

PGDM (IB), 2016-18

Creating an Entrepreneurial Mindset

IB 604

Trimester – VI, End-Term Examination: Feb 2018

Time allowed: 2 Hrs and 30 Min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No. on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of admit card should be followed meticulously.

Sections	No. of Questions to attempt	Marks	Marks
A	3 out of 5 (Short Questions)	5 Marks each	3*5 = 15
B	2 out of 3 (Long Questions)	10 Marks each	2*10 = 20
C	Compulsory Case Study	15 Marks	15
		Total Marks	50

Section A

- Q1 What is meant by Pain universality and Self pain check? Discuss the difference between the two?
- Q2 Expand on the acronym FFF sources of finance. In what stage(s) of entrepreneurship is the triple F source of finance the only option for the entrepreneur?
- Q3 What is mean by an Opportunity Identification Plan (OIP). Discuss the questions that should be asked by the entrepreneur in preparation of an OIP.
- Q4 Distinguish between TAM, SAM and SOM and illustrate with an example.
- Q5. Distinguish between a Business Model and a Business Plan. Explain which of the two is a super set of the other and why?

Section B

- Q6 Describe and sketch the entrepreneurship process, enumerate on the various elements of the process. Why is a constant cycle of iteration required between these elements to create an entrepreneurial venture?

addition, he included that he was bonded and insured and a member of the Massachusetts Locksmith Association. Competitors typically stressed products and services, 24-hour emergency service, follow-up guarantee service, being bonded and insured, and membership in the locksmith association.

Time was running out for Ray, and he was trying to think of other businesses that he could start up. He would often question his decision to enter the locksmith business, but then he would quickly decide that since he didn't really need the money, it wasn't a big deal. However, at some point he felt he should try to establish himself so he could settle down to a more routine life.

Case 4

Beijing Sammies

When Sam Goodman opened a new Sammies café in Beijing's Motorola Building, he cut prices by 50 percent for the first three months in order to attract customers. The initial period was very successful, but when he returned prices to normal, sales dropped dramatically and fell short of targets. The local store manager, when presenting the figures, suggested that Goodman simply lower the sales targets. Goodman was frustrated; the manager had failed to address any of the issues that were keeping customers from returning. There were countless orders that went out with missing utensils, in the wrong bag, or [with items] simply left out. Delivery orders were being sent hours late or to the wrong location. This typified Goodman's early experience: the market was showing interest in Beijing Sammies's products but he knew that without exceptional service, good food would not be enough. Goodman questioned whether he could find employees who were thinkers and

Source: This case was prepared by Christopher Ferrarone under the supervision of Boston College Professor Gregory L. Stoller as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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problem solvers and he wondered how to improve upon the business in order to turn Beijing Sammies into a sustainable and profitable enterprise.

According to Goodman, face and money were the two most important subjects. With experience as a student and businessman in China, he knew one must observe the cultural beliefs:

Face is a huge issue here, and as the economy develops, so is money. If one is not relevant, the other is. Once you recognize this is crucial, it was not hard to learn. The difficult part is incorporating it into the business. We need to offer a superior experience in order for customers to justify paying more. This means providing a quality product with excellent service. It sounds easy, but in China the concept of service is not the same as in the West. I just can't seem to get my employees to understand that there is a way to serve the customer while also keeping the company's interest at heart. It is an "all for us" or "all for them" mentality here.

Throughout the company's initial years Goodman sought to teach a service-oriented approach to his employees. In doing so, he ironically learned that face was as much of an important issue for Beijing Sammies's customers as it was for its employees.

BEIJING SAMMIES

Canadian native, Sam Goodman, started Beijing Sammies¹ in 1997. Aside from producing food for the everyday, walk-in customer, Sammies provided fare for company meetings, presentations, picnics, and gifts. Sammies was open for breakfast, lunch, and dinner and delivered all products to its customers. The menu included a selection of sandwiches, salads, bagels, brownies, cookies, coffee, soda, and tea (Exhibit 1).

Goodman started the company with personal savings and money borrowed from family. He opened his first café at the Beijing Language and Culture University with the goal of providing people with a place to "hang out" and enjoy homemade western food.

By 2003 Beijing Sammies had five outlets [composed] of four "deli-style" cafés and one kiosk. The stores were traditional in terms of layout and size for fast food restaurants. Two Sammies cafés were 1,200

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EXHIBIT I

Ordering Information

Min Order: PEAK HOURS: 100rmb (Mon-Fri 10:30-13:30)
OTHER HOURS: 50rmb

Orders under 50 rmb: add 20 rmb service charge

Free delivery within Chao Yang CBD

Delivery takes 30-45 minutes during rush hours

For large orders or special time deliveries
please call 1 day in advance

Save Your Company Time & Money

Sammies Corporate Accounts

Convenience & Flexibility in
Payment, Ordering & Delivery

Sammies is a healthy alternative for your
Meetings • Seminars • Training Sessions

We provide menu suggestions.

For more information, special requests or
comments please call Customer Service:
English and Chinese service

6506 8838

www.beijingsammies.com

All prices subject to change.

