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Cafe Jubilee (Malta)

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CAFE JUBILEE

Introduction

Alex Scicluna lies resting after another hard day of work at the Shanghai International Exposition, reading the papers for a scheduled meeting with a new business contact he plans to meet the following day in Beijing. For the duration of his time at the Shanghai International Expo, Alex is 9,374 kilometres away from his home country; or rather home island of Gozo, the smaller island in the Maltese archipelago in the middle of the Mediterranean Sea. Travelling far distances is an endeavour Alex undertakes with the strength of motivation that only a genuine entrepreneur in search of new business ventures would embark upon. For Alex Scicluna, the past 15 years have been an endless journey, a metaphorical yet also literal trip, into entrepreneurship that included the crossing from one island to another in the Maltese archipelago, to ventures on the European continent and now further afield into more exotic destinations, notably so far, India and China. Alex is the CEO of Cafe Jubilee, a Maltese cafe/bistro chain that opened originally in Gozo, and then migrated with new operations into mainland Malta before moving abroad with a first outlet opened in Budapest (Hungary). Few Maltese entrepreneurs can flaunt the achievements of Alex and the rapidity of his success, as he effectively steered his business venture from initial conception, to slow but profitable expansion of the business, first on the domestic and then on the international market, over the past decade. Indeed, Alex can truly look back with pride to the humble origins of his business, although he wonders if establishing the business in China and India are steps too far. If he is to go ahead with building new outlets in these enormous countries, then how should he create franchise operations there? His limited previous international experiences had not prepared him for a challenge as big as this.

Going Back in Time – The Business Conception

Alex Scicluna always dreamed of being self-employed. After he finished his management course at the Institute for Tourism Studies (ITS), a post-secondary institute offering training and educational courses for people interested in pursuing a career in the tourism and hospitality sectors, he worked for a year in the hospitality industry as a head waiter at one of Malta's leading

hotels (Corinthia Attard). But barely a year into full-time employment, Alex decided to take-up an entrepreneurial challenge. Together with his brothers, they submitted an offer to a call for tenders to manage the catering establishment of what was then known as ‘Otters Waterpolo Club’. This was a small restaurant and bar operation at the Marsalforn bay in Alex’s native island of Gozo. The Scicluna brothers found the initial experience rewarding, particularly during the summer months when the catering bar would frequently be crowded with tourists and Maltese holidaymakers. From a financial perspective, the management of this catering business was unsustainable in the long-term due to the drastic slump in demand experienced in the off-season winter months with much fewer tourists visiting the island. Logically, there was a need to have an all-year-round catering business that would also provide for revenue during the winter months.

The Scicluna brothers quickly seized the first opportunity at hand by taking over the management of a bar called the ‘Silver Jubilee’ located in the centre of Victoria, the capital town of Gozo. The take-over of this bar marked the real start of Alex Scicluna’s journey into entrepreneurship, with his current corporate brand of ‘Cafe Jubilee’. The name stems from a simple yet highly innovative adaptation of the old name of the bar taken over in 1998 by Alex and his two brothers – Mario and Anthony. The rather unassuming name-change to the catering operation taken over by the Scicluna brothers masked a more distinct business conception to any other kind of business endeavour within the entertainment and catering sectors that were in existence on any of the Maltese islands at the time. It was the first cafe outlet operating as a bistro restaurant throughout the day. Alex capitalised on a market gap in the structure of the cafe, bar and restaurant business in Gozo. The ‘Cafe Jubilee’ addressed a clear-cut market segment that was previously not catered for in the local market. From an entrepreneurial perspective, the identification of the existing market gap proved to be the key for business success and the cornerstone for future expansion.

Cafe Jubilee – Turning a Business Idea into a New Product and Market Offer

The creation of a novel product offering in response to the identified market gap inevitably required a parallel break from the mainstream trends in the ‘packaging’ of the product, which included the way the service was to be tendered to customers and ultimately displayed to potential customers. The design aspects of the new business had to complement the launch of a

new unprecedented product offering on the cafe and catering market in Malta. Equally important, the ‘looks’ and packaging had to be different, distinct from the mass conventional options in order to secure and maintain sustainable customer demand at the new Cafe Jubilee. With these considerations in mind, Alex, along with his brothers, took the conscious decision that the decor of the new Cafe Jubilee had to break away from the conventional interior design of all other Gozitan bars, cafes and restaurants. Alex explains that,

“all designs in Gozo, up to that time, had a rustic inspiration, with the walls often left in untainted limestone”.

