



BUS 401

FALL 2018 INTERNSHIP REPORT

Submitted to:

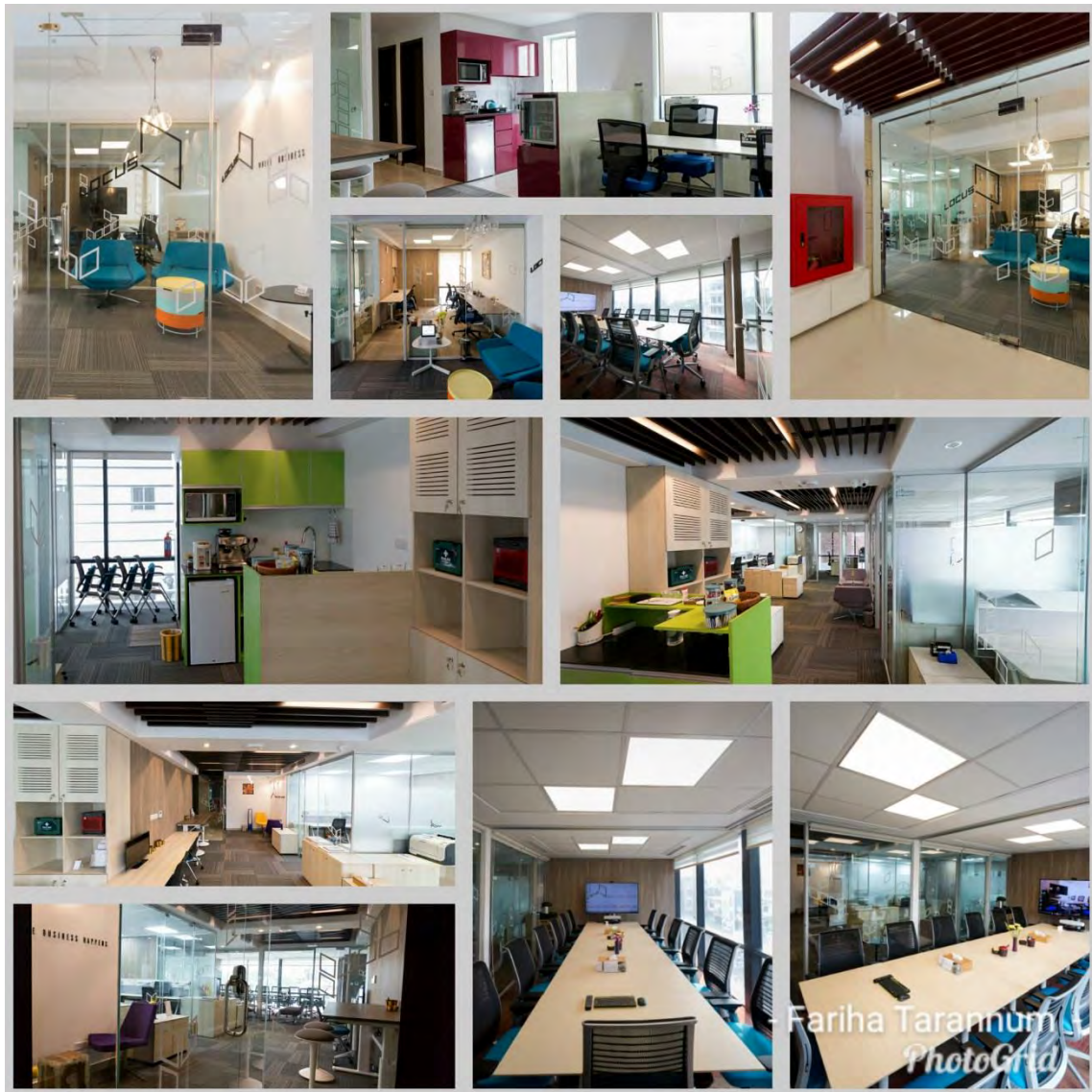
Mr. Md. Shezanur Rahman
Lecturer, BRAC Business School
BRAC University

Submitted By:

Fariha Tarannum Rahman – ID: 15104100,
Major: Finance and Minor: E-Business/E-Commerce

Date of Submission: 29th November, 2018

How Viable is the Serviced Office Concept in Bangladesh?



LOCUS – International standard serviced office at Banani 11

Letter of Transmittal

29th November, 2018

Mr. Md. Shezanur Rahman

Lecturer, BRAC Business School

BRAC University

Subject: Submission of internship report for completion of BUS 401 course

Dear Sir,

This letter is regarding the successful completion of my internship report as a mandatory requirement for Internship (BUS401 course) segment of my Bachelors of Business Administration Degree. The topic of the report is ‘How Viable is the Serviced Office Concept in Bangladesh?’

I have been doing my internship in an international standard, premium serviced office, LOCUS. I fulfilled my role in this organization as a Business Administration Intern. This report explores the emerging concept of serviced offices in the setting of Bangladesh. Through this report, I had attempted to assess the viability of this concept within the setting of Bangladesh. To prevent any bias, I had attempted to personally visit other serviced offices. After attempting to get into contact with several serviced offices, I was able to successfully reach Shuru Campus, Madhub and Moar. I attempted to exert my utmost effort in providing as much information from different sources as possible within this limited period of internship.

I would like to thank you for your supervision and co-operation. Thank you for consistently assisting me throughout my internship program for the completion of my Bachelor's Degree. This internship program has given me the opportunity to explore the practicalities of the business sector. Moreover, I got the opportunity to explore one of the latest and unexplored areas of business of serviced offices in the context of a developing nation as Bangladesh.

It was a wonderful experience to work at LOCUS. This gave me an opportunity to learn and understand the corporate culture, especially the service sector of the business world. I hope this will help me to secure and develop a strong professional career in the future. Also through this internship, I have been able to address and improve my weaknesses and intensify my strengths. I had learnt to overcome several challenges and had developed some fascinating insights about the business world and corporate culture.

I hope this report will meet your expectations. I would be honored if this report would successfully contribute to any academic research and enhance any knowledge regarding the corporate sector. Please feel free to contact me any time for further queries or clarifications. I will be happy to provide you any kind of elucidation regarding this report.

Thank you.

Sincerely,

Fariha Tarannum Rahman,

ID: 15104100,

01938596251,

BRAC Business School

Letter of Endorsement

The internship research report titled, ‘How Viable is the Serviced Office Concept in Bangladesh?’ has been submitted in partial fulfillment of the requirements for the degree of Bachelor of Business Administration (BBA), Major in Finance, Minor in E-Business/E-Commerce, BRAC Business School on 29th November, 2018 by Fariha Tarannum Rahman, ID: 15104100. The report has been accepted and may be presented to the Internship Defense Committee for evaluation. (Any opinions, suggestions made in this report are entirely that of the author of the report. BRAC University does not condone nor reject any of these opinions or suggestions)

Mr. Md. Shezanur Rahman,

Internship Supervisor

Acknowledgement

Firstly, I would like to begin my acknowledgement by thanking BRAC Business School for providing me the opportunity to implement my knowledge and skills that I had acquired over my undergraduate years at BRAC University. Through this internship, I received an opportunity to demonstrate my learnings within a corporate setting.

