



ESTABLISHING A SHARED – USER COMMUNITY KITCHEN IN LILIW LAGUNA “KITCHEN UTILITY PROJECT FOR ALL”

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ABSTRACT

The study aims to analyze the financial feasibility of establishing a shared-use community/ commercial kitchen as an economic development tool. The study was intended to reveal other potential opportunities that could exist with a viable community kitchen concept to enhance workforce training in the food service industry, culinary arts and help the local food manufacturers who do not have their kitchen facility.

A 700 square meter, including areas for processing, storage, shipping, warehousing, etc and areas for culinary training, shared user community kitchen facility is needed in Liliw Laguna according to the fifty (50) respondent's. The volume of responses and their consistent support of the shared – use concept of community kitchen facility provide sufficient basis for a positive feasibility determination. The strength of the anecdotal information drawn from in – depth interviews simply verifies the survey and provides a high degree of confidence in the study result.

The needed facility design and equipment should match ethnic foods, local delicacies/snack foods, meat products and catered meals production. Freelance cooks wanted to use the facility regularly. Ninety-eight percent of the facility schedule could be absorbed by the potential users. The number of caterers without a kitchen in Liliw Laguna area seems to provide a sufficient base to provide a steady revenue stream, for the facility. Specialty food producers accounted for majority of all intended users (60% of respondents) with caterers the second most likely users (23% of respondents).

Survey results indicated that there is a potential “hour lease” estimated at 166/168 revenue hours per week. Both groups would utilize the proposed facility. Liliw Senior High School – TVL strand within the vicinity desire to utilize the kitchen as a training facility.

The capital budget needed is Php 9, 401, 981. The internal rate of return of the project is 23% at 20% cost money hurdle cost. The Return – on – Investment is 43% using DuPont's Model and has positive net present value Php 1, 597, 649 assuming project life of eight years.

The project can generate sufficient revenue to achieve breakeven point at 3, 173 rental services of Php 850 per hour. Has the ability to pay for itself within three and half (3.5) years with two employees – a facility General Manager on full time employment basis and a Facility General Manager on full time employment basis and a Facility General Affairs Assistant as soon as the revenue permits.

The survey result indicated that the facility site is preferred at Mh. Del Pilar Bgry Pagasa Liliw Laguna. Many catering institutions need to be located in close proximity to their catering sites and clientele.

A variety of collaborations is possible in developing the project and operating the facility. Potential structures include choices as Liliw Laguna as sole sponsor, owner, operator and administrator of the project transforming the kitchen as Government Owned and Controlled Corporation.

KEYWORDS: Shared-User, Community Kitchen, Kusina ng Bayan, Kitchen Utility for All

INTRODUCTION

The Liliw Laguna Commercial Kitchen Facility will provide physical headquarters for business

starts-ups, shared infrastructure, networking, access to capital and hands- on business coaching.

In most advanced countries there has been a great deal of interest in the experience of communities



that have established shared-use commercial kitchens as part of their local economic development strategy. Liliw Laguna communities envisioned that kitchen facilities can offer important benefits to start-up and existing food businesses. First, the construction and equipping a community owned kitchen will provide entrepreneurs with time share access to production facilities and the opportunity to start and expand specialty food and catering business without the prohibitive cost of building their own commercial kitchen. Second, the approach can offer Liliw Laguna entrepreneurs access to training, capital and technical assistance – three essential ingredients to the success and growth of any start-up or existing business. Third create opportunity that will celebrate food that is unique and best of Liliw Laguna its local crops, ethnic traditions and creative populace while keeping a greater percentage of food money circulating in the local economy.

Encouraged by existing kitchen facilities of advance countries that drive new business formation, created jobs and have the potential for operational self-sufficiency, a growing number of their communities have investigated and viability of creating their own kitchen facility by carefully examining the lessons learned, best operating practices etc. of the established facilities emphasized Food Handlers' Storage Guide (2008). These lessons can then be cast against local market research in designing a facility that both meets local needs and benefits from industry experience.

The proposed facility, with the recommend mix of production facilities, training, technical assistance and access to capital will provide a solid foundation for the success of both the food based enterprises and the community based initiatives through the study process.

Based on the areas existing food infrastructure, the population base within the facility's effective drawing area, its established and growing number of food entrepreneurs it is believed that Liliw Laguna could support a share user community kitchen facility that would become totally self-funding on an operating basis. The feasibility study approach will be used to determine the sustainability of the Liliw Laguna shared use kitchen facility that will benefit the community and nearby areas.