The Scicluna brothers opted for an innovative change in the decor, to a style decidedly out of tune with the prevailing trends and tastes of the time on the Maltese islands. The refurbishment of the old establishment was designed using wood panelling along the interior floors and with wallpaper covering brick walls – all reminiscent of a traditional French bistro-cafe style. The interior design of the first Cafe Jubilee was done with the specific intent and purpose that the business model could be replicated in other locations. For this reason, very little purchasing of off-the-shelf decorations was done in order to make sure that the final interior decor could be replicated with relative ease. At this early stage, the vision of the Cafe Jubilee business model was conceived, but it would take more time before the concept would garner enough market strength to move forward on its own two-feet.

Following one year of business operation in Victoria, it quickly became evident that the winter decline of clientele was too burdensome for the Scicluna brothers, and that they would need to extend their business endeavour closer to a larger client base. Cafe Jubilee with its novel product offer and distinct interior design had proven highly successful in its initial year of operation in Victoria, yet the demand flow was too dependent on the Maltese holiday-makers. The Scicluna brothers had been aware of the structural problem hindering the Gozitan entertainment scene, namely the minute size of domestic demand, making it inevitable that Cafe Jubilee would depend to a considerable extent on an ‘outside’ (whether Maltese or foreign tourists) clientele. Cafe Jubilee had become a popular bar/bistro outlet in the centre of Victoria, catering for the early evening entertainment in Gozo. Nonetheless, the distance from the source market of the clientele proved to be an early sign of a business structural deficiency that required immediate redress in order to sustain the business operation over the long-term. Alex recalls that:

“By 2000, barely two years after the opening of the Cafe Jubilee in a renovated bar, the natural progression to the relatively larger market of Malta had become an indisputable logical choice as well as an attractive business proposition”.

The sea channel passage between Gozo and Malta is very narrow; a pleasant trip to make in the normally calm waters separating the two islands, but the entrepreneurial passage of an economic operation from the smaller island to the bigger island can be a bigger test of endeavour. However, in the case of Alex it also became a test of willpower to believe that his business endeavour could expand while still at its infancy and prone to financial overstretching of resources. Aware of the fierce competition, Alex and his two brothers decided once again to go for an innovative solution, this time based on the choice of location.

The second Cafe Jubilee was eventually opened in Valletta, the capital of Malta. Capital towns are normally associated with a bustling nightlife with plenty of choice with regard to venues for entertainment including restaurants, bars, cinemas and other amenities linked with the leisure industry. When the critical decision to open a second Cafe Jubilee was being taken, the entertainment scene in Valletta was limited to very few bars that often closed in the early evening. Though Valletta is the capital of Malta, it is mainly an administrative centre for the civil service, consequently the location of most Government Ministries and departments. Civil servants along with tourists and local shoppers throng the main streets of Valletta during office hours; however the consumer traffic ebbs away fast after the closure of civil services. At the turn of the last century, Valletta used to be a desert regarding entertainment and not an automatic choice for evening, much less late night entertainment. Against this backdrop, it was no wonder that the Scicluna brothers’ decision to invest into the opening of a second Cafe Jubilee was deemed by many, including relatives and close friends, as an unwise decision from a business perspective. The decision to open the second outlet was, nonetheless, taken on the basis of the market popularity enjoyed by the first Café Jubilee outlet. The opening of the second outlet also entailed a careful evaluation of the commercial merits of the new operation, with a focus on the elements that could be changed in order to improve the service offer to the patrons of Café Jubilee. Alex proceeded with the opening of the second Cafe Jubilee outlet located close to a shopping mall in the heart of Valletta, yet also in close proximity to the main pedestrian thoroughway in Valletta (Republic Street), through which thousands of Maltese and tourists alike

pass on a daily basis. The second outlet was a replica in concept, design and service offering as the original Café Jubilee opened just two years earlier in Victoria.

The Business Model – Explaining the Success!

The second outlet imitated in exact replica the style and décor that were at the basis of their initial success in Gozo, and commercial success followed for Alex and his brothers in just the same manner with the Valetta operation. Qualifying the success of Café Jubilee on the criteria of turnover or even final profit would only portray a partial picture of the successful entrepreneurial impact that the business venture had in its early years. Alex knew how the opening of the first two Café Jubilee outlets impacted the time-cycle of the entertainment scene of both Victoria and Valletta. The earliest Café Jubilee in Victoria was the first catering outlet that remained open after 5.00pm, whilst the second outlet opened in Valletta in 2000 distinguished itself for being the first catering business to remain open after 7.00pm. Their growing success on the Maltese catering scene was ultimately attributed to the business model conceived, developed and implemented by the Scicluna brothers within their Café Jubilee outlets. As Alex elaborates:

“Café Jubilee is neither a traditional coffee shop nor a typical French bistro restaurant with 1920s/1930s décor. The Café Jubilee concept is neither any of these two catering notions nor a mere sum total of these two popular concepts. Contrary to any mainstream eat-out, it is a cross-mix of several different product offerings typically found on the catering market, molded into a very unique, specific and customer-oriented proposition.”