Next, I want to thank my honorable faculty supervisor, Mr. Md. Shezanur Rahman for assisting me with all my uncertainties and queries all throughout my internship period.

After that, I would like to extend my gratitude to my organization, LOCUS and to the organizational supervisor of my internship program, Mr. Abir Mallick, Founder of LOCUS. I would like to thank him for his continuous support, motivation and supervision throughout my internship period. Mr. Mallick and the entire team of LOCUS helped me to adjust to a fresh corporate setting and motivated me all the way to perform to my maximum potential in this research report.

Finally, I would like to thank the other organizations and the various personnel all of whom had helped me conduct my research. In particular, I would like to express my appreciation to Ms. Dil Afroz - the Office Manager of Shuru Campus, Mr. Salman Hossain Mimo – the Business Development Executive of Madhub and Mr. Md. Khairul Alam Rabi – the Community Manager of Madhub for their sincere co-operation during the completion of my internship report.

Executive Summary

This internship report analyzes the viability of serviced offices within the setting of Bangladesh. For this report, research was conducted in four serviced offices. Survey was conducted in LOCUS, Shuru Campus, Madhub and Moar. Interviews were then conducted with the founder of LOCUS – Mr. Abir Mallick, the Office Manager of Shuru Campus - Ms. Dil Afroz, the Business Development Executive of Madhub - Mr. Salman Hossain Mimo and the Community Manager of Madhub - Mr. Md. Khairul Alam Rabi. Since I was actually completing my internship at LOCUS, it was possible for me to use their financial data and perform a financial analysis. To compare the financial analysis with other serviced offices, a question was included within the interview so that some idea may be developed.

The results from all the research conducted revealed that buzz marketing or word of mouth marketing will eventually play a major role in creating demand for serviced offices within the Bangladeshi market as this industry falls within a niche market. However, innovative promotional stunts and extensive marketing using other methods will speed up buzz marketing so that the market is quickly educated of the concept. For this reason, all serviced offices should follow LOCUS and invest in diverse marketing methods rather than just relying on buzz marketing.

In addition to this, all clients expect a productive and professional work environment within their serviced office. Therefore, the most necessary components of a serviced office should be high-speed uninterrupted internet, constant supply of electricity and constant cooling system. LOCUS proved to have constant availability of these features and even have backups just in case. Other serviced offices did not have entirely satisfied clients as did LOCUS.

Finally, the financial performance of serviced offices can be optimal if the right level of investment is done while ensuring the right level of service quality and cost reaches the right client with matching requirements. The research revealed that all clients were generally satisfied. Clients willing to pay a little higher for supreme quality were completely satisfied with LOCUS. Conversely, clients willing to spend less were satisfied even though they had faced some disruptions at the other three serviced offices. This is why both LOCUS and Shuru Campus, despite offering differing level of service quality, were both able to reach breakeven at their mature stage.

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Organizational Overview

LOCUS is an international standard, premium grade serviced office that is located in Banani Road 11. This organization offers furnished office spaces for rental, providing a one-stop solution to clients so that businesses can begin to operate instantly. The facilities offered include meeting/conference rooms, individual cabins, high standing desks, huddle rooms, semi-enclosed workstation spaces, walk-in workstation spaces, pantry and top quality electronic office equipment. Facilities are offered on hourly, weekly, monthly and yearly basis, depending on the requirements of clients. This serviced office has several differentiating features like smart ergonomic furniture, complimentary pantry and free high-speed Wi-Fi, high-tech appliances like Espresso coffee machine, power backup, super cooling air conditioning system and many others.

This organization has been operating since November, 2017. As per the meaning of the word, ‘locus’, the name, LOCUS was selected to represent the shared aspect of the service office concept, according to the founder, Mr. Abir Mallick. This organization operates within a niche market and is currently a mature startup with a small team of staffs. There is one office staff and three service staffs. The members of the staff are exposed to a broad range of work as everyone within the organization is trained to handle responsibilities from multiple sides of business. The organization follows the principle of ‘Customer always comes first’ which can rarely be seen in the setting of Bangladesh.

I have been fulfilling the role of a Business Administration Intern throughout my internship period. I truly appreciate the experience of handling responsibilities related to multiple sides of a business. I get assigned to tasks from diverse fields including marketing, finance, accounting, management and e-commerce.

My responsibilities included the following:

- Analyzing the viability of serviced office/co-working space concept in the setting of Bangladesh

- Conducting financial analysis to determine business viability
- Collaborating to market the serviced office concept within the setting of Bangladesh
- Creating online content and enhancing SEO for the Locus website
- Managing existing and potential clients
- Pitching services to clients
- Handling administrative tasks
- Participating in event management
- Contributing to market Locus digitally

Research

1. Introduction to the Report/Study

Serviced offices, also known as shared offices, co-working spaces or furnished offices, are common businesses in foreign countries like the United Kingdom, Singapore or even India. International brands of serviced offices like Regus and We Work had established their presence quite a long time ago. This concept is very new in Bangladesh even though Regus has existed in Bangladesh for a very long time. This is because these international serviced offices operate at an international scale. Their business model and operational strategies are not favorable to local clients.

In order to cater to various narrow target markets of a niche setting, several local serviced offices had begun operating in Bangladesh. Hub Dhaka is one of the first local co-shared offices to have begun operating in Bangladesh.

However, it has been observed recently that these co-working spaces are shutting down permanently or temporarily because of certain unknown complications. This has given rise to the question, ‘How viable is the serviced office concept in Bangladesh?’

1.1 Rationale of the Study

This report analyzes the viability of an emerging business concept of serviced offices/ co-shared workspaces within the setting of Bangladesh.

1.2 Statement of the Problems

Can an emerging concept of serviced offices create demand and remain sustainable despite the socioeconomic barriers in Bangladesh?

1.3 Scope and Delimitation of the Study

The scope of the research measures the B2B and B2C client service of serviced offices in Bangladesh. The delimitations of the study are the short lifespan of the serviced office business model in Bangladesh. Also, the availability of data is limited and time allocated for conducting the research is short. Furthermore, conducting the financial analysis of a service is a major challenge because services are intangible. Therefore, it is difficult to find out per unit cost of the services sold into equal proportions. Additionally, staff members of Moar were reluctant to communicate any company information. They showed reluctance when approached for an interview. For similar reasons, the serviced offices which have shut down did not participate in the research.

1.4 Objectives of the Report

- To understand how a new business concept can create demand in the market
- To determine the quality of facilities and services which are available for clients
- To identify expectations of clients from serviced offices
- To identify any service quality issues and mismatch between client and business
- To analyze the financial performance of a mature startup

1.5 Research Questions

- What strategies are being used to create demand for serviced offices in Bangladesh?
- How is the service quality of Locus compared to its existing competitors?
- What is the financial performance of a serviced office at its current initial stage?

2. Review of Related Literature

In a research paper from ResearchGate called, ‘Evaluating Office Space Needs & Choices’, Gibson (Gibson, 2018) analyzed the needs of office space within the UK setting. She also analyzed the choices people made when obtaining office space. The results from the research revealed that respondents prefer to make shorter commitments when obtaining office space. They also showed eagerness for other services that ensure efficiency in operating their business within the office. Moreover, respondents showed great enthusiasm for flexibility in their working space. Conversely, the slow development of the serviced office market in UK caused people to doubt their long-term functionality. Furthermore, there was a lack of transparency in the cost structure so respondents were not prepared to spend a hefty amount on serviced offices.