Industry research indicated that shared –use of kitchen facilities have not been able to service debt to any degree. It is strongly suggested that the construction and equipping of the facility rely on public funding, grants and private contribution rather than debt funding cited by Burnaby Association for the Mentally Handicapped (BAMH) (2002). To substantiate various stand points a comprehensive

feasibility study that is designed to provide an overview of the primary market, organizational/technical, financial issues related to a business development idea is initiated. The study will identify any “make or break” issues that would give conclusive evidence that the facility will make sense in the marketplace before making a significant investment. Identification of impediments is the purposes of the feasibility study will not feature in depth long term financial projections. Instead it will feature a basic capital budgeting financial analysis by looking into the operating budget allocated for the facility in a given set of market, organizational/ technical financial issues.

Issues which are primarily financial in character that can be useful in making the Business Plan for Liliw Shared –user Community Kitchen Facility specifically on the process of identifying, measuring and communicating information, the art of recording, classifying and summarizing in a significant manner in terms of money, transactions and events within 5 years of financial projections will be the central theme of this feasibility study.

The feasibility study is intended to provide valuable insight regarding the viability of a shared use commercial/community kitchen for Liliw Laguna that can serve as the foundation for community partners who may be interested, in advancing the concept. Enhancing the development of small scale entrepreneurial business particularly those that use locally grown goods to produce value added products, can help to create jobs, diversify the local economy and distinguish Liliw Laguna with unique and local foods.

FEASIBILITY PRESENTATION AND STUDY METHODOLOGY

The study is presented in nine (9) sections: Industry Research, market Research, Budget Information, Feasibility Conclusions, preliminary Concept Layout, Management Plan, Marketing Plan, Project Impact, and Recommendations. The following is presented to familiarize the reader both with the contents of the ten major sections of the feasibility and with the methodology employed in each section to present findings and support conclusions.

Industry Research

The shared user community kitchen facility industry in the Philippines is nonexistent or still budding. Secondary research is limited to understand the basic characteristics of a shared use kitchen or to draw conclusions regarding best practices, industry lessons and so forth. Literatures from United States of America was used to determine both the characteristics of community kitchen facility and the appropriate



industry best practices, lessons learned, practices to avoid and so on asserted by Myran (2018) . These industry lessons encompass both the successes and the failures of the existing facility.

Market Research

After an understanding is developed concerning the historical factors of existing commercial kitchen facility programs from USA, the local market was considered. Again, secondary research about very small food processors in Liliw Laguna area is extremely limited. Potential kitchen tenants and their needs in the local market area is a narrow topic that requires primary research tools to investigate and provide the much needed information for the report sections that follows. Indeed, this research is in many ways the lynchpin of the study; from it stems the budgets (project and operating) and the preliminary concept design cited by Barg et.al. (2010)

Budget Information

The budget section is broken into budgets; the overall project budget and the operating budget. The project budget is a “turnkey” budget that reflects the development cost to open a facility that is ready for occupancy. It has five primary categories. The first is land. This is the cost to construct a building as designed herein.

In this instance, an existing building has been identified on the fairgrounds to house the facility and there is no separate land cost building renovation costs are presented in the Capital Budget Information.

The operating budget is similarly based on local market research tempered with industry experience. The expected utilization of prospective tenants is interpolated given the experience of other projects of this nature. This experience is invaluable in determining the number of tenants likely to use the facility based on the primary research. As with the financial forecasting technique this task involves rendering best estimates from hard facts. These best guesses are all developed through the filter of past experience and current price benchmarks. All assumptions of the operating budget are noted following the 5 years’ operating budget.

Also included in this section are topics related to cash flow and a financing strategy. The cash flow considerations segment details the pre-operating expenses and cash reserves deemed appropriate on the project. For brevity, the financing strategy segment was an assumption. The sources of capital were assumed on hand and will be tackled in the business plan.

Feasibility Conclusions

Based on the market research as tempered by the review of literature of industry and the conclusions are drawn and presented concerning the viability of the project. The feasibility conclusions for the project are presented.

Feasibility Concept Layout

In many ways the preliminary concept layout and the budgeting process are concurrent and linked. Changes to components of either force changes to the other. In determining the preliminary concept layout, a food facility expert was consulted for “best fit” kayout. The second part relates to those management issues that pertain to tenant services. The issues are developed and presented within the proposed Tenant Program Development Plan, comprised of the following sections: Production, Facility Overview, Wet/Hot Processing, Kitchen Storage/Grinding Room, Culinary Skills, Skills Development / Training / offices cited by Lowitt (2011)

The Management Development Plan

The management plan is an overview that contains information should be considered as it begins to navigate the management plan of the Facility. It is not the intention of the study to present management technicalities but solely on the basic business accounting scope. The intention is to present the best practices as cited thru the secondary research of a US based similar facility as a practical starting point from which appropriate management policies, rules and regulations could be extracted.