Ingredients may change due to availability and freshness

Where East Eats West



CORPORATE DELIVERY

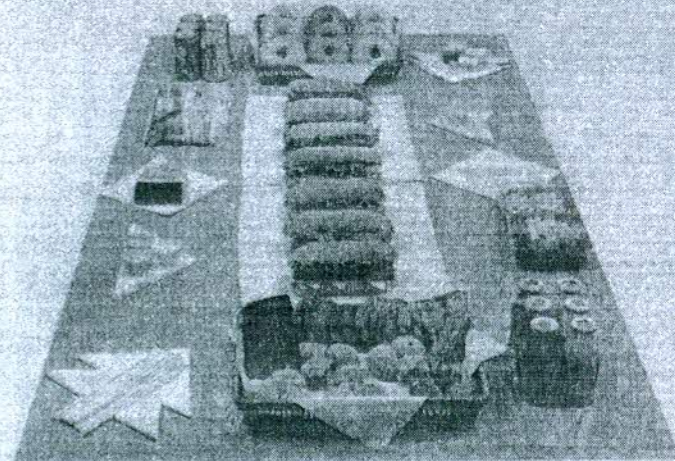
Monday - Friday: 8:00 a.m. - 9:00 p.m.

Saturday - Sunday: 9:00 a.m. - 7:00 p.m.

TEL: 6506 8838 FAX: 6503 2688

Online Ordering: www.beijingsammies.com

Breakfast & Lunch Meetings • Training Sessions



Where East Eats West

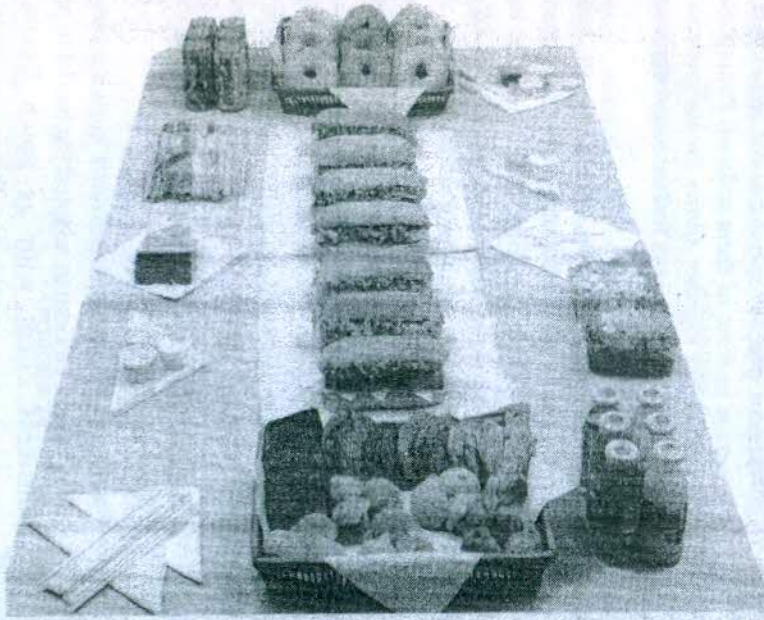


(Continued)

EXHIBIT I (Continued)

Sammie Packs

When ease and efficiency are the names of the game, these packs hit the spot. No need to ask everyone what they want, variety will take care of that. Summies are cut into 1/4's for convenience.



GOOD FOR 6-8 PERSONS, EACH PACK COMES WITH VEGGIES N' DIP.

- Predator Pack**
For meat lovers with healthy appetites! Dante's Inferno, Classic Grilled Chicken and Frankenstein. (2 of each) 160
- Classic Favorites**
Deliciously simple and filling! Classic Turkey, Ham n' Cheese and Poseidon's Pleasure. (2 of each) 160
- The Conglomerate**
An assortment to suit all! Classic Roast Beef, Funky Chicken, Turkey Shoot, Homestead, Poseidon's Pleasure, Garden Special 160
- Vegetarian**
Healthy and loaded with taste! Poseidon's Pleasure, Early Bird, and Veggies n' Cheese (2 of each) 150

Bakery Bundles

Summies selection of freshly baked goods, great for any occasion; meetings, boosting staff morale, customer gifts, picnics or parties. Guaranteed to bring a smile to anyone's face.

- Muffin Madness** A satisfying breakfast or afternoon treat! Includes all 6 varieties of Summies' original recipe muffins. 18 small 55
- Cookie Monster** Summies' freshly baked, original recipe cookies! Includes Chocolate Chunk, Double Chocolate and Oatmeal Raisin. 18 regular 55
- The Bagel Bag** Baked fresh everyday. Plain, Sesame & Cinnamon Raisin (2 of each) whole or cut in half, served with cream cheese (140g), strawberry preserves (70g) and butter 40
- W.O.F.E (Warm Oven Fresh Eats)** For meetings, after lunch, or anytime of the day, this box suits all tastes! Includes 2 Brownies (cut into 1/4), 8 mini-muffins, 6 regular cookies and 2 Biscottis 65

Box Lunches

Great for meetings, bus tours, travelling, picnics and parties!

- | | |
|-----------------------------|----------------------------|
| Classic Box 40 | Health Box 40 |
| Your choice of sammie | Your choice of sammie |
| Potato Chips | Veggies & Dip |
| Lg. Chocolate Chunk Cookie | Lg. Oatmeal Raisin Cookie |



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square feet, and the other two were roughly 800 square feet each, while the kiosk was a stand-alone structure with open seating inside the lobby of a corporate building. All of the café locations had enclosed seating that was maximized, as there was no need for self-contained kitchens.

The Central Kitchen

Goodman found that revenues of the first café were driven as much by corporate delivery orders as they were by the local walk-in customers. This motivated Goodman to open more cafés and a centralized kitchen in 1998. Located in Beijing's Chao Yang District, the kitchen ran from 10 p.m. to 5:30 a.m. each day making the sandwiches and baked goods for all of Sammies's locations. Between 5:30 and 6 a.m., trucks delivered the goods from the kitchen to each Sammies outlet. No cooking was done at any of the Sammies locations. Every sandwich, cookie, and muffin was prepared, baked, and packaged centrally. Only coffee and smoothies were prepared on-site at individual retail cafés.

While the central kitchen created a number of efficiencies for Beijing Sammies, what Goodman liked even more was the quality control that it provided:

It is much easier for me to teach the kitchen staff how to make the food correctly than it is to teach all of the employees at each location. At the kitchen I can make sure that the product going out to all of the stores is consistent. In the end that's what I am striving for, to offer a consistently great product with superior service. Only having one kitchen to manage makes this task much easier.

The central kitchen not only provided Beijing Sammies with efficiencies with ingredients, machines, and manpower, but also allowed for larger customer capacity at each café location and enabled the employees to uniquely focus on customer service.

THE SAMMIE

The idea behind Beijing Sammies originated from Goodman. Moving to Hong Kong after college and subsequently moving to Beijing to attend Beijing Language and Culture University, Goodman yearned for a place to hang out and eat a traditional sandwich

or "sammie" that reminded him of home. Three years later Beijing Sammies was named Beijing's #1 western food delivery service by *City Weekend* magazine.

Modeled after Goodman's version of a New York deli, Beijing Sammies's staple is the "sammie." Each sammie started with homemade bread made every night at Sammies's kitchen. Customers could order from a menu of standard sammies or could create their own. Goodman found the pre-set menu best for the local customers, while many foreigners frequently customized their sandwich:

Having a menu of pre-crafted sandwiches is a necessity. Many of the Chinese customers simply do not know how to order. They do not understand the notion of selecting different types of deli meats and condiments for a sandwich. I didn't even think about this at first. Personally, I know exactly what goes with roast beef and what goes with turkey.

When we opened our first location many people came in and left without ordering. They didn't know how, and did not want to look foolish ordering something inappropriate. Many times, and this still happens, people come in and just order whatever the person in front of them ordered. Putting complete sandwiches together allows the inexperienced customer to come in and feel more comfortable about ordering.

Creating pre-made selections of sandwiches worked so well for Sammies that Goodman put together an "Ordering Tips" section on the menu. The section not only suggested what types of products to order for breakfast and what products to buy for lunch, but also provided a guide for corporate clients to ensure correct portions and variety for meetings. In addition, Sammies trained sales clerks to act as customer service representatives who could assist both the walk-in client and a growing base of corporate delivery clients with their orders.

Corporate Clients and Sammies Rewards

As Beijing Sammies realized a growing corporate delivery base, Goodman adapted the model to provide the business client with as much flexibility and customization as possible. Sammies set up corporate accounts, online ordering, flexible payment options, and a rewards program.

The Bonus Points program was offered to the walk-in customer as well. Customers who registered with Beijing Sammies online could become enrolled in the program. Every registered customer received a point for each RMB they spent. Every 10 points could be redeemed for 1 RMB off the next order. Extra points could be received for filling out surveys, referring new customers, or attending selected special events. The point system was well received by Beijing Sammies's customers and contributed to a solid base of returning foreign clients (Exhibit 3).

EXHIBIT 3 Corporate Clients

- Nokia China Investment
- U.S.A. Embassy
- Canada Embassy
- Intel PRC, Corp.
- Boeing
- AEA SOS
- American Chamber of Commerce
- Agilent
- Andersen Consulting
- Australia Embassy
- APCO Associates Inc.
- Benz
- Ford Foundation
- Henkel
- Hewlett-Packard
- IBM China Ltd.
- Motorola China Electronics, Ltd.
- Western Academy of Beijing
- Reuters

Charity Sponsorship

Beijing Sammies served large numbers of foreigners, and consequently, Goodman felt a strong responsibility to sponsor charity, youth, and community events focused around the ex-pat community in Beijing:

The Canadian community in Beijing and around China in general is pretty strong. As a foreign student here I really appreciated the sense of kinship that I

felt even though I was far away from home. In addition, the foreign businesses and tourists have been very supporting of Beijing Sammies so I really enjoy and feel compelled to participate in the community's events.

Along with providing snacks and food, Beijing Sammies helped certain organizations by allowing promotional and ticket sale efforts to be staged from Sammies's locations. Sammies's sponsorship events included:

- Special Olympics
- Canadian Day and Independence Day
- Sporting and school events held by the Western Academy of Beijing and The International School of Beijing
- Annual Terry Fox Run for Cancer
- ACBC Baseball Events

SAMMIES'S EVOLUTION

Starting out with \$25,000 borrowed from friends and family back in Canada, Goodman opened Beijing's first sandwich shop. In order to more easily get past the bureaucracy involved with opening the café, Goodman located a Chinese partner. After an initial four months of business, Beijing Sammies was a hit. The store was so successful that the new partner attempted to strong-arm Goodman out of the company by locking him out. In response, Goodman rallied some friends and broke into the shop one night and removed the appliances and supplies. The partner agreed to be bought out.