Next, Vischer (2017) in the research paper, ‘The Effect of Workplace Design on Quality of Life at Work’, explored the importance of satisfaction in the workplace. Environment quality and the quality of work life both affected the quality of life for a working individual. All of this in turn, affected the performance and functionality of an individual in life. Vischer determined that satisfaction depends on the comfort level of a working individual. Comfort in a working environment depended upon temperature, lighting, sound, privacy, space, openness, cleanliness and safety/protection. She concluded that high comfort level associated with these variables can ensure satisfaction in the workplace. Therefore, workplaces should be designed considering these variables.

In another research paper titled, ‘Estimating Office Space per Worker’, Miller (2018) explored the office space allocated to each individual in the workplace based on regions of the world as well as industries. The trends indicated in overall, that offices worldwide had become more and more innovative with their office space over the years. They transformed their workplaces with smart designing to increase productivity of their workers. At the same time, they economized their spaces and included various types of space like enclosed cubicles, open spaces and meeting rooms, to name a few.

3. Methodology of the Study

Data and Study Areas:

The data and study areas were selected after an online search through the website, coworker.com. The serviced offices in Dhaka discovered on the site included: LOCUS, Moar, Shuru Campus, Office Suites, Hub Dhaka, JMC, Hive, The Waive, In House, Mad Hub and Bonik. Then, attempts were made to contact all the serviced offices. HubDhaka emailed back that they were currently closed down. Office Suites, JMC, Hive, The Waive, In House and Bonik were unreachable through phone and email. Additionally, three other suggested serviced offices, which were Widespace, CoworkersBD and BDSpace, also were not reachable via phone and email. Therefore, the finally selected areas for the survey were Shuru Campus, Madhub, LOCUS and Moar. All the selected services offices are located in Dhaka city. Shuru Campus is located in Badda while LOCUS, Moar and Madhub are all located in Banani.

As the sample of respondents was selected on the basis of personal judgment and the probability of selecting any respondent was unknown, non-probability sampling was used to research.

Data Collection Methods:

Questionnaires, interviews, observations and quantitative financial records were used to research where possible. Personal interviews were conducted and self-administered questionnaires were issued.

The interview questions were open ended. The survey questionnaire was designed with various research instruments to prevent monotony for the respondents.

Eight questions were asked in the survey questionnaire and several variables were fixed for accuracy. Between open ended and close ended questions in this research, six were close ended questions and two were open ended so that respondents would find it easier to answer with interest and less time will be consumed. The reason for this was so that, we could get accurate answers and conduct the research well.

The research instruments which were used to design the questions in the survey questionnaire are Simple Attitude scale, 5-Point Likert scale, Nominal scale and Ordinal scale.

4. Analysis and Interpretation of the Data

i) Survey

Firstly, the results from the survey conducted had been entered into Google Forms (Link: https://docs.google.com/forms/d/1vCoFT3oRZOfyh9zTcPrhJy1WZjMV_Zs-vf_TFFNwfew/edit#responses) for the ease of visual representation of the responses. The visual representations of the responses had allowed swift analysis and helped achieve precise conclusions. A total of 7 questions were asked in the survey to clients from serviced offices that included Shuru Campus, Madhub, Moar and LOCUS. The survey was used to analyze the target market, existing demand in the market, how demand was being created in the market, quality of services provided and the expectations from current clients. Analysis and findings from each of these criteria are showing below:

Analysis of the Target Market from Clients Survey:

1. What is your age?

19 responses

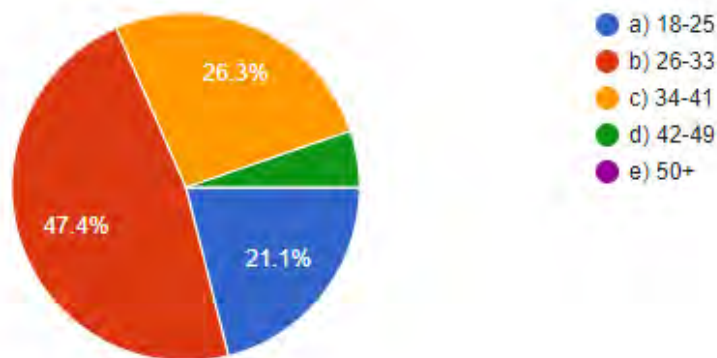


Figure 1: Age of the Respondents

2. What is your profession?

19 responses

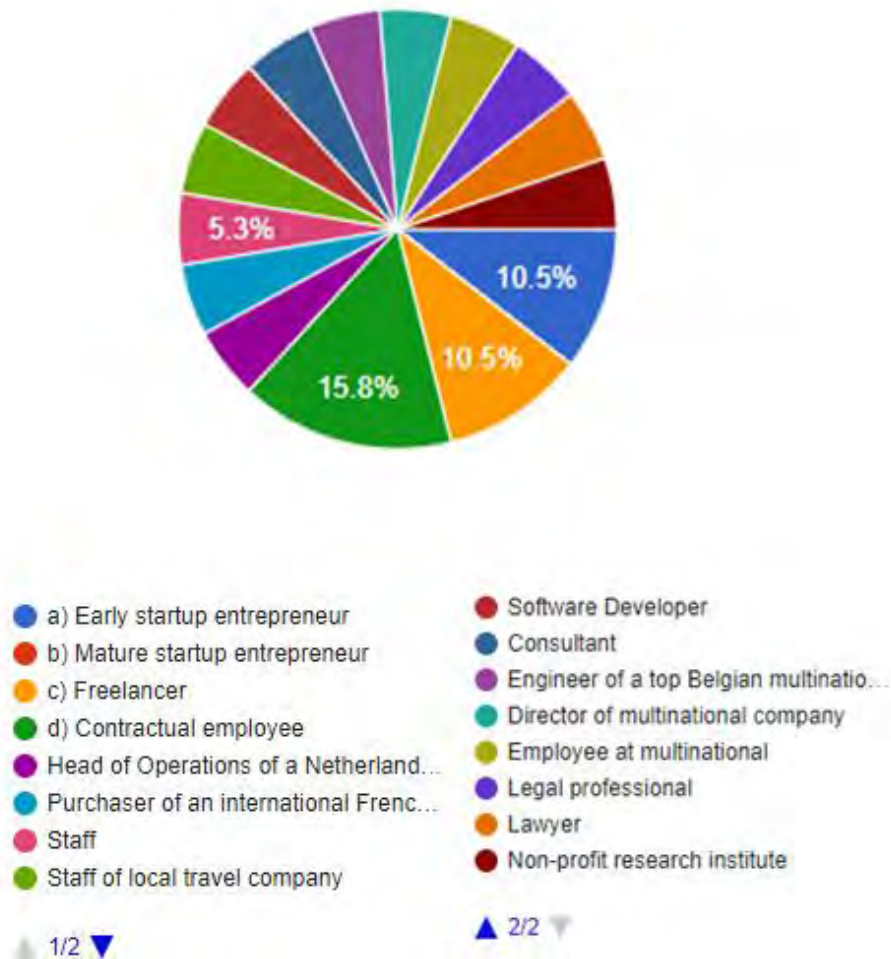


Figure 2: Profession of the Respondents

The survey conducted reveals that the highest number of clients (47.4%) fall within the age range of 26-33. Moreover, the survey displays that clients from diverse professional backgrounds avail the services of serviced offices in Bangladesh. Still, contractual employees mostly require serviced offices in Bangladesh at 15.8%.