This section will reflect the requirements of the regulating agencies and the needs of the tenants: issues / registration, operations, tenant selection, application/ acceptance process, scheduling of Tenant/users, kitchen rental rates, storage, cooler/ freezer / finished goods warehouse, hours of operation, facility operating forms, general information, application package, description of facility forms, the organizational chart, staffing/ job description, tenants services issues, business training, access to capital and technical assistance.

Integrated Marketing Plan

According to Alberta Health Services. (2009) that the marketing plan is comprised of two parts. The first part is concerned with startup marketing issues. It is comprised of the following; understanding the market, understanding the product, understanding facility/ services cost, understanding facility/ services placement and understanding communication. Each section contains background information as well, as



practical segments on challenges, strategy and implementation.

On-going marketing is the second part of the marketing plan section. It presents marketing ideas that have proven effective after a kitchen facility is opened and operating. It is comprised of the following preparing an annual marketing plan. Problems in developing an annual marketing plan and specific on going promotional strategies that work.

This section will provide a practical starting point from which an appropriate shared use kitchen marketing policy and strategy can be developed. This section contains recommendations on actions that will lead toward proper and appropriate shared use marketing strategy.

Project Impact

This section details the four impacts of the project, which are job creation, small business empowerment and sustainability, development of a city wide facility which will create synergy within the given requirements of the regulatory environment and the solidifying, impact that a project of this nature within Laguna area.

Recommendation

This section presents the next steps if the shared user community kitchen facility project moves forward. Based on this initial determination of feasibility, certain tasks should follow. When the specific fundraising activities are combined with the simultaneous implementation of the other tasks in the next steps section, kitchen management will lead to completing a comprehensive business plan. With this business plan will come a more thorough understanding of the project. This further understanding is required if the facility is to be appropriately designed built and successfully operated.

Result and Discussion

The survey is need assessment of the proposed kitchen facility – services, equipment, machines required. The expected usage, product mix, technical assistance is another component. Respondents were allowed to mark as many responses applicable. Surveys were conducted from fifty (50) respondents. Critical data on the use of the shared user community kitchen were collected.

Business Legal Structure

There were 50 respondents. Sixteen respondents (32%) own their food business alone. While (28%) have their partners. Ten respondents (20%) are freelance cooks who go to the house of their

clients or their designated cooking area with all equipment supplied except their personal cooking utensils such as knives and ladles. Nine respondents (10%) do not have business registry and would not divulged since when they are operating.

Description of the Operation

Fourteen of the respondents (28%) are in the hospitality industry of food service as restaurants and caterers. Thirteen of the respondents (26%) would like themselves called food processors. Specialty retailers are (24%) of the respondents. One respondent is a wholesaler, (4%) is at the supermarket sector.

Current / Potential Business Location

Forty-one of the respondents (82%) have their business operation within Liliw Laguna, while fourteen percent (14%) are within the periphery of the place and the to respondents (4%) have their business outside Liliw Laguna although selling within the place.

Type of Business Operation of the Respondents

Fourteen respondents (28%) declared their type of business is connected with catering; twenty-four percent (24%) or 12 responses indicated that respondents aside from their regular business operation are as free-lance cooks; 22% as food suppliers and 20% are involved in specialty gourmet production. Eighteen percent (18%) are street food vendors too. Two respondents are involved in the food machining activity.

Respondents Current Food Items Production

The respondents declared that the food items they are currently producing/ processing/ retailing. They are involved in ethnic food production – 36%; 28% snacks; 24% meat products; 20% full catered meal; fish products and Jam/jellies 14% and 12% respectively.

Clients of Respondents

Forty-two percent (42%) or 21 responses indicated that their clients are food service institutions. Second in rank is the specialty retailers 34% individual consumers 30% are their clients. Ten percent 10% of the respondent's clients are who sell the processed abroad for personal consumption.

Additional Food items

Aside from the current food items respondents are doing ethnic foods garnered 38 responses or 76% of the respondents wanted to be involved on ethnic foods production; 60% on full catered meals and snacks; meat



products 36%; fish products 10% jam/jellies and bakery items 8%.

Current Facilities Used for Production/Preparation

All fifty (100%) in one way or another have used their home kitchen as production area. Restaurant and catering facilities are used by twenty-five users (50%). Some use makeshifts for their food production.

Interested in renting Equipment/ Space on a Time share basis

Assuming that the commercial kitchen facility provides the necessary equipment and services, majority of the respondents (96%) are interested in using the facility. The 2 uninterested respondents (4%) have declared that there is no need for the moment and perhaps within a year if the business will not pickup.

Current Production Equipment Used

Respondents are all (100%) using convection oven / range and refrigerators. Dry storage 90%; kitchen utensils 84% because some are retailers and traders; foods processor 50%; fifty percent 25 respondents are using food processors; forty percent are using grinders, mixers, blenders and grillers.

