a team of student staff during term time and, for some, out of term time. We will be able to provide certificated barista training so that their time spent in employment here will be recognised.

Possible providers

In assessing our options we have considered the three suppliers available to us through our membership of the NUS Services Ltd consortium: Starbucks, Wicked and Peros. All three of these offer Fairtrade products which would not jeopardise our Fairtrade Campus status. Wicked Coffee has been supplied through our bar and shop for a two year period and whilst the product is of good standard it has not improved our coffee sales. Peros is a relatively new company in the coffee unit market and is based on the CafeDirect coffee brand. They have not opened a coffee shop in any union in the UK as yet and we believe that this inexperience rules them out of consideration for this project. Starbucks is an internationally known brand although this brings with it both negative and positive issues. Their offering through NUS Services Ltd is for coffee products, limited biscuit products, equipment for lease or purchase, point of sales merchandise and support but falls short of being a franchised outlet. The income from the operation will be retained by the Guild, the staff will be employed on Guild contracts and the pricing will be set by the Guild. We believe that introducing this brand on to campus will differentiate us from other coffee units already established and give us a strong identity. Students will already be aware of the Starbucks offering and we expect to match the atmosphere created in other Starbucks outlets. To all intent and purpose it will be a Starbucks unit but under Guild control.

Summary of figures and assumption

If the proposal is accepted and the necessary contracts are in place it is hoped to commencing operating in January 2012 although it must be accepted that this is an incredibly tight timescale.

At the end of the Guild financial year (June 2012) it is estimated that the unit will make

a surplus of £2.6k. At the end of its first 12 months trading it is estimated that the outlet will make a surplus of £6.3k. A cash flow forecast for the period up to December 2012 is attached together with notes to the forecast and individual drink calculations. The assumptions made in building this cash flow are also attached but the main ones can be summarised as being:

- Funding from the University in the form of a grant (£60k) to cover set up costs
- 200 cups sold per day during term time, 70 out of term time
- Term time opening hours 8:30am - 7:30pm term weekdays, 9:00am - 4:00pm weekends; out of term 9:00am - 4:00pm weekdays only
- Sandwiches purchased from RHS at 65% of sale price (yet to be negotiated)

The biggest outlay in converting the area to a coffee shop will be the room refurbishment followed by equipment purchase. We have briefly met with Simon Morris, Estates Department who has suggested that a provision of £30k be included. Given the state of the area the refurbishment would only be on a superficial level and it would appear sensible to request Estates dept for a more thorough assessment of the area prior to tenders being sought. The proposed area for the coffee shop is currently included in our Club Premises Certificate licensed area and making any amendments to the building layout may require an amendment to the Certificate. This should not cause any significant delay.

Proposal

The Guild is requesting a one-off grant of £60k to set up this project as its current financial situation is unable to cope with such outlay. In addition to providing a valuable income source the unit will improve the daytime usage of Union building, and provide a comfortable pleasant environment.

Starbucks are able to move with relative speed if a positive decision is made but the ability of the University's Estates department to meet the demands of refurbishment in a short timescale is of concern. If the work needs to go through a tendering process we understand that this is likely to take four months.

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