Analysis of Existing Demand in Market from Clients Survey:

3. How often do you need to use a serviced office/co-shared workspace?

19 responses

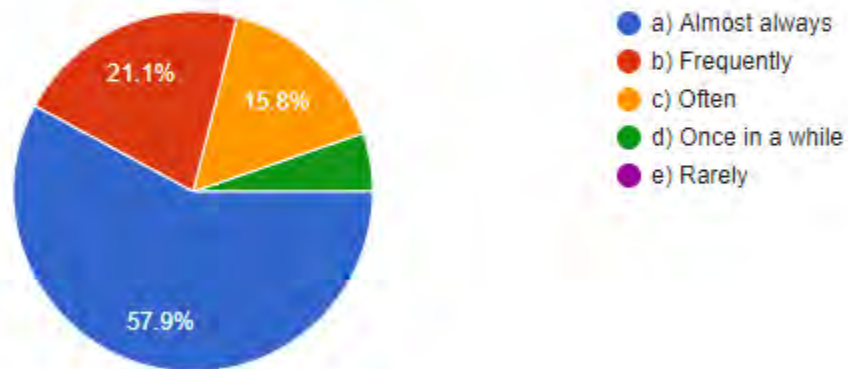


Figure 3: Usage of Serviced Offices

Most of the clients (57.9%) expressed through the survey that they need to *almost always* use the facilities of serviced offices in Bangladesh. This indicates that there is a substantial demand for serviced offices in the setting of Bangladesh.

Analysis of Demand Creation in Market from Clients Survey:

4. How did you first hear about this serviced office/co-shared workspace?

19 responses

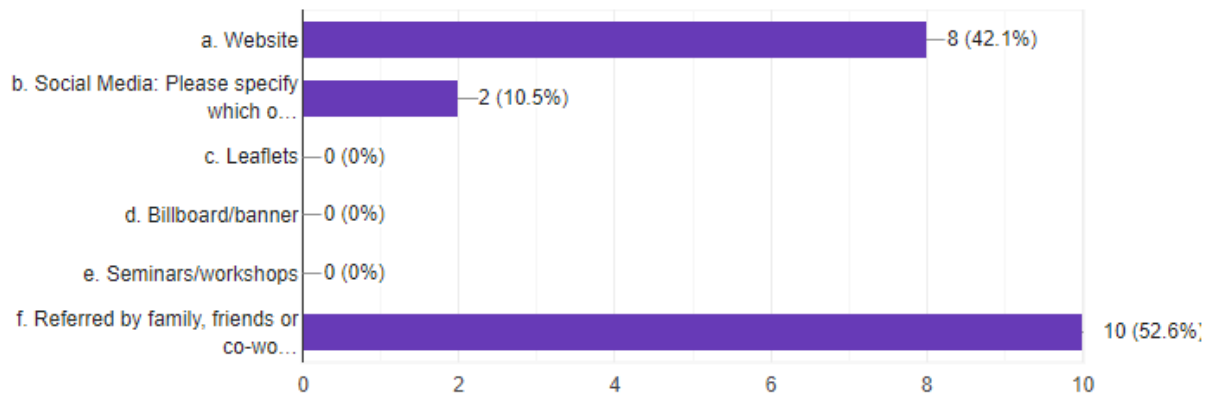


Figure 4: Marketing Methods for Serviced Offices

The survey shows that the majority of the clients using serviced offices were referred by family, friends or co-workers.

Analysis of Service Quality from Clients Survey:

5. Please rate your service quality experience by ticking the right box:

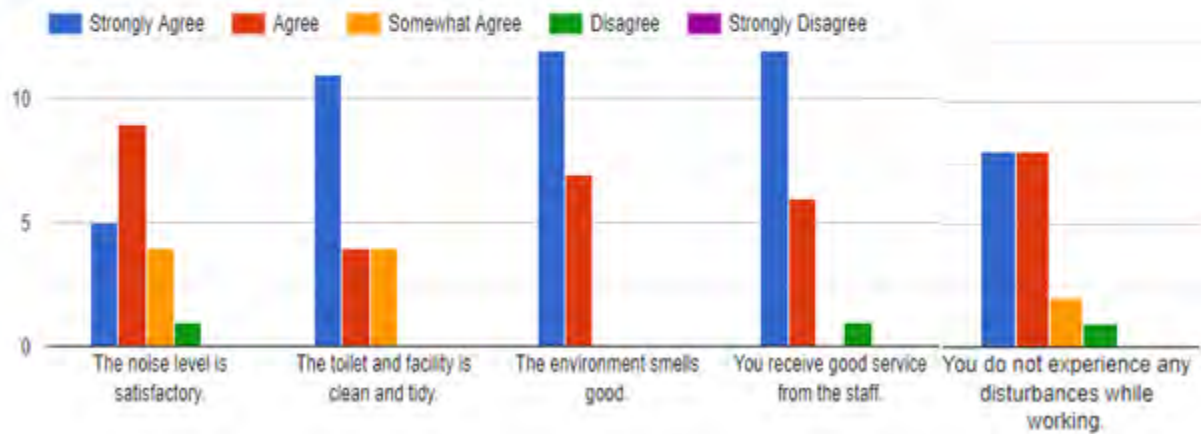


Figure 5: Service Quality of Serviced Offices

The majority of the clients in the survey *agreed* that the noise level in their serviced office was satisfactory. Also, most number of clients *strongly agreed* that the toilet and facility of their serviced office was clean and tidy. Furthermore, highest number of respondents *strongly agreed* that the environment within their serviced office smelled good. Next, the major number of respondents *strongly agreed* that they received good service from the staff. Finally, highest number of respondents in equal portions *strongly agreed* and *agreed* that they did not experience any disturbances there while working.

6. Do you think this co-working space / Serviced office provides good value for money?

19 responses

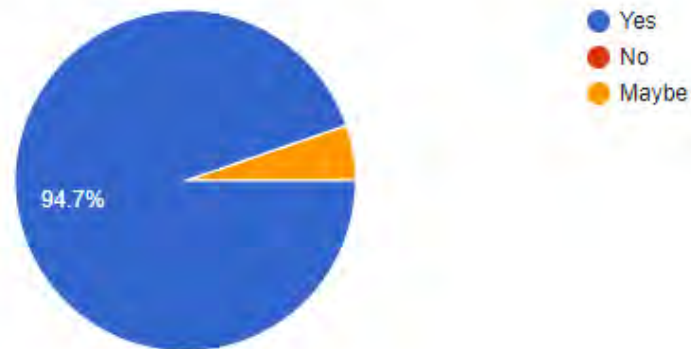


Figure 6: Quality VS. Value of Serviced Offices

The majority of the clients (94.7%) responded that they do think their serviced office provides good value for money.

Analysis of Clients' Expectations from Clients Survey:

7. Please describe one issue that you experienced.

19 responses

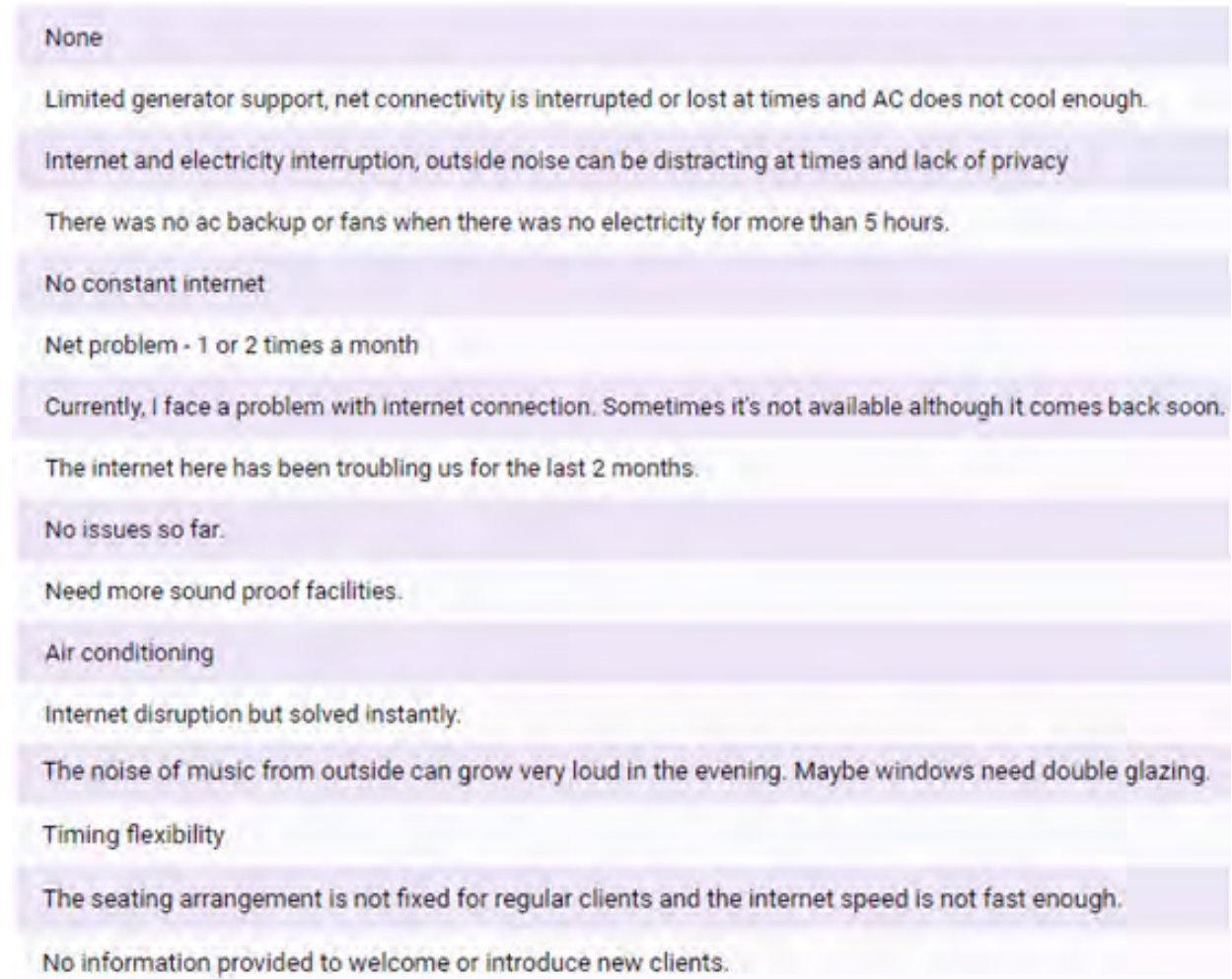


Figure 7: Issues found in Serviced Offices

One issue that was mostly brought up by the respondents was disruption with the internet connectivity. This issue appeared to have been present in all the serviced offices except LOCUS, the international standard premium serviced office.

8. Please mention one service that you want to add to this business.

19 responses

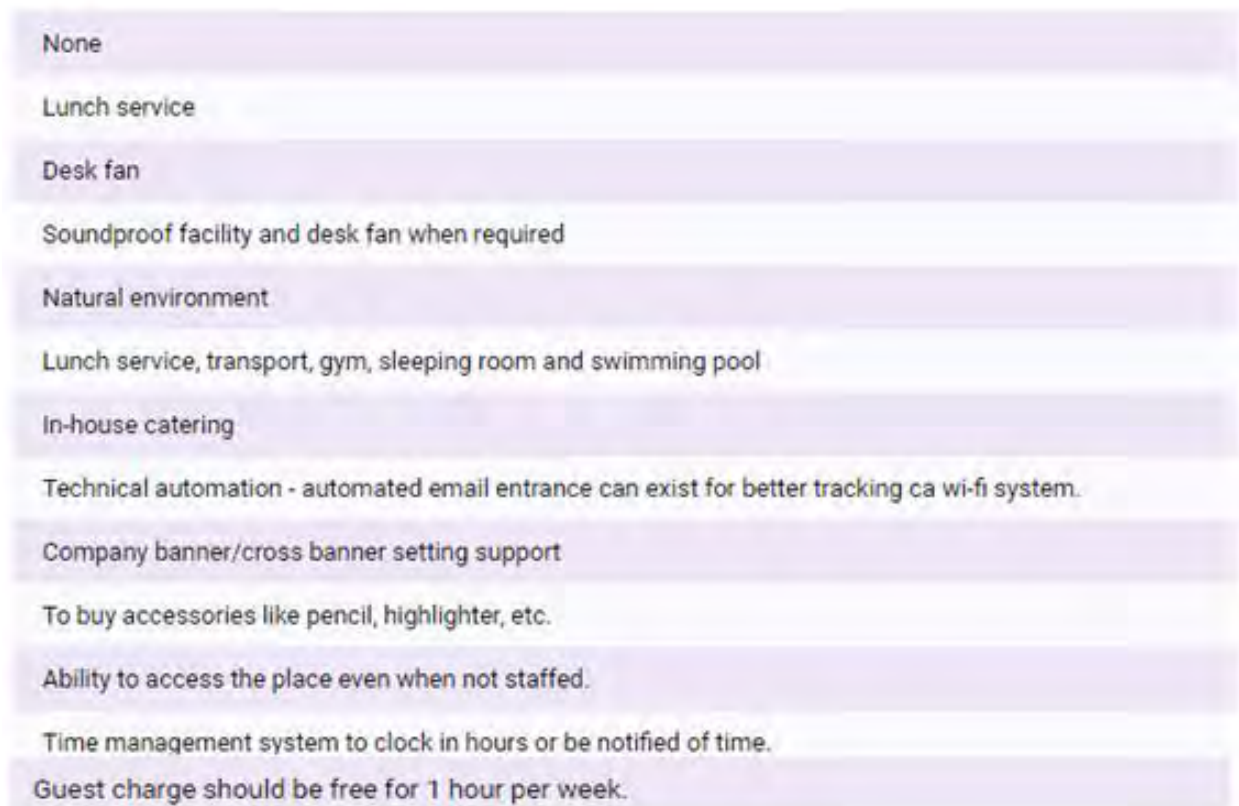


Figure 8: Additional Services Demanded in Serviced Offices

One service that most clients wanted within their serviced office was the availability of lunch. Almost all the serviced offices that had been surveyed, did not appear to have this service.