Soon after Goodman regained control, his landlord disappeared. The government demanded the tenants cover his back taxes. When they could not, it demolished the whole row and left the tenants with the bricks. Goodman was able to sell them for \$25.

Goodman responded by opening a café at the Beijing Language and Culture University. Again, Sammies opened to a steady stream of customers, particularly from foreign students and local corporations.

In 1998, after realizing success with the first café in its newfound location, Goodman found another business partner. Together they planned to invest \$350,000 more into Beijing Sammies. The next step was to build

a centralized kitchen and add more café locations. Soon after construction started, however, the funds supposedly coming from the newfound business partner quickly dried up and Goodman was left financing the new kitchen on his own.

At the end of 1998, Sammies had a central kitchen with great capacity but no new store locations to deliver to. Goodman was able to generate yet another round of financing. With some western investment and all of the profits from his previous two years in business, Goodman was able to put \$150,000 together and open three new cafés.

In addition to the first café located at Beijing Language and Culture University, Sammies cafés were opened between 1998 and 2001 at the Silk Alley Market, 1/F Exchange Beijing, and The Motorola Building. A Sammies kiosk was also opened at the China Resource Building (Exhibit 4). The expansion allowed Goodman to more adequately serve the Beijing area while also firmly establishing Beijing Sammies in an increasingly competitive environment:

Overall, I see the expansion into multiple cafés as a success. Two of the cafés are doing well while the two others have not met sales targets yet. The kiosk, because of less rent, is doing moderately well but is still not as busy as I'd like it to be. 2002 looks to be our best year to date with a revenue increase of 54%, and an operating profit of \$20,000. However, due to the fact that the central kitchen is its own cost center, we will record a \$24,000 loss (including depreciation). 2003 should show our first profits.

By the end of 2001, Beijing Sammies was recording monthly revenues over RMB500,000 and by 2003, the company had recorded positive net income in certain months (Exhibit 5).

COMPETITION

The economic expansion of the late 1990s dramatically changed dining in Beijing. Private establishments that catered to China's emerging middle class replaced old state-run restaurants. Most traditional meals were under \$5 per person. Peking duck and other local specialties were the most popular, but new restaurants opened that offered regional tastes

from all around Asia. Additionally, the number of western-style restaurants targeting tourists, expatriates, and younger, trendy Chinese customers increased.

Sam Goodman viewed all restaurants physically close to Sammies as competitors:

As far as I'm concerned, everyone in Beijing who orders lunch is a potential customer and every restaurant serving it is a competitor. There are those who stick to the traditional Chinese meal, but who is to say that they will never try Sammies?

I do not want to restrict Sammies to serving just western businesses or students. We are delivering not only to western businesses but to traditional Chinese companies as well. While we rely on western students for our walk-in business, we do have Chinese customers who come to Sammies every day. There are others who only come once in a while. These people go to the Chinese restaurants when they don't come here, so I must think broadly in terms of whom my customers are and who my competition is. Of course the western restaurants like McDonald's, Subway, Schlotzskys, and Starbucks are the most obvious competitors. Competition in this business is day-to-day as people rarely eat lunch at the same location each afternoon.

Like most major cities, Beijing had an array of restaurant choices ranging from traditional Chinese to Mexican, German, Scandinavian, Italian, Swiss, and English Continental.

THE GREAT WALL OF CHINA

As Beijing Sammies adapted to the competitive environment, Goodman increasingly turned to the delivery business for revenue. But the model did not work as planned, due to the lack of experience Goodman had in delivery logistics. Corporate clients were more demanding and lunch delivery complicated. Goodman states:

We started out delivering from a central source. At first, things did not go as planned. Quite frankly, I was an inexperienced manager and made quite a few mistakes. The delivery model here in China is very different from the West. Clients have no understanding of what goes on behind the scenes, and they do