In short, Café Jubilee broke both the prevalent pattern of thinking and the established practices related to the management of catering businesses in Malta. Until recently, such businesses targeted a very specific segment of the market by offering their services only during specific, fixed times of the day or the night. Café Jubilee rejected this traditional mindset that was often acting as an operational straitjacket for businesses operating in the catering sector. The business concept from the very outset was eclectic, derived from an unmatched mix of the conventional Italian eat-out, French café and English pub. In this way, Café Jubilee became an effective business proposition to a wide cross-section of clients, through a product earmarked for a variety of people, made available at different times of the day.

Implicit to such a business approach is the recognition that different categories of customers require different service propositions at different times of the day, evening or night. The Café Jubilee operations in both Victoria and Valletta, and later on at the third outlet in Gzira, are finely tuned to serve a spectrum of clients ranging from office workers in the morning and lunch-time, shoppers during the afternoon, residents and ‘spill-over’ patrons from other entertainment venues from early evening to closing time at night. With this view in mind, two factors inevitably became the critical features of the successful entrepreneurial matrix sustaining the Café Jubilee endeavour - pricing and time. Pricing was a central consideration for two important, separate yet related, reasons. The pricing structure of the product offering at Café Jubilee had to be a reasonable one, commensurate with the product range and quality for which the Scicluna brothers expected that the brand Café Jubilee would become known for in the Maltese market. As a result, the stability of the pricing structure was a core element of Café Jubilee’s business strategy, with the objective of creating a sustainable business return. The price offer, along with the quality of the service delivered, was considered as the main reason why customers would return to Café Jubilee on a regular basis and not remain one-time patrons. Moreover, pricing was critical due to the tight competition in the catering industry in Malta. Competition was ‘cut-throat’ because Café Jubilee was not only a catering business (therefore competing with more established outlets in the food and beverage industry), but also because Café Jubilee catered for another highly competitive industry in Malta, entertainment. Due to its product cross-mix, Café Jubilee had to gear its business model to withstand the onslaught of competition from both the traditional catering business and the early evening and night-time entertainment venues. Inevitably, this required the consolidation of the business, whereby the two outlets had to be run in such a manner as to avoid working on margins, but on high turnover.

Following the opening of the second Café Jubilee outlet, it was also time for the Scicluna brothers not only to consolidate their revenue streams, but also time to adequately structure the organisation before any further expansion. Like most other start-ups in Malta, Café Jubilee had originally been conceived and managed as a family business with the Scicluna brothers managing it themselves, quite often with a hands-on approach monitoring the daily operational requirements of the business. Such an approach had to change if the venture was to undergo further commercial expansion.

Consolidation Yields the Café Jubilee Chain

It did not take too long for the expansion to move from the drawing board into concrete reality. Following a period of consolidation, with the two Café Jubilee outlets now well-established and increasingly sought after by an escalating and widening cross-section of Maltese and foreign patrons, the decision was taken to steer the venture even further with a third outlet. The decision to open a third Café Jubilee was based on a conscious expansionary effort of turning the venture into a chain. The primary consideration in this decision was the selection criteria in terms of location. The third Café Jubilee outlet had to be established from the market assessment and analysis of location, preferably in an area already established with eateries and early evening entertainment venues. Gzira was the chosen location of the third Café Jubilee, an urban location in the inner harbour area and a main traffic thoroughway to the tourist hotspots of the Sliema-St. Julians area. As Alex reveals:

“The decision to opt for the Gzira location was mainly justified by the fact that there was neither any entertainment nor catering establishments that were serving the middle market in the area. The location of the third Café Jubilee outlet proved a judicious one in that the new establishment started serving a quite extensive clientele of employees working in the neighbourhood. A number of insurance firms, car showrooms and English-language tuition centres were all located in close proximity to the location of the third Café Jubilee chain.”

For the Scicluna brothers the opening of the third Café Jubilee outlet was an important milestone because it was at this stage that the ‘chain’ truly started taking shape. Operating three outlets was an immense achievement particularly given the start-up conditions from which the Café Jubilee had originated as a commercial venture. Migrating the operation to a new island with a second outlet had been a risky decision at a time when the market conditions in Valletta predicted high commercial risk not worth underestimating. Furthermore, market conditions were opposing Gozitan firms from venturing onto the relatively larger market of Malta. With the opening of the third outlet, Café Jubilee had defied the logic and overcome all the market-related challenges.