ii) Interview

A total of 16 questions were asked during the interview that was conducted with some of the major contributors of the serviced office concept. The interview was conducted to develop an understanding of how the serviced office concept had initiated, developed, was executed and is now operating at present. Analysis and findings from each of these criteria are tabulated below:

Table 1: Interview Responses from Contributors of Serviced Offices

Sl. No.	Question (in brief)	LOCUS	Shuru Campus	Madhub
	Name and designation of person interviewed:	Mr. Abir Mallick, Founder	Ms. Dil Afroz, Office Manager	Mr. Salman Hossain Mimo, Business Development Executive and Mr. Md. Khairul Alam Rabi, Community Manager
1.	When did your business begin to operate?	November 23 rd , 2017	October, 2017	May, 2018
2.	Why did you join the serviced office/co-shared	To provide solution to the lack of flexible working space in	Able to learn how to develop a startup	New, innovative concept

	office industry?	Bangladesh - Premium Bangladeshi serviced offices do not exist - Regus does not cater to local customers in Bangladesh		
3.	How does your organization promote this service in the setting of Bangladesh?	Online brokerage companies, extensive leafleting, door-to-door company visits, marketing on social media and through online presence	Open networking, digital marketing, event management, buzz marketing, TVC, UVC, T-Shirt with logo	Digital, buzz marketing
4.	What difficulties do you face in promoting this business?	Difficulties in making consumers of Bangladesh understand the serviced office concept	Not much difficulty	Consumers do not know much about the industry
5.	How do clients mostly find your business?	Highest number of queries from online searches and leaflets	Word of mouth – references	Word of mouth/buzz marketing
6.	What are the professions of your clients?	Top local and multinational companies - IT companies, infrastructure	Local and multinational companies – network, telecom,	Local IT, travel agency, law firms

		companies, law firms, buying houses, logistics and mature startups	call center, school management, CRM, freelancers, investment/education consultants, stock lot, software, headhunting, IT firms, agro, mobi-finance and matrimony services	
7.	What are the ages of your clients?	Above the age of 26	30-45	20-25
8.	For what reasons do most clients use your service?	Convenience, one-stop solution, no-hassle and international standard premium quality establishment	Reasonable price	IT networking events on weekends, conference room meetings and public campus
9.	Which are the most popular facilities or services in your business?	Complimentary unlimited self-service pantry and dedicated desks	Package room services – meeting rooms, free coffee/tea and free utility	Open space
10.	What are some employee or staff benefits in your company?	Flexible working conditions, in-house training, exposure to large domain of work, lots of entertainment,	Work-life balance, free lunch, able to learn lots of different business fields and link/networking with	Provide free lunch, networking events and

		bonus annual gifts and variable work life	big companies	training staff
11.	What is the total area of your business?	2750 sq. ft.	More than 5000 sq. ft.	1200 sq. ft.
12.	What is the total capacity of your business (i.e. how many people can seat)?	36 desks and 10 meeting room spaces	More than 200	29
13.	What do you think is your average cost per desk?	BDT 20,000	BDT 10,000	BDT 8,000
14.	How long will it take for you to recover your investment?	5 years	1 year	1-1.5 years
15.	Is your company at a profit or loss?	Profit	Profit	Too short time to tell – did not reach breakeven
16.	Do you think the serviced office/co-working concept/industry is feasible in Bangladesh? Why	Yes, because space is premium in a densely populated country. Office space is offered at a reasonable price and there is no overhead costs so there will	Yes, but serviced offices need to have a proper strategy, business model, location, SOP, core competency in recruitment, diverse	Yes, because it is a long-term solution, there is demand but there is a challenge to reach and

	or why not?	always be demand. However, lots of consumer awareness is required.	skilled employees, positive mind and behavior, people management skills, quick decision making skills and international business knowledge	understand the consumers in the market. Yes, because it is affordable, gives identity and office space to developing businesses.
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The responses from the interview indicates that the serviced office concept is viable. Serviced offices aim to provide immediate solution to local and multinational companies as well as individual entrepreneurs. Serviced offices are popular for providing facilities to a relatively broad age group of professionals. Moreover, serviced offices in Bangladesh are able to earn significantly within a short time of around 1 year. All of the interviewees appear to be passionate about educating the market so that a larger number of audience are able to realize the effectiveness of serviced offices. Additionally, international standard requirement per person was found to be 50 square feet according to Health and Safety Executive of UK. From the interview, it was evident that Mr. Mallick followed this guideline. LOCUS can be calculated to provide approximately 75 square feet per person working (2,750 sq. ft. /37 capacity). Madhub also complied with this guideline, though unknowingly, providing around 41 square feet per person (1,200 sq. ft. /29 capacity). In contrast, Shuru Campus only provides 25 square feet per person (5,000 sq. ft. /200 capacity). Therefore, LOCUS appears to be most spacious.

iii) Financial Analysis of LOCUS – Monthly Breakeven Analysis:

A monthly breakeven analysis was performed to determine the financial performance of the company. Additionally, the company plans to use the analysis to set financial objectives for the upcoming year. The analysis was conducted on a monthly basis due to the company's short term existence within the industry. As this is a service company, some assumptions were made to simplify and obtain the most accurate result possible. The assumptions will be mentioned throughout the report.

Total Fixed Costs of LOCUS

Table 2: Total Monthly Fixed Costs of LOCUS & Average Fixed Costs Nov' 17-Sept' 18 of LOCUS

	Nov '17	Dec '17	Jan '18	Feb '18	Mar '18	Apr '18	May '18	June '18	July '18	Aug '18	Sept '18	Oct '18	Aver age Nov' 17 - Sept' 18
Total Fixed Costs L-6	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	
Total Fixed Costs L-4									245, 725	245, 725	245, 725	245, 725	
Total Fixed Costs Mont hly	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	209, 173	454, 899	454, 899	454, 899	454, 899	276,1 89

Total fixed costs per month had been calculated considering the monthly cost of total depreciation on fixed assets, service staff salary per month, office staff salary per month, rent per month and fixed cost of internet connection per month. From July 2018, a new floor of office

space was launched by the company. For this reason, there was a fluctuation in the monthly values. Thereby, average cost of total monthly fixed costs had been considered between November 2017 and September 2018 as historical data, to reach the monthly constant value of BDT 276, 189.

Total Variable Costs per Unit of LOCUS

Table 3: Total Monthly Variable Costs per Unit of LOCUS & Average Variable Costs per Unit Nov' 17-Sept' 18 of LOCUS

	No v '17	De c '17	Ja n '18	Fe b '18	Mar ch '18	Ap r '18	Ma y '18	Ju ne '18	July '18	Aug '18	Sept '18	Oct '18	Aver age Nov' 17 - Sept' 18
Varia ble Costs per Unit L-6	6,255	3,328	1,894	3,099	4,017	8,184	2,054	4,696	3,720	6,484	9,402	6,520	
Varia ble Costs per Unit L-4									4,658	5,492	5,786	3,909	
Total Varia ble Costs per Unit Mont hly	6,255	3,328	1,894	3,099	4,017	8,184	2,054	4,696	8,377	11,975	15,188	10,429	6,279

Total monthly variable costs per unit had been calculated considering the monthly costs of electricity, marketing/promotional activities, refreshments, toiletries, flowers and other miscellaneous costs. The marketing costs had included online real estate advertisement, high-tier

in-flight airlines magazine advertisement, leaflet/flyer advertisement, celebration of various festivities, corporate networking events and other small marketing costs. From July 2018, a new floor of office space was launched by the company. As there was fluctuation in the monthly values, the average cost of total monthly variable costs per unit had been calculated between November 2017 and September 2018 as historical data, to reach the monthly constant value of BDT 6, 279.