EXHIBIT 4

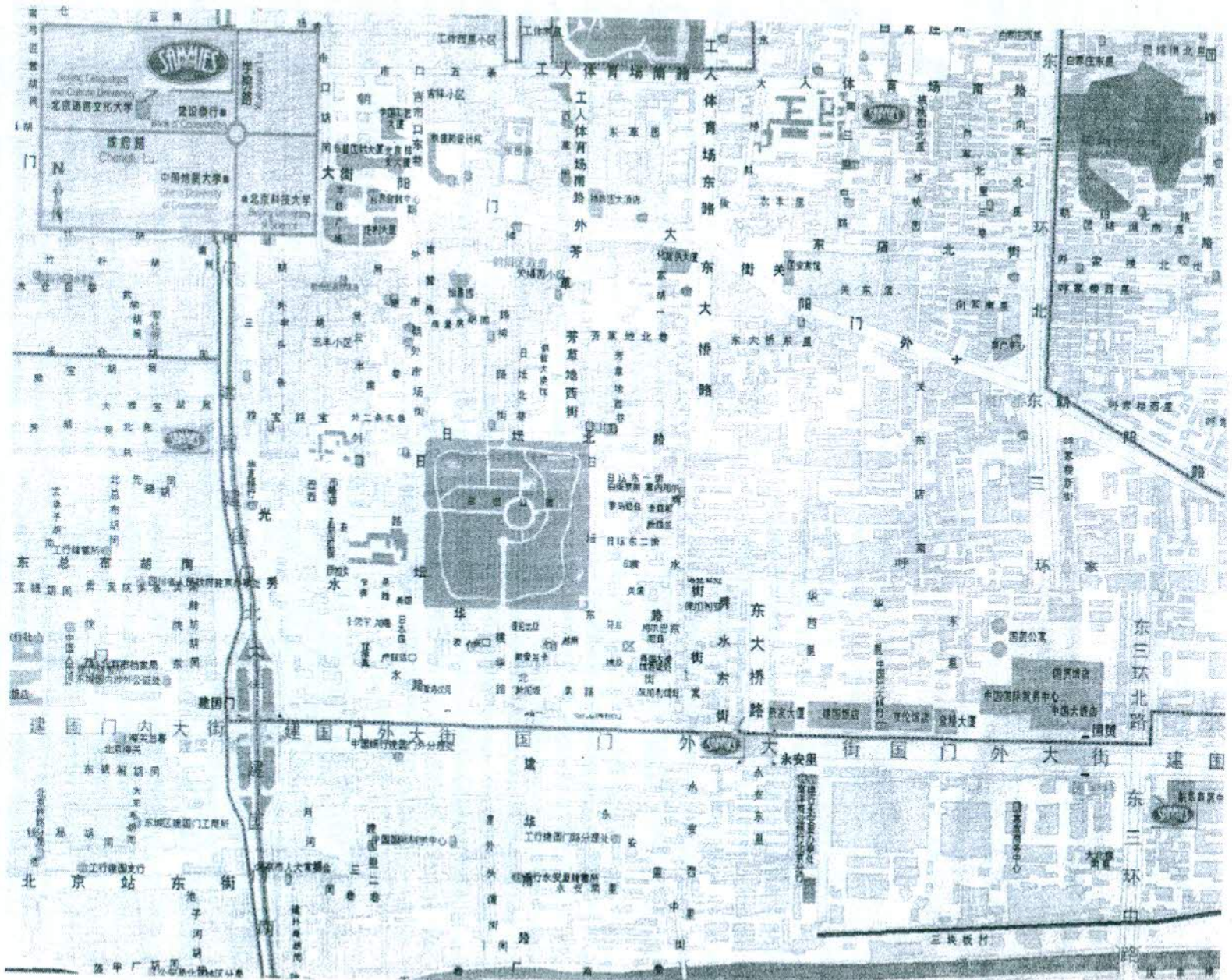


EXHIBIT 5 Income Statement

Beijing Sammies	Kitchen Office	Kitchen Production	Kitchen Delivery	Kitchen Café
Revenue		2,007,921.19		
Cost of Goods Sold	17,886.73		641,106.51	
Gross Profit	-17,886.73		1,366,814.68	
Gross Margin			68.07%	
Taxes	8,983.00		99,884.24	
Salary	583,260.12	308,911.56	267,225.53	
Insurance	57,067.01	24,131.97		
Rent Related	185,246.10	102,917.10	82,331.60	41,165.80
Utilities	38,075.39	41,237.04	22,891.23	2,531.10
Office Expenses	131,989.31	445.38	5,750.55	
Marketing/Advertising	29,687.74		25,129.00	
Transportation	37,798.57	256.75	20,545.85	
Maintenance	68,965.65	6,357.00	1,560.00	
Entertainment	16,660.54	1,033.50	2,388.10	
Law & Other Expenses	47,623.29			
Bank Charges	-91.60			
Others	1,238.08	5,987.22	10,414.69	
HR	8,580.00			
Legal/Gov't Charge	33,566.00			
Low-Cost and Short-Lived Articles	14,581.58	21,594.56	4,869.28	
CK Service Fee	-327,302.43		100,396.06	
Total Expenses	935,928.34	512,872.07	643,386.13	43,696.90
Gross Income	-953,815.07	-512,872.07	723,428.55	-43,696.90
Amortization Pre-Operating Costs	154,683.52			
Amortization-Renovations	71,500.00			
Depreciation Expense	49,392.72	144,283.10	2,296.71	
Total	275,576.24	144,283.10	2,296.71	0.00
Net Income	-1,229,391.31	-657,155.17	721,131.84	-43,696.90

*Note: Exhibit 5 amounts are in Chinese Renminbi.

not understand that it is nearly impossible for us to take a large delivery order for a corporate luncheon and bring it to them ten minutes later. I didn't plan for all of the possible problems that a different culture would bring. I should have put more effort and

time into educating the customer about the product. This definitely had a negative impact on the business at first.