A corporate structure was slowly emerging corresponding with the requirements of managing an increasingly complex commercial endeavour spanning three outlets on different locations of the

Maltese islands. The branding of Café Jubilee was also developing through the successful replication model adopted early on during the first inter-island expansion of the operation. By 2005 a customer base was clearly in place, large enough in volume and spread over a wide breadth of segments, to sustain the growth of the Café Jubilee chain. The opening of the third outlet was possible as a result of the pre-existing business model, enabling the different operations to maximize on their profit margins. The success of the Café Jubilee brand, product offering, service and customer base is proven with the estimated return of investment on a new outlet being just over 24 months. Alex Scicluna explains that:

“This is exceptional for the industry, especially in the Maltese market context where incumbent operators enjoy a structural competitive advantage and where the summer peak season is also characterised by the mushrooming of bars and restaurants operating on a part-time basis due to the seasonal rise in tourist demand.”

Business Diversification

After more than eight years overseeing the slow, but steady, expansion of his business Alex was often asking himself the questions, *“what next and where to now?”* Clearly, these were difficult questions, to which Alex did not have any easy or direct replies. The strategy of expansion on the domestic market had been carried out relatively smoothly and there was, therefore, no immediate reason to upstage the business situation once consolidation had been achieved. Nevertheless, it did not take long before the next business opportunity would materialise, this time without advance planning, but rather in response to a market demand generated by the patrons of Café Jubilee. Since the opening of the first Café Jubilee, the menus on offer at the bistros were one of the most attractive propositions on offer, thereby gaining considerable popularity over time. Balancing both the catering and the entertainment business was, and remains, the core selling-point and indeed the showcase exceptionality of Café Jubilee, distinguishing the operation from its competitors. Alex recounts:

“Often patrons would recommend the dishes served at the outlets and ask whether they could buy some of the products served at Café Jubilee for private consumption at home”.

For the Scicluna brothers, the informal but consistent demand for Café Jubilee products to be made available in stores was a gratifying development. It confirmed their opinion that being so meticulous in their planning without actually getting the menu right would have been

meaningless. The quality and variety of the food offer at the Café Jubilee was the key success factor of the business. When it came to the choice of the dishes, it was imperative for Alex that the food offer would be good value for money, healthy and based on the Mediterranean diet, corresponding with the prevalent and expected catering offer in such a tourist destination at the heart of the Mediterranean. The diversification of the Café Jubilee business into the retail sector was intrinsically intertwined with the quality offer of the food menus on offer at the three outlets.

From the outset, it was the Scicluna brothers' objective that the dishes prepared and served at the Café Jubilee outlets would be based on fresh local ingredients, with the conscious effort of making patrons feel they are eating food like it was prepared at home. Equally important was the decision that none of the dishes would be pre-prepared and just heated prior to serving, but instead the focus of the food offer would be based on the customer demands. Consequently, the option was also made available for patrons to personalise the dishes while creating a set of daily changing dishes in order to keep the food offer alive and attractive to the loyal core of Café Jubilee customer base. The development of dish varieties was considered an intrinsic result to the extensive investments carried out in the physical refurbishment and re-decoration of different venues established as new Café Jubilee outlets. The food offer at Café Jubilee is the most important intangible investment underlining the uniqueness of the brand, sustaining the advantageous selling points of Café Jubilee, while complementing in the Scicluna brothers' understanding of the experience that patrons would like to enjoy at their outlets. The aim was to create a 'homely' feeling, where the customers would truly feel that this is indeed the place where they would like to go. In the conception of the 'Café Jubilee experience', the 'feel' of the place was the critical piece of the jigsaw puzzle, consequently infusing the necessary dynamic to keep the business an attractive and innovative proposition to many. This helped generate repeat business, but also, to the Scicluna brothers' satisfaction, it directly fueled the company's unexpected growth into the retail business. With the oft-repeated demand for the availability of Café Jubilee products for sale from supermarkets, Alex decided to diversify the operation through the establishment of Jubilee Foods, effectively turning Café Jubilee into a group of companies, distinguishing the operation from the original catering remit of the Scicluna brothers' business.

Jubilee Foods Ltd was set-up as the manufacturing and retailing company of home-made, ready-to-cook frozen foods, offering an all-year products selection (as well as seasonal products), prepared with fresh local produce, free of any preservatives or additives. The new operation was conceived with the same business ethos of Café Jubilee, inspired by the overall drive to satisfy customer demand with the provision of genuine products. The uniqueness of the product offer is reflected in the origin of the ingredients, mostly consisting of traditional Gozitan food items. Jubilee Foods Ltd was developed to offer a selection of jarred and bottled products, mostly Gozitan farmers' produce specialties, which are all prepared following family recipes that were traditionally passed on from one generation to the next. Jubilee Foods Ltd was an instant success, highlighted by the rapid rate with which three retail outlets were opened over a span of three months in late 2009. Some of the products had already been pre-tested on the retail market through arrangements with specific supermarkets on the island. The take-up rate of food products put on sale on the retail shelves had been good. Nevertheless, Alex decided that Café Jubilee required its own branded retail operation in order to ensure that the range of products put on the retail market could be sold in locations envisaged to have the best possible return in terms of sales volume. Consequently, Alex drove the expansion of Jubilee Foods Ltd, through the opening of two retail shops in Malta and one in Gozo – one shop at Ta' Ibragg, another on the premises of one of Malta's largest supermarkets and the third, adjacent to the very first Café Jubilee, located in Victoria's main square. The three retail outlets opened successively on the 25th September, 12th October and the 27th November of 2009.