Monthly Breakeven Analysis of LOCUS

Table 4: Breakeven of LOCUS

Sales Price per Unit		20,000					
Breakeven	20	Break Even Sales	402,577	Recent Month Units Sold	32	Recent Month Margin of Safety	36%

Table 5: Total Monthly Earnings of LOCUS

	Nov '17	Dec '17	Jan '18	Feb '18	Mar ch '18	Apr '18	May '18	June '18	July '18	Aug '18	Sept '18	Oct '18
Total Earnin gs L-6	29,000	70,040	77,690	50,120	64,655	110,100	139,486	60,715	72,434	34,375	40,020	35,215
Total Earnin gs L-4									120,652	418,652	133,652	597,652
Total Earnin gs Mont hly	29,000	70,040	77,690	50,120	64,655	110,100	139,486	60,715	193,086	453,027	173,672	632,867

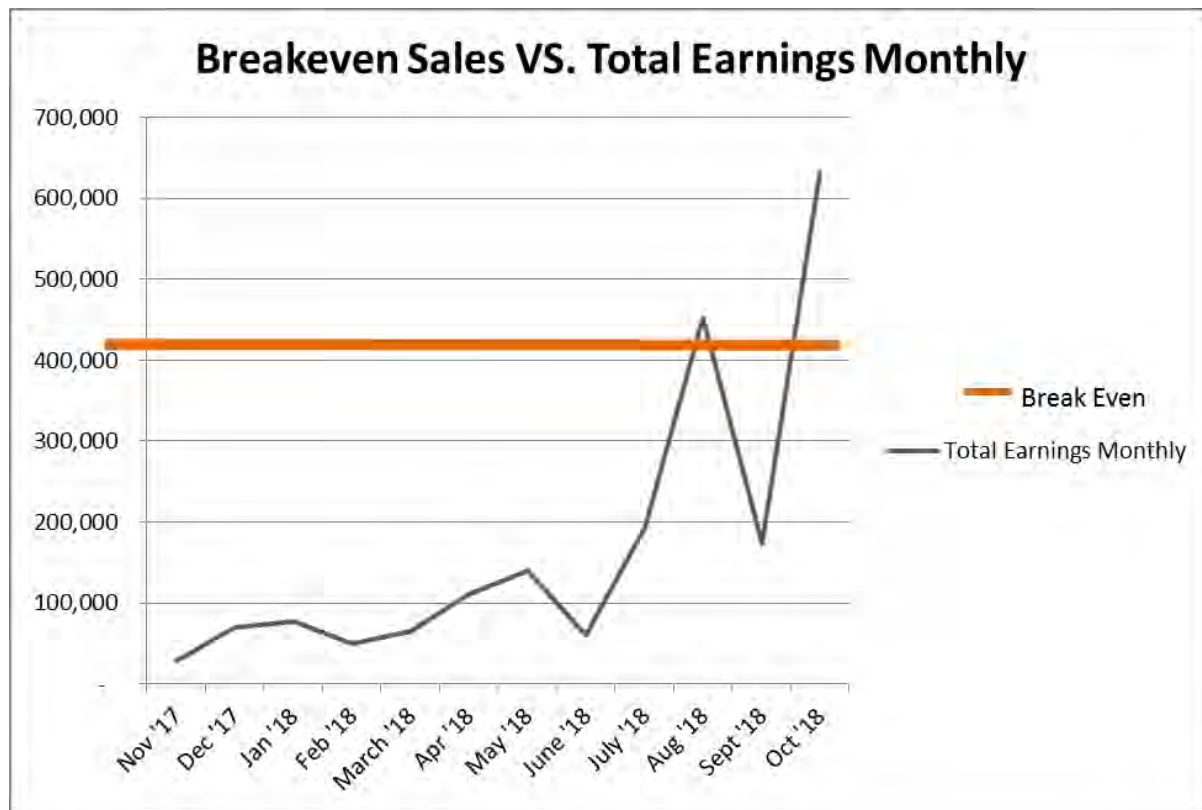


Figure 9: Breakeven Sales VS. Total Monthly Earnings of LOCUS

The breakeven analysis formula used = $\text{Fixed Costs} / (\text{Unit selling price} - \text{Variable costs per unit})$. The margin of safety formula used = $(\text{Current Sales Level} - \text{Breakeven Point}) / \text{Current Sales Level}$. Using historical data method for the months November 2017 – September 2018, the monthly breakeven unit was 20. Therefore, the breakeven sales value obtained from the same period was BDT 402, 577. LOCUS was first able to reach breakeven in August 2018 with the earnings of BDT 453, 027. Furthermore, this analysis was completed in the mid of October 2018 so with the existing records at that time, it appeared that the monthly financial performance for October 2018 had already gone beyond breakeven sales value into profit with the value of BDT 632, 867. Thus, the recent month of October 2018 had approximately 32 units sold with a margin of safety of around 36%.

5. Findings of Study

The findings of the survey, interviews, personal observation and an in-depth financial analysis of LOCUS reveal in overall that the serviced offices in Bangladesh are very different to each other. Although the 4 serviced offices that participated in the research belong to the same industry, they all appeared to have different customer segments. They all based the investment of their facilities, quality of services and the pricing of their services in a manner that they reflect the requirements of their target markets as much as possible.

Firstly, LOCUS is a premium, international standard serviced office that targets clients belonging to a higher age group of above 26. Most of the clients of LOCUS look for a sophisticated and modern environment that consists of top quality services and international standard interior. They prefer the highest quality of facilities that project an international standard professional image for themselves. Thus, their clients include reputed large multinational and top local organizations.

On the other hand, Shuru Campus is a well designed shared office/co-working space that has a pricing range, mostly attractive to small scale local and multinational companies. Also, Moar is an informal, café-like co-working space which mostly aims to attract young, aspiring entrepreneurs and early local startups. Similarly, Madhub aims to attract young, local clients. This is evident with the unique facility of gaming space that they offer. Madhub's interior design is typically a very energetic orange color which is mostly attractive to younger age groups.

Demand in the Market

As LOCUS targets international clients and clients of higher age groups, they try to create demand in the market with innovative concepts that stand out internationally. For this reason, they give advertisements in an in-flight high-tier airlines magazine. They also made an alliance with Citygem Priority Banking and offer membership to Citygem members. As most high-end

clients usually belong to the higher age group, flyers/leaflets play a major role in raising awareness for their serviced office. Additionally, their online presence also helps them attract clients internationally.

Shuru Campus, Madhub and Moar create demand in the market through in-house networking events and digital marketing.

Quality of Services and Facilities

The clients at LOCUS appeared to be the most satisfied with the quality of services and facilities. This is because most of the respondents at LOCUS *strongly agreed* or *agreed* that the noise level was satisfactory, toilet and facility was clean, environment smelled good, service received was good and no disturbances were experienced while working. There were discrepancies in the answers of other respondents from the 3 other serviced offices/co-working spaces. One of the clients of LOCUS commended LOCUS for providing backup internet immediately on rare occasions when there was disruption. Another client appreciated that there was constant backup of electricity, UPS and excellent air-conditioning that made their experience highly pleasant. At least one client from each of the other 3 serviced offices expressed dissatisfaction over the quality of the internet, poor air conditioning system or lack of constant backup power throughout the day.

Expectations of Clients from Serviced Offices

The survey displays that all clients from serviced offices expect to work within an environment that is comfortable and serene. They do not expect their thought processes to be disturbed and want to perform to their utmost capability when working in a perfect environment. Being an international standard serviced office, LOCUS attempts to fulfill these expectations to the highest degree. LOCUS exerted its entire effort to ensure the office is soundproof from external noises for its clients. The LOCUS management body also has backups installed for power and internet connectivity. Their internet speed is also very high, according to the surveyed clients.

Respondents from other serviced offices had same expectations as the respondents of LOCUS. However, the respondents from other serviced offices were not completely satisfied.

Service Quality Issues and Mismatch between Clients and Businesses

Other service quality issues which the survey had revealed included lack of timing flexibility, difficulties in managing constant pin-drop silence, no policy of keeping seating arrangements constant and no system of informing non-member clients about all the subsidiary essential services (e.g. availability of stationery items). Some of these issues are external and cannot be easily controlled. For example, outside noises cannot be completely blocked if there was a flaw in the design of the actual building. Double glazing may not always help to soundproof the facility if there are internal structural flaws in the building.

Financial Performance of a Mature Startup

LOCUS is a mature startup which was able to reach its breakeven in less than a year. It has begun to gain a monthly profit after reaching 1 year. Shuru Campus is also a mature startup which has been able to reach its breakeven in 1 year, based on the statement of Ms. Dil Afroz during the interview. Therefore, it takes a mature startup nearly a year to reach a favorable financial condition and start gaining profit.

6. Recommendations

Firstly, I would recommend all serviced offices to educate their potential clients unitedly. The serviced office industry falls within a niche but lucrative market. Once the general market of clients fully understand the concept, this concept would prove to be highly beneficial for everyone in the economy.

Another recommendation I would like to make is that it is necessary for all new clients to receive a welcome/greetings pack with all the information of the other facilities and services they would have available while renting a particular facility. This can be beneficial for both the clients and the serviced office.

In addition to this, I would recommend all serviced offices to promote this concept proactively and innovatively as LOCUS. Traditional marketing, as most other serviced offices are following, might spread the word around the market eventually. However, it might take a long time to reach the right clients who actually have the requirements of a serviced office. As this industry falls within a niche market at present, it is important to help spread this emerging concept speedily. I firmly believe that the opportunity to do extensive networking through serviced offices can be a powerful tool to quickly attract the attention of all passionate entrepreneurs.

A final suggestion I would like to mention is for all serviced offices to have timers for the clients who use the facilities on an hourly basis. This can make the experience more pleasant for the clients as they would not have to worry about maintaining their timing.

7. Conclusion

To summarize, the serviced office concept is a beneficial concept for Bangladesh. I agree with Mr. Mallick's view which I had learned while interviewing him. In the interview, he emphasized that a densely populated country like Bangladesh would be highly benefitted with furnished office spaces that contain all the necessary facilities required to run an office at an instant. Serviced offices are indeed a solution for entrepreneurial minds who long to bring their ideas to life. As Mr. Mallick stated, serviced offices reduce overhead costs and reduce the risk of heavy losses when starting a new business. Additionally, I feel this concept can also help increase employment in Bangladesh as it would influence multinational companies to easily enter the Bangladeshi market.

However, the main challenge of educating the audience can remain for a significant time if all the serviced offices do not proactively try to educate the Bangladeshi market. The potential clients of this industry need to understand that the advantages of serviced offices outweigh the cons. The cons of serviced offices are mostly the lack of complete silence and the absence of flexibility in having unlimited office hours. In my opinion, these cons from serviced offices in Bangladesh are negligible after considering that business ideas can easily be executed with minimum cost and minimum risk through serviced offices.

Thus, I conclude that an emerging concept of serviced offices can create demand and remain sustainable despite the socioeconomic barriers in Bangladesh if a suitable level of service matches the appropriate needs and socioeconomic status of clients. At present through my report, it appears as though all the serviced offices are offering an appropriate level of service for their target clients. Though there are some noteworthy flaws in the service quality of less expensive serviced offices like Moar, Shuru Campus and Madhub, the clients still appear satisfied in overall. This is because the cost structures of less expensive serviced offices match the low budget of the clients. If all serviced offices continue to operate as they are doing in the present, with more improvements and innovative promotional approaches in the future, clients will be

able to reach serviced offices that match successfully with their level of requirements. If target clients match with a serviced office precisely, they can reach breakeven within a year and begin to profit.

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Appendix

Questionnaire on Serviced Offices in Bangladesh

1. What is your age?
 - a) 18-25
 - b) 26-33
 - c) 34-41
 - d) 42-49
 - e) 50+

2. What is your profession?
 - a) Early startup entrepreneur
 - b) Mature startup entrepreneur
 - c) Freelancer
 - d) Contractual employee
 - e) Others: _____

3. How often do you need to use a serviced office/co-shared workspace?
 - a) Almost always
 - b) Frequently
 - c) Often
 - d) Once in a while
 - e) Rarely

4. How did you first hear about this serviced office/co-shared workspace?
 - a. Website
 - b. Social Media: Please specify which one(s) _____
 - c. Leaflets
 - d. Billboard/banner

- e. Seminars/workshops
- f. Referred by family, friends or co-workers

5. Please rate your service quality experience by ticking (✓) the right box:

	Strongly Agree	Agree	Somewhat Agree	Disagree	Strongly Disagree
The noise level is satisfactory.					
The toilet and facility is clean and tidy.					
The environment smells good.					
You receive good service from the staff.					
You do not experience any disturbances while working.					

6. Do you think this co-working space / Serviced office provides good value for money?

- a. Yes
- b. No

7. Please describe one issue that you experienced.

8. Please mention one service that you want to add to this business.

Interview Questions for Serviced Offices in Bangladesh

1. Name of serviced office/co-shared workspace: _____

2. When did your business begin to operate?

3. Why did you join the serviced office/co-shared office industry?

4. How does your organization promote this service in the setting of Bangladesh?

5. What difficulties do you face in promoting this business?

6. How do clients mostly find your business?

7. What are the professions of your clients?

8. What are the ages of your clients?

9. For what reasons do most clients use your service?

10. Which are the most popular facilities or services in your business?

11. What are some employee or staff benefits in your company?

12. What is the total area of your business?

13. What is the total capacity of your business (i.e. how many people can seat)?

14. What do you think is your average cost per desk?

15. How long will it take for you to recover your investment?

16. Is your company at a profit or loss?

17. Do you think the serviced office/co-working concept/industry is feasible in Bangladesh?

Why or why not?