In addition to overcoming the existing perceptions and expectations of the customer, Goodman

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BY Café	SA Café	CR Café	EB Café	2002YTD	
				RMB	USD
					0.120479942 conversion factor
1,562,707.90	2,413,590.26	253,667.83	308,161.39	6,546,048.56	788,667.55
458,643.00	660,387.10	85,284.58	116,182.07	1,979,489.98	238,488.84
1,104,064.90	1,753,203.15	168,383.25	191,979.32	4,566,558.58	550,178.71
70.65%	72.64%	66.38%	62.30%	69.76%	69.76%
26,129.18	126,258.34	8,716.06	15,408.20	285,379.02	34,382.45
295,125.60	280,945.80	43,670.25	90,302.94	1,869,441.80	225,230.24
12,160.29	6,641.12	2,151.96	0.00	102,152.34	12,307.31
104,000.00	585,000.00	28,199.80	85,322.84	1,214,183.23	146,284.73
45,492.79	7,103.90	7,587.91	6,598.31	171,517.66	20,664.44
4,298.84	14,296.32	3,451.76	17,737.90	177,970.07	21,441.82
18,306.60	41,151.07	17,203.88	43,155.50	174,633.78	21,039.87
4,286.23	743.60	0.00	237.90	63,868.90	7,694.92
12,139.01	21,128.90	1,843.40	1,625.00	113,618.96	13,688.81
6,477.25	1,123.20	0.00	789.10	28,471.69	3,430.27
	0.00	0.00	0.00	47,623.29	5,737.65
	-103.48	7.15	39.00	-148.93	-17.94
6,236.88	4,112.19	250.76	43.63	28,283.44	3,407.59
	0.00	0.00	0.00	8,580.00	1,033.72
	533.00	0.00	0.00	34,099.00	4,108.25
5,411.90	2,859.58	0.00	13,277.94	62,594.84	7,541.42
78,135.40	120,679.51	12,683.40	15,408.07	0.00	0.00
618,199.96	1,212,473.04	125,766.30	289,946.32	4,382,269.07	527,975.52
485,864.94	540,730.11	42,616.95	-97,967.00	184,289.51	22,203.19
			15,468.34	154,683.36	18,636.24
			16,300.87	92,852.02	11,186.81
16,088.84	10,502.70	11,881.35	24,125.41	241,254.13	29,066.28
16,088.84	10,502.70	11,881.35	55,894.62	488,789.51	58,889.33
469,776.10	530,227.41	30,735.60	-153,861.62	-304,500.00	-36,686.14

learned about the prevailing attitude of the employees. One of his biggest challenges was not securing the hard-to-come-by ingredients, dealing with the local government, or raising capital, but rather teaching his employees the concept of serv-

ice. For many of Beijing Sammies's employees, service was little more than opening the store in the morning and closing it at night. To Goodman, service was much more. It was what he believed would differentiate Beijing Sammies from the

EXHIBIT 5 Income Statement (Continued)

Beijing Sammies	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02
Revenue	474,490.19	340,345.07	633,584.38	636,305.41	714,801.13	768,954.55	
Cost of Goods Sold	116,310.43	112,891.03	209,662.56	221,218.57	185,420.17	221,374.62	
Gross Profit	358,179.76	227,454.05	423,921.82	415,086.84	529,380.96	547,579.93	
Gross Margin	75.49%	66.83%	66.91%	65.23%	74.06%	71.21%	
Taxes	21,449.26	15,003.20	21,514.52	21,744.06	31,754.91	24,373.65	
Salary	195,127.49	200,044.95	179,709.69	197,527.25	172,055.86	208,886.93	
Insurance	9,027.64	8,697.01	10,910.74	10,991.92	7,642.39	10,484.72	
Rent Related	118,045.59	118,045.53	118,045.66	118,045.92	118,046.11	112,665.80	
Utilities	14,993.68	20,974.36	13,872.64	13,989.55	14,436.11	18,413.58	
Office Expenses	7,002.19	9,775.81	10,184.63	15,715.78	23,112.66	15,346.73	
Marketing/Advertising	2,080.00	8,476.00	5,473.00	7,670.00	17,500.60	24,986.00	
Transportation	3,458.00	1,738.10	4,951.70	3,695.64	4,497.74	11,303.50	
Maintenance	7,800.00	5,281.25	309.40	4,564.30	6,630.00	38,958.40	
Entertainment	3,216.20	6,073.60	3,313.70	2,471.30	852.80	4,378.14	
Law & Other Expenses	1,798.33	1,798.33	6,998.33	1,798.33	14,798.33	1,798.33	
Bank Charges	104.00	78.00	-379.54	-13.17	163.15	-425.63	
Others	845.00	234.00	7,179.64	4,312.10	0.00	3,208.14	
HR	650.00	975.00	4,615.00	0.00	975.00	0.00	
Legal/Gov't Charge	1,950.00	1,950.00	16,016.00	1,950.00	1,950.00	2,483.00	
Low-Cost and Short-Lived Articles	2,171.00	1,295.84	3,055.00	10,031.27	10,522.07	5,995.31	
Total Expenses	389,718.38	400,440.96	405,770.11	414,494.24	424,937.72	482,856.60	41
Gross Income	-31,538.62	-172,986.92	18,151.72	592.60	104,443.24	64,723.33	13
Amortization Pre-Operating Costs	15,468.34	15,468.34	15,468.34	15,468.34	15,468.34	15,468.34	1
Amortization- Renovations	7,150.00	7,150.00	7,150.00	7,150.00	7,150.00	7,150.00	
Depreciation Expense	24,125.41	24,125.41	24,125.41	24,125.41	24,125.41	24,125.41	2
Total	46,743.75	46,743.75	46,743.75	46,743.75	46,743.75	46,743.75	4
Net Income	-78,282.37	-219,730.67	-28,592.03	-46,151.14	57,699.49	17,979.58	8
Cumulative Net Income	-78,282.37	-298,013.04	-326,605.07	-372,756.22	-315,056.73	-297,077.14	-212

other western food establishments, and what would cause the traditional Chinese consumer to pay more money for lunch. Service was not only delivering the product on time, with the correct

number of forks and knives, but was also helping the customer to understand the product. According to Goodman:

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02	Jul-02	Aug-02	Sep-02	Oct-02	2002YTD	
					RMB	USD
						0.120479942 conversion factor
4.55	819,787.15	743,912.26	659,126.31	754,742.12	6,546,048.56	788,667.55
4.62	271,224.40	216,298.58	210,682.54	214,407.10	1,979,489.98	238,488.84
9.93	548,562.76	527,613.68	448,443.78	540,335.02	4,566,558.58	550,178.71
1.21%	66.92%	70.92%	68.04%	71.59%	69.76%	69.76%
3.65	42,118.17	32,275.32	25,169.18	49,976.76	285,379.02	34,382.45
6.93	151,037.11	172,597.30	181,573.80	210,881.44	1,869,441.80	225,230.24
4.72	12,577.94	10,606.44	10,606.44	10,607.09	102,152.34	12,307.31
5.80	99,665.80	124,581.20	142,870.82	144,170.82	1,214,183.23	146,284.73
3.58	16,504.80	14,210.99	19,398.47	24,723.49	171,517.66	20,664.44
6.73	21,650.58	29,671.43	33,736.55	11,773.71	177,970.07	21,441.82
5.00	23,403.09	33,382.75	24,166.45	27,495.88	174,633.78	21,039.87
3.50	5,270.98	18,112.15	5,557.37	5,283.72	63,868.90	7,694.92
3.40	26,887.90	9,034.61	7,272.20	6,880.90	113,618.96	13,688.81
3.14	546.00	461.50	4,406.35	2,752.10	28,471.69	3,430.27
3.33	8,038.33	6,998.33	1,798.33	1,798.33	47,623.29	5,737.65
5.63	176.80	117.00	9.36	21.10	-148.93	-17.94
3.14	3,867.12	3,606.10	1,757.47	3,273.87	28,283.44	3,407.59
1.00	0.00	0.00	0.00	1,365.00	8,580.00	1,033.72
1.00	1,950.00	1,950.00	1,950.00	1,950.00	34,099.00	4,108.25
3.31	3,622.32	20,954.62	3,919.89	1,027.00	62,594.32	7,541.36
1.60	417,316.94	478,559.73	464,192.68	503,981.21	4,382,268.55	527,975.46
3.33	131,245.82	49,053.95	-15,748.90	36,353.61	184,290.03	22,203.25
3.34	15,468.34	15,468.34	15,468.34	15,468.34	154,683.36	18,636.24
1.00	7,150.00	16,300.87	13,250.58	13,250.58	92,852.02	11,186.81
4.41	24,125.41	24,125.41	24,125.41	24,125.41	241,254.13	29,066.28
3.75	46,743.75	55,894.62	52,844.32	52,844.32	488,789.51	58,889.33
3.58	84,502.07	-6,840.67	-68,593.23	-16,490.51	-304,499.48	-36,686.08
3.14	-212,575.08	-219,415.74	-288,008.97	-304,499.48		

For most of my employees it doesn't matter "how" you get things done—it just matters that you get the end result. The concept of face for them manifests itself with the feeling that appearance is much more im-

portant than the service or quality of the product. While for the customer, the service provided by us is part of the final product.

EXHIBIT 5 Income Statement (Continued)