The retail outlets offer a wide selection of traditional Maltese and Gozitan dishes and reflect the 'customer-experience' concept embodied in the Café Jubilee bistros; the three outlets offer a shopping experience to captivate patrons onto repeat visits with live cooking events and tasting sessions are organised on a regular basis. None of the Jubilee Foods on sale to customers is made available without having been the subject of extensive research, taking into account real demand and the customers' desire for the item. As a result of this apt research Jubilee Foods has been able to successfully create an initial range of about forty food items which include jams, chutneys, syrups, comino honey, traditional tomato paste, sun-dried tomatoes, peppered cheeselets and hand-picked capers. All Jubilee Foods branded products undergo certification and the packaging

carries extensive dietary information, to allow customers to make informed and healthy decisions.

The resounding success obtained by Jubilee Foods bodes well for the prospective development of the retail arm of the company. Less than a year in operation, Alex Scicluna has expectations for the development of Jubilee Foods, both with regard to the development of new products and for the chain of shops themselves. It is planned that the chain would reach a total of nine Jubilee Foods shops across Malta and Gozo, with six new outlets due to open within the next three years so that customers will have easy access to their favourite products. Jubilee Foods Ltd is, of course, not just about retail; it also incorporates a food processing operation with one manufacturing plant serving all the current retail outlets. The factory is based in Gozo and it is currently manned by five full-time employees under the direct management of Anthony Scicluna who oversees both the retail and manufacturing sections of Jubilee Food Ltd.

Meeting the Structural Challenges for Internationalisation

The foundation of the retail section created new challenges for the Scicluna brothers with regard to the operation of their business activities, but it also helped them prepare the necessary structural improvements to embark on Alex's personal ambition of opening a Café Jubilee outlet abroad. Over a relatively short period of time, Café Jubilee had developed a successful business structure, supported by a long-term commercial strategy aimed at securing sustainable revenues, the operational management of the organisation and advance project planning. Each of the Café Jubilee outlets is operated by a manager, with the administrative office responsible for the management, purchasing and delivery of supplies, as well as for the financial management of the company, including the payroll systems for the employees of the company. By the end of 2009, Café Jubilee was employing approximately 130 people, with the exact total number of employees fluctuating according to the seasonal shifts in work demand within the outlets. Despite the relatively small size of the Café Jubilee chain, the catering business proved to be a labour-intensive endeavour, thereby necessitating the segregation of the financial turnover of the company and the total number of employees engaged to deliver the required quality services. Alex always believed in above-average salary pay for his employees in order to ensure a quality work contribution by the staff. Like other operators in the catering business, Alex has been

confronted by an endemic problem in securing personnel on a long-term basis. As the catering and entertainment business in Malta is characterised by a high average turnover rate in staff. Unfortunately, the catering sector in Malta is blemished by ingrained negative perceptions relating to working conditions coupled with low levels of remuneration. From experience, Alex himself can recount several instances of workers who joined the catering industry for a brief spell primarily to top up on their regular income through part-time work, or else a temporary job solution during student-to-work transition, or in an ‘in-between’ jobs situation.

The difficulties now being encountered by Alex included the challenges related to the availability of a skilled human resources pool, along with access to the necessary financial resources to sustain a well-structured attempt at internationalising the Café Jubilee operation beyond the Maltese shores. Alex Scicluna had long been considering the various options available in order to establish a Café Jubilee outlet outside the confines of the Maltese market. It was the opinion of the remaining two Scicluna brothers to disregard any efforts of internationalisation on the basis of their company’s own resources and what were perceived as the prohibitive conditions linked to access to credit via traditional bank loans. Raising finance for capital investments in Malta is a rather risky practice, since bank loans are often secured against high guarantees, notably involving property as the collateral to the credit. In contrast, success within the competitive world of business is highly dependent on the ease of obtaining capital to finance business ventures. As such, access to finance is a critical issue for all enterprises, not just at the early stages of a start-up enterprise, but also throughout the whole lifecycle of any business. Ease of obtaining finance becomes even more critical when a firm reaches the stage of domestic market maturity and they wish to make the leap into cross-border business. Against this viewpoint, it appeared that the only feasible solution for the internationalisation of a business chain, like that of Café Jubilee, would be franchising. For Alex, it became evident following market research carried out with the collaboration of Joseph Xuereb (a friend and local business expert) that a franchise-driven model of internationalisation was the only viable option worth considering. Thus, Alex made the informed decision that international expansion of the Café Jubilee chain would be possible through franchising, as the resources would be obtained from a third party and so consequently limiting to a significant extent the financial exposure of any investments by Alex. Moreover, for a company whose business practices had been forged in a small insular market, the franchise

method emerged as an appetizing prospect given the possibility of attractive returns on large-scale markets on the European continent. Therefore, it made sense for Alex to use franchising as the natural path for the long-term progression of his business.

Franchising is essentially the practice of utilizing another firm's successful and proven business model. Franchising works best for businesses displaying the two-fold attributes of a good profitability track record and ease of operational duplication in different locations. In this regard, Café Jubilee fulfilled the requisites to venture onto the franchise domain. For Alex, the franchise avenue was the business opportunity that once it presented itself the Scicluna brothers simply could not ignore. The decision to franchise the Café Jubilee business was taken with the knowledge that the chain could potentially expand rapidly once a successful foreign breakthrough was undertaken. For a relative newcomer on the market, with constrained access to mainland markets, the franchise option carried another substantial advantage for Café Jubilee – that of obtaining, through the franchisee, direct knowledge of the market where the new outlet would be opened. Finally, the franchise route made business sense for Alex since it would allow Café Jubilee to retain a substantial degree of control of the brand irrespective of the location of the eventual new international outlets of the chain. The internationalisation endeavours of Café Jubilee had been a long-standing strategic aim of the chain, driven and directly inspired by Alex's own ambitious vision of developing the first-ever Maltese café/bistro chain abroad. Following the period of business consolidation at the time of the opening of the third café outlet in 2005, Alex had already started working in partnership with Joseph Xuereb at establishing the International Division of Café Jubilee, therefore adding both strategic and structural impetus to the long-term conception and eventual implementation of Café Jubilees international development strategy. To this end, the services of Howarth Franchising UK Ltd – the largest European franchise development consultancy company were commissioned to assist Café Jubilee with the formulation of its international franchise offer.

From a management perspective, the inception of the Café Jubilees international development strategy meant a definite break from the tried and tested, yet obsolete, management system based on the traditional family business model. Internationalisation meant that the business had to decisively and permanently establish itself as a well-structured business set-up, oriented towards

delivering on the company's growth policy sustained by brand credibility. The eventual success of the franchise venture would depend considerably on the brand credibility of Café Jubilee, since a franchise business needs to be adequately differentiated from its other franchised competitors on the market. The uniqueness of the product offering supported with the proven strength of management is a key factor in determining success or failure in franchising. Consequently, the structural adaptation of Café Jubilee into a professional, structurally-managed organisation was a paramount shift in the entrepreneurial ethos of the company prior to the launch of its franchise offer. The development of the franchise offer required a focused approach, thereby discerning where and how Café Jubilee could position itself abroad in order to maximize on its distinctive Maltese brand and operational business edge, despite the cut-throat competition in the café/bistro business. The point of departure of the international development strategy for Café Jubilee was set on the premise of the best franchise market entry point which could be utilized to capitalise on any existing market gaps. Alex explains that the scope of the exercise was clear from the beginning,

“To lodge Café Jubilee in a position to fill the gaps in the local eating scene in different European markets that could be receptive to the unique niche product offering made available by Café Jubilee.”

The focus of the market analysis was indeed critical for the eventual overall success of the international development of Café Jubilee. The core strategic advice delivered by Howarth Franchising UK Ltd was for Café Jubilee to orientate its franchise entry proposition exclusively into overseas markets where there is high level of receptivity to European culture, cuisine and habits. This was sensible advice on two counts: first to minimize risk, and second to enable the business concept to blend well with the prevailing local market trends, including the possibility of integrating domestic gastronomy to widen the appeal of the hybrid 'personality' of the Café Jubilee café/bistro product. The international development strategy of Café Jubilee had to hone in on a few priority markets in order to concentrate efforts and avoid overspreading the marketing reach without obtaining the desired impact and results. The priority markets for the planned expansion of Café Jubilee were carefully selected, taking into account the following four essential considerations:

1. Market potential;
2. Ease of operational set-up including operational costs;

3. Labour market conditions;
4. Regulatory safeguards providing legal protection to both the franchisee and the franchisor.

Taking into account the above considerations, it was advised to the Scicluna brothers to:

“concentrate efforts on developing the Café Jubilee franchise offer into Central and Eastern European countries, already EU member-states or (at the time) accession countries, where citizens are culturally already well-versed with the café/bistro concept.”

A short-listing of priority markets was established with Poland placed top-of-the-list as the testing ground for the international franchise development of the Café Jubilee chain. Once the breakthrough was obtained, the franchise business advisory plan suggested that a natural progression path would be to move into neighbouring countries, primarily Hungary, Romania and Bulgaria. According to this plan, it was envisaged that slowly a Café Jubilee franchise network would develop in the region. Alex’s brothers had a number of concerns about the proposed plan which included: how many people in Eastern Europe know of Malta and its cuisine, would the franchise need to have to include some local cuisine in each of its Eastern European outlets, these countries already had well-established entertainment and culinary markets (not like Malta) so why would their concept be unique, how could they standardize if each outlet needed to be tailored? Alex reassured them that everything would be alright as good planning had always brought them successful outcomes. He would research each market thoroughly to ensure that Café Jubilee would offer the right mix between the original design and local needs.

Like any other conventional business plan, the strategic franchise business proposition for Café Jubilee was built on the merits of the market analysis conducted by the UK consultancy. Not surprisingly, the international development of Café Jubilee would not go according to script. The proposed market franchise penetration in Central Europe proved hard to attain given the complete anonymity of the Maltese chain with local entrepreneurs, the physical and cultural distances involved and primarily the lack of direct, credible contact with potentially interested franchisees. Efforts were in place for over two years until finally a concrete breakthrough was attained. This international breakthrough occurred on the 10th year anniversary of Café Jubilee, and it was made possible through the establishment of a direct business contact between Alex and Alfred Pisani,

the chairman of Corinthia Group, Malta's largest hotel investment and management companies with an array of five-star hotel operations in different European countries. This opportunity, provided by the Corinthia Group of Companies, enabled the Scicluna brothers to enter into a joint partnership that would allow the opening of the first international outlet of the Café Jubilee chain in an overseas property owned by the Corinthia Group. The joint venture struck between Café Jubilee and the Corinthia Group was announced in mid-2009. In brief, it envisaged the opportunity for the Scicluna brothers to use a site for a new Café Jubilee bistro pub within a larger property bought by Corinthia Group for re-development into a top-end hotel in the centre of Budapest, (the property is a stand alone property and not connected to any hotel). The location of the site for the new Café Jubilee bistro was ideally located at the corner property taken over by the Corinthia Group in the very heart of the Hungarian capital city. The existing building underwent extensive refurbishment that took some months to be completed, and so the official opening of the first international outlet of Café Jubilee had to be slightly delayed with the official opening taking place on the 27th February 2010. The bistro café was declared open for business in a short ceremony by Corinthia Group chairman Alfred Pisani and Alex Scicluna in his capacity as the CEO of the Jubilee Group of Companies. The first international outlet was now the fourth Café Jubilee and the brand's first overseas joint venture, in what is planned to be an ongoing business development partnership between Corinthia Group and the Jubilee Group of Companies. Alex spoke with pride during the launch event, attended by approximately 300 guests, of how the dream to take Café Jubilee overseas had finally been realized. Indeed, for the Scicluna brothers the opening of Café Jubilee Budapest was the result of years of hard work and determination that overcame the innumerable challenges that could have easily undermined a veritable accomplishment for a small family-owned catering business.

Just a few months have passed since that remarkable moment, and although it is still early days, Alex can nonetheless assert with a certain degree of confidence that so far the customer response has been encouraging. As soon as the Budapest outlet was opened and in operation, the management started a niche target market campaign to increase awareness within the segment that they wanted to attract. Alex is optimistic that despite the initial difficulties, Café Jubilee Budapest will pick-up business and is confident that the café culture is a popular way of entertainment particularly amongst the young upwardly-mobile Hungarians. From a long-term

business perspective, the opening of Café Jubilee Budapest constitutes a milestone in the development of the Maltese franchise industry. Specifically for Alex Scicluna, the Budapest outlet will hopefully add-up to the achievement of another life-long ambition of creating the first-ever successful Maltese franchise abroad. The internationalising of Café Jubilee with the opening of the first overseas outlet has helped Alex to appreciate a number of important lessons. Experience showed that although the franchise avenue was indeed the best route to take from a strategic perspective, the market reality demonstrated that franchise is also a tough and crowded business segment. Several operators are competing in the market trying to replicate business models in the catering and fast-food sectors. Alex had been actively looking for franchisees for two years and while active leads were established, none yielded the desired end result until the partnership deal was struck with the Corinthia Group.

With the benefit of hindsight, it appeared that the strategic partnership established with Corinthia Group had not just broken the deadlock on the international front for Alex Scicluna, but it has also resulted in considerable added-value for the Café Jubilee brand. It has directly helped Café Jubilee to tap into the long-standing expertise of the Eastern European markets garnered from years of operation by Corinthia Group, who were already operating hotels in Prague and St. Petersburg. The partnership with the Corinthia Group allowed for an element of transfer of knowledge between the two companies in penetrating overseas markets, permitting Café Jubilee to enhance its entrepreneurial attitude on internationalisation with a new corporate culture incepted by the franchise development strategy, but strongly reinforced through the joint venture with Corinthia Group. In the build-up towards the opening of the first overseas Café Jubilee outlet, these factors were of considerable value for the internal business operations of the bistro chain.

From Budapest to Shanghai in 30 Days

Following the opening of its first outlet abroad, Café Jubilee soon found itself involved in another overseas venture, this time in Shanghai, China at the World Exposition. Alex was approached by Malta Enterprise (the Maltese Government Investment Promotion Agency) to set up a temporary outlet on the premises of the Maltese stand, with the intent of improving the overall attractiveness for the average visitors stay there. In less than three months, Café Jubilee was opening its second

overseas outlet within the Malta Pavilion, with completely different conditions, intent and scope. Unlike the Budapest operation, the presence of a Café Jubilee outlet at the Shanghai World Expo would be a temporary set-up spanning the duration of the global showcase between the 1st May and the 31st October 2010.

Alex decided to personally take on the challenge of creating a replica of the other Café Jubilee outlets, including all the trademark features, fittings, cutlery and crockery, at the Malta Pavilion. This involved a significant effort in terms of cost, logistics and mobilisation of all the necessary equipment including the brand décor items of Café Jubilee to China via container shipment. An assembly team had also to be transported over to Shanghai to directly oversee the establishment and the running of the outlet. For the specific purpose of the World Expo, a new Café Jubilee menu was created, modeled on those offered in outlets in Malta, Gozo and Budapest, but slightly modified to cater for the Shanghai Expo environment. The aim of the replica café at the Malta Pavilion was to promote traditional Maltese products whilst enhancing the visitor experience at the stand. The partnership approach was once again a critical factor for Alex, particularly to ensure the replenishment of fresh food and beverages directly from the collaborating Maltese partner companies, Farsons for beer and Delicata Winery for wines.

The sheer logistical challenge of organising a temporary Café Jubilee at the World Shanghai Expo might have deterred several people, but for Alex Scicluna it provided a timely opportunity to explore first-hand the potential of further developing the chain in the Far East. Alex believed the temporary venture at the Malta Pavilion makes business sense in the overall international development strategy of Café Jubilee, since it supplements the efforts done to-date to raise awareness abroad about the brand and its unique product offering. Nonetheless, Alex remains steadfastly positive about the brand's development prospects on the Chinese markets. His brothers are less enthusiastic as they think that the company is already stretched financially, they have no Maltese partner in China like they do in Hungary, they know very little about the Chinese culture and the few Chinese people ever heard of Malta, the concept would be radically new from a Chinese perspective, business practices are completely different there, and the consultancy support for the Indian market is showing better results currently in terms of pre-planning the company's strategy. They also believe that the company is growing too quickly,

particularly during a time of global economic crisis, and they have shown Alex numerous examples of companies that have over-reached and went out of business. They want a strategy that moves a little slower. However, Alex feels believes that the Chinese market represents a long-term potential market for Café Jubilee, although the company must first overcome the heavy investments necessary to secure a sustainable franchise arrangement.

A Bright Future Beckon

Despite the everyday challenges related to the management of the chain, Alex Scicluna remains keen on his vision of establishing the first-ever Maltese café/bistro franchise on a wide international footing through operations in different countries, and even different continents. The year 2010, so far, has been a very good year for the Scicluna brothers; with the opening of their first overseas outlet in Budapest, the setting up of the temporary café at the Malta Pavilion in Shanghai, but also the start of proper exploration of the café/bistro franchise market potential in India. Café Jubilee is attempting to set a strong foothold in the Indian market with the assistance of ‘Franchise India International’ – a division of Asia’s largest integrated franchise and retail solution provider ‘Franchise India’. This company specialises in assisting foreign brands with their Indian market entry strategy and in developing partnerships with reliable Indian investors. In particular, the consultancy firm is helping Café Jubilee to develop the appropriate market entry strategy, while they have also carried out an industry analysis leading to the customisation of the franchise offering specifically fine-tuned for the Indian market. This entails the adaptation of the original Café Jubilee business concept to ensure the smooth acceptance of its café/bistro offer amongst both Indian consumers and investors. ‘Franchise India International’ is assisting the brand in marketing their franchise offer, with a special focus on the large metropolitan cities of Mumbai, Delhi, Chennai and Bangalore. Alex has an optimistic perspective with regards to his ongoing quest towards the establishment of the first Maltese café/bistro café chain abroad. As business meetings progress in India with the adapted brand concept increasingly taking shape, Alex is excitedly looking forward to what lies ahead. From the comfort of his armchair in Shanghai, his entrepreneurial motivation remains grounded on a double-track objective of recovering the capital investments and obtaining healthy financial returns whilst earnestly pursuing his dream of shaping Café Jubilee into the first-ever Maltese international franchise

chain business. But would the pursuit of these goals lead to incredible success or would his brothers fears be realized?