Needed Production equipment /space / facility items

Convection oven/ range and fridge are to be used at the facility by all (100%) respondents. Dry good storage 90% usage; kitchen utensils and supplies 84%; any storage 80%; commercial mixer/ blenders / fryers/ grillers 40%; cooler and freezer 30%; again respondents indicated that cold storage, label printers, packaging equipment have low usage; while commercial dish washer is not a felt need.

Equipment / facility that will be used in the Facility

On the office space usage 40% of the respondents will use 8-10 square meter space 50% 11-20 square meter space and 10% above 20 square meter space. For dry stores 90% will need 8-10 square meter, 4% 11-20 square meter and 6% above 20 square meters. For subzero storage 70% need and 8-10 square meter space; 11-20 square meter and 20 square meter above 16% and 14% respectively.

Type of food item(s) for preparation/ processing at the commercial kitchen

Twenty-eight responses 56% from respondents indicated that they will process ethnic foods in the kitchen. Snacks 50%, meat products 40%, full catered meals 30% sauces / condiments/ dry spices 16% each. Fish products and vegetables products a close 14%.

Frequency of Community Kitchen Facility Use

Of the total 50 respondents 40 (80%) signified their use for the facility. On the average 2 hrs. per day except for the two respondents that will use the facility 3 hours per day 7 days of the week. interpolated number of hours is 166 hours per week or 98% facility utilization.

Hourly Rental rate

Eighty percent (80) of the respondents wanted the hourly facility rate of 900/hour. There is a significant difference from other rates. Majority of the respondents want the cheapest rate.

Interest on the Shared Community Facility

All respondents (100%) indicated that they know somebody else were interested on the use of the shared facility.

Business Assistance Services

In addition to the equipment and space services the facility could offer 100% of the respondents wanted marketing and sales advise. Ninety percent (90%) wanted access to technical expertise; and 70% on their products regulation compliance; networking 64%; financial assistance 60% and office equipment 50%.

Annual Income

Thirty of the respondents (60%) indicated that their annual income is within P201-250k. Twenty (20%) percent of the respondents are not sure of their annual income. Others or 10 respondents (aggregate total 20%) are telling that their annual income is within the range of P51-200k bracket.

Market Supply

There is no known existing shared user community kitchen facility in Liliw Laguna. with the interview with respondents, majority hinted that there was a great interest on the concept. However, nobody had yet initiated for the place to have one such facility. Even there will be some undocumented centers the missing key element of the facility is the auxiliary services as needed. Simply identify space where entrepreneur can produce and package odd meets only some of the objectives of this project.

The few kitchens that are available like that of the Liliw women, children and overseas workers center are available intermittently and offer insufficient storage space to accommodate multiple users of commercial volume storage problem is an issue very discouraging for shared scheme.



Baking a few cakes per week or catering a function out of a home kitchen rarely employ significant number of people to have impact on the economy production and employment wise. It appears that the unavailability of workspace rather than poor planning, hard work on the part of the entrepreneur and its demand determines the future of many stakeholders of the food business.

Market Feasibility Synthesis

The survey results and the interviews with potential users of the facility provide a very conclusive insight that a shared user community kitchen facility is needed in Liliw Laguna. the number of surveys (50 respondents) and interviews simply verifies the survey results provide a higher degree of confidence in the study results.

Highlights of the Market Demand Study are as follows:

1. The existing women, children, overseas worker center kitchen facility is designed for training needs alone and for variety of reason such as lack of storage facility, insufficient equipment, small production space is not suited for commercial production of food.
2. Market Demand indicates that there is sufficient need towards project development of the shared-user community kitchen facility. The potential demand of 98% per week on a 24 hours' operations is high enough.
3. Vast majority of the food respondents want to produce in the facility are gourmet and ethnic foods which has great potential for export and the current food trend. Snacks, meat products and full catered meals are health and safety high risk food that needs to be produced in a highly controlled environment to safeguard the safety of food being offered.
4. The kitchen facility design should be done conducive and appropriate for commercial food production in addition to accommodating culinary arts teaching function. A number of workforce development groups have the potential to use the facility. This limits the facility to non-dairy and meat packaged products under the Bureau of Food and Drug Administration Certification.
5. The majority of survey respondents would like to go into ethnic food production which has high export potential. A positive factor in attracting potential tenants at the facility opening and generating revenue.

6. Freelance cooks abound and would take advantage of the facility for more catering services activity in a highly controlled facility
7. A variety of food could be produced or more people can be a caterer and specialty producer. Fifty-six (56%) of respondents indicated that they will process ethnic foods in the kitchen. Snacks 50%; meat products 40% full catered meals 30% sauces/ condiments/dry species 16% each. Fish products and vegetables products a close 14%.

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