2001-2002 Comparison		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	
Beijing Sammies											
Revenues-Total	2002	474,490	340,345	633,584	636,305	714,801	768,955	819,787	743,912	659,126	75
	2001	195,360	221,729	273,194	322,826	360,585	487,627	485,567	479,232	495,706	50
Revenues-CD	2002	125,663	101,290	209,557	173,213	226,170	269,890	360,783	338,797	92,303	11
	2001	118,331	167,267	157,382	190,320	164,654	161,971	153,994	142,709	136,926	11
Revenues-BY	2002	150,800	55,375	173,870	202,190	213,181	245,040	86,393	20,944	191,542	22
	2001	77,029	54,462	115,812	132,506	122,457	161,166	130,244	112,095	136,210	15
Revenues-SA	2002	171,306	166,733	221,391	231,774	255,840	229,739	286,696	260,326	273,640	31
	2001	0	0	0	0	73,473	164,492	172,101	197,597	197,532	21
Revenues-CR	2002	26,722	16,949	28,768	29,128	19,612	24,287	28,860	26,354	27,414	2
	2001	0	0	0	0	0	0	29,229	26,832	23,036	1
Gross Profit	2002	358,180	227,454	423,922	415,087	529,381	547,580	548,563	527,614	448,444	54
	2001	136,161	155,046	181,279	216,507	243,420	334,135	340,288	353,393	340,074	36
Total Expenses	2002	389,718	400,442	405,770	414,495	424,938	482,856	415,874	478,560	439,563	50
	2001	199,170	212,702	203,262	204,741	292,468	293,136	271,625	318,711	367,199	35
Salary	2002	195,127	200,045	179,710	197,527	172,056	208,887	151,037	172,597	181,574	21
	2001	130,803	135,100	123,547	123,572	136,526	141,993	143,111	165,208	161,795	16
Rent Related	2002	118,046	118,046	118,046	118,046	118,046	112,666	99,666	124,581	142,871	14
	2001	36,833	36,833	36,833	36,833	93,180	93,180	71,500	71,500	112,666	11
Insurance	2002	9,028	8,697	10,911	10,992	7,642	10,485	12,578	10,606	10,606	10
	2001	0	0	0	260	0	3,894	5,203	6,003	4,694	6
Utilities	2002	14,994	20,974	13,873	13,990	14,436	18,414	16,505	14,211	19,398	24
	2001	11,239	13,459	7,232	8,932	11,063	11,041	13,607	16,717	24,505	18
Office Expenses	2002	7,002	9,776	10,185	15,716	23,113	15,347	21,651	29,671	33,737	11
	2001	5,437	4,486	5,652	7,899	9,877	9,994	8,281	12,463	9,611	10
Marketing/Advertising	2002	2,080	8,476	5,473	7,670	17,501	24,986	23,403	33,383	24,166	27
	2001	1,950	7,150	2,842	3,900	19,682	17,508	6,838	14,598	9,460	9
Transportation	2002	3,458	1,738	4,952	3,696	4,498	11,304	5,271	18,112	5,557	5
	2001	1,158	1,131	2,298	2,662	2,989	1,219	2,428	2,522	2,510	2
Maintenance	2002	7,800	5,281	309	4,564	6,630	38,958	26,888	9,035	7,272	6
	2001	735	371	3,785	1,707	98	1,110	1,365	1,754	1,252	1
Entertainment	2002	3,216	6,074	3,314	2,471	853	4,378	546	462	4,406	2
	2001	0	520	4,976	5,881	2,896	0	1,123	255	12,332	2
Law & Other Expenses	2002	3,748	3,748	23,014	3,748	16,748	4,281	9,988	8,948	3,748	3
	2001	3,613	6,500	6,500	2,665	3,848	0	867	4,767	6,136	3
Taxes	2002	21,384	15,003	21,515	21,744	31,755	24,374	42,119	32,275	25,169	49
	2001	6,871	5,950	8,639	8,813	6,360	6,163	13,657	15,219	16,592	25

Oct	Nov	Dec	Total	Average	%	Total USD	Average USD
							0.12048 conversion factor
754,742	0	0	6,546,049	654,605	32.94%	788,668	78,867
501,579	565,923	534,743	4,924,071	410,339		593,252	49,438
110,257	0	0	2,007,923	200,792	12.52%	241,914	24,191
111,007	146,241	131,628	1,784,429	148,702		214,988	17,916
223,374	0	0	1,562,708	156,271	1.18%	188,275	18,827
155,964	173,991	172,487	1,544,423	128,702		186,072	15,506
316,147	0	0	2,413,592	241,359	66.65%	290,789	29,079
216,702	221,035	205,347	1,448,279	193,104		174,489	23,265
25,579	0	0	253,672	25,367	72.63%	30,562	3,056
17,908	24,656	25,284	146,944	24,491		17,704	2,951
540,335	0	0	4,566,559	456,656	33.45%	550,179	55,018
360,762	406,459	354,387	3,421,909	285,159		412,271	34,356
503,981	0	0	4,356,196	435,620	25.44%	524,834	52,483
358,769	367,961	383,097	3,472,840	289,403		418,408	34,567
210,881	0	0	1,869,442	186,944	5.67%	225,230	22,523
163,081	169,485	174,984	1,769,204	147,434		213,154	17,763
144,171	0	0	1,214,183	121,418	28.69%	146,285	14,628
118,045	118,048	118,047	943,497	78,625		113,672	9,473
10,507	0	0	102,152	10,215	174.55%	12,307	1,231
6,516	5,049	5,589	37,207	3,101		4,483	374
24,723	0	0	171,518	17,152	-0.10%	20,664	2,066
18,764	17,195	17,936	171,690	14,307		20,685	1,724
11,774	0	0	177,970	17,797	63.35%	21,442	2,144
10,245	10,773	14,229	108,948	9,079		13,126	1,094
27,496	0	0	174,634	17,463	42.87%	21,040	2,104
9,494	17,076	11,736	122,234	10,186		14,727	1,227
5,284	0	0	63,869	6,387	149.15%	7,695	769
2,626	1,651	2,439	25,635	2,136		3,088	257
6,881	0	0	113,619	11,362	588.67%	13,689	1,369
1,273	681	2,366	16,498	1,375		1,988	166
2,752	0	0	28,472	2,847	-13.33%	3,430	343
372	759	3,738	32,852	2,738		3,958	330
3,748	0	0	81,718	8,172	123.09%	9,845	985
867	867	0	36,630	3,053		4,413	368
49,977	0	0	285,315	28,531	83.43%	34,375	3,437
25,346	16,892	25,046	155,546	12,962		18,740	1,562