



**CASE
STUDY**

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GALVANIZE LAB: ART FOR A LIVING

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1. An Interesting Proposal

On 28 December 2012, Herleena, the co-owner and the key business partner of Galvanize Lab, considered the viability of operating a new boutique hotel in the bustling tourist hot-spot of Jonker Street, Melaka. Galvanize Lab had earlier in that year started a business at the Jonker area, called Warung Seni, a small art gallery cafe and studio. The idea was to collaborate with HM Antiques Sdn Bhd, a well-known trader of antique crafts and furniture especially in the Jonker area, for operating a boutique hotel that would incorporate the concept of antique living and gallery.

Herleena felt that the proposed project was in line with Galvanize Lab's vision, among others to promote the preservation of local culture and heritage. In addition, the collaboration with HM Antiques, if materialize, would greatly benefit Galvanize Lab, especially since its Warung Seni business had yet to generate a stable income. On the other hand, Herleena realized that the new business would require significant efforts and resources, and thus, it was imperative for Galvanize Lab to make a sound business decision. While the management of Galvanize had to make a careful assessment of the project before any decision could be made, the clock was also ticking.

2. The Historic City of Melaka and the Jonker Area

Melaka, alternatively spelt as Malacca, was a state situated in the West coast of Malaysia, about 150km to the south of the country's capital city of Kuala Lumpur. Melaka was considered a melt-pot of diverse heritage and cultures, with its history dated back to the 15th century. The modern Melaka of the 20th century was a result of 500 years of trade and cultural exchanges; it was where the East met the West. In 2008, Melaka was granted the World Heritage status by the UNESCO for its unparalleled unique architectural and cultural townscape (UNESCO 2011). The tourism market of Melaka was one of the highest growing markets in Malaysia. In 2011, the arrivals of travellers and tourists in Melaka recorded an amazing figure of 12 million, a 17.5% increase than the previous year (Bernama 2012). Among the figures, four million tourists had stayed in local hotels; 2.1 million of them were foreigners while 1.9 million other were local tourists (Tourism Malaysia 2012). The development in the technology that provided the ease of online bookings, in addition to the availability of reliable travel websites, as well as the increased popularity of the social media and mobile applications, had encouraged more travelling activities around the world.

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Jonker Street, also known by its new official name Jalan Hang Jebat, was one of the main streets through the heart of the town of Melaka. Jonker Street and its surrounding area, or the Jonker area, was considered one of the most visited spot in Melaka, according to TripAdvisor, a leading global user-generated review website in travel and leisure-related content across the globe (TripAdvisor 2013). (See Exhibit 1 for a selection of travellers' reviews on Jonker Street and the surrounding Jonker area). Jonker area was located at the west bank of Melaka River and within the core zone of the UNESCO's World Heritage preservation site (UNESCO 2011). The surrounding Jonker area was full of old dwellings and houses and sometimes also called as the antique streets. Apart from its appearance, Jonker area portrayed a colossal real-live cultural museum where one may find shops selling antiques, wood carvings, interior and household products, fashionable clothes, colourful accessories and various souvenirs within the old buildings along the streets.

Jonker area also housed a number of hotels and accommodation outlets, particularly boutique hotels. Consistent with the unique characteristics of Melaka, the global market for boutique hotels saw an increasing trend in recent years. IBISWorld's (2012) predicted that contemporary tourists and travellers would prefer boutique hotels better than larger chain of hotels due to the former's simplicity as well as due to the specialised and personalised services offered by these small hotels. Boutique hotels, by definition, are small, upscale hotels with less than 100 rooms (Harrison 2013). They typically offered unique design themes, concepts and architectures and were particularly suitable for well-to-do young adults (Harrison 2013).

3. Galvanize Lab and Warung Seni

Galvanize Lab (Galvanize) was a Malaysian-based enterprise founded in early 2012. The company offered a number of art and design-based products and services, focusing on green ideas, and lifestyle, that covered many service areas including hospitality and sustainable business. Galvanize's current business outlet, Warung Seni, was located at Lorong Hang Jebat, Melaka, at the strategic intersection of the Melaka River and the Jonker Walk (see Exhibit 2 for the location map of Warung Seni and its surrounding of the Jonker area). Warung Seni was a lifestyle art-gallery café and studio, which was designed to promote art, green and sustainable technology, as well as the preservation of local culture and heritage. It offered a combination of a small contemporary art gallery, a cafe, a retail outlet, an event hosting outlet as well as a cosy studio stay. The idea of the business was to offer a new heritage lifestyle for the local and international tourists, against the backdrop of UNESCO's endorsed world heritage city of Melaka.

The management team of Galvanize was consisted of the following personnel:

- Noor Herleena: Business Partner/Co-founder of Galvanize Lab and Warung Seni. She had ten-year experience in the administration of two other business ventures. Herleena was in-charge of the main administrative operation of Warung Seni. She was 40 years old and had obtained a BBA degree from a university in UK.
- Ana Suryana: Business Partner/Co-founder of Galvanize Lab and Warung Seni. She was involved in several other green-tech ventures and projects. She was in-charge of the financial aspect and marketing of Warung Seni. She was 30 years old and an MBA graduate from a top graduate business school in Malaysia.
- Azimin Tazilan: Creative Advisor of Galvanize Lab and Warung Seni. He was a lecturer of a reputed local public university and also worked on part-time basis as an

architect and interior designer. He used to advise on the creative aspects of the business of Galvanize. He was 40 years old and held a Doctorate degree in micro-architecture.

Both Herleena and Ana were the main decision makers regarding Galvanize's businesses, and alternately oversaw the daily operation of Galvanize and Warung Seni. They were assisted by two full-time employees who were in charge of the kitchen and other daily general operations. The management team also regularly offered a number of internship posts for college and/or university students for their industrial practical training within the related fields of business, tourism management, marketing, IT and other related areas. Full-time employees as well as temporary employees and interns all used to work based on alternate morning and night shifts.

4. The New Project

In December 2012, a new collaboration project was proposed between Galvanize and HM Antiques Sdn Bhd, a company with more than 20-years of experience in the business of antique crafts and furniture. HM Antiques was based at Jalan Tun Tan Cheng Lock (popularly known by its old name: Heeren Street) which was within the vicinity of the Jonker area.

The following conversation took place in Warung Seni between Herleena and Ana on the first hearing of the proposed project from Azimin. Azimin was expected to arrive at Warung Seni later that day.

- Herleena : I just got a call from Azimin. Guess what, there is a new business opportunity for Galvanize!
- Ana : I'm all ears!
- Herleena : Well, I haven't got all the details yet, and since Azimin will be here later he can fill us all the details then. Remember that Azimin was recently invited to advise HM Antiques on some creative matters? Well, Azimin had presented the idea of a new concept hotel and the owners of HM Antiques are very interested. If this proposal goes through, the outlet will be called: Living Antique Gallery and Hotel. The best part is, HM Antiques offered one of its premises at Heeren Street for the project, just a short walk from Warung Seni!
- Ana : A combination of antiques, and hotel, here in Jonker area? That's wonderful! We won't have problems getting the rooms filled up!
- Herleena : That's true. Of course there are a lot of existing lodgings and accommodations including classic B&B and many other boutique hotels, also those galleries and museums, art cafes and other souvenir retails available around Jonker area. However, despite of the number, we know that most of them lacked the green and sustainable elements. Some of them even sell artificial products! We have discussed this earlier that these elements bring down the heritage value of this area. Also, a generic gallery or museum is nothing than just a dead space if it is not interactive or informative. Now this new hotel will be the first, distinguished living gallery concept to be offered here. Customers will basically experience a night stay in an antique museum! How cool is that.
- Ana : And very well-fitting to Galvanize's mission and vision too! We want to educate the public about appreciating the culture and heritage. I am sure

this concept will work; you know that's exactly what the customers are looking for when they come to Melaka. Remember the chatters that we had with those customers about hotels here? Both consumers and business travellers have grown tired of these soulless big hotels and shifted towards these small and more intimate boutique hotels. Furthermore, HM Antiques Sdn Bhd is the "sifu" of the antiques world here. I think they were the pioneer of the antique business in Jonker Street. Their name is well-known and everyone here considered them an authority in antiques business! ... But, this kind of business will require substantial capital. How do we go about the cost and profit sharing?

- Herleena : Azimin just mentioned it briefly but apparently some of the cost of capital will be covered by some sort of trust fund set up by the founders of HM Antiques. They mentioned that the trust fund was meant to support unique business ideas like this. HM Antiques will provide the premise as well as the antique fixtures and furniture for the hotel use as well as for display. Galvanize will take care of the designing and the main operation. This is actually a good prospect for us as we only have to cover half of the start-up cost. Financial wise, I think our company can afford it. The only reservation that I have is that we just recently launch our Warung Seni operation, I'm not sure if the time is right for us to venture into a new business.
- Ana : If we have the capabilities, why not? But still, at any case, before we go into the financial details, first and foremost we need to assess the situation. We need to think all the internal and external factors that might affect this business.
- Herleena : I agree. By the way, Aziman mentioned that HM Antiques board members will be having a meeting in two weeks time so they want to know our decision by then [glanced at the watch]. I have to run to meet the frozen food supplier in ten minutes' time and I am going to grab a quick lunch on the way. Let's discuss this further when I am back here afterwards. I think Azimin would have arrived as well by that time.

5. No Time to Lose

While walking toward her car, Herleena lamented that Galvanize should seriously consider the proposal; it was indeed timely as its Warung Seni business was yet generate a steady revenue and therefore a new stream of income would definitely help Galvanize to cover the day-to-day expenses, should the proposed business succeed. Furthermore, she felt that the proposed concept was a perfect fit with Galvanize Lab's core businesses. On the other hand, the success of the proposed business would also depend on whether it was feasible for Galvanize to invest in it in the first place.

Herleena realized that the strategic business decision should be carefully assessed. She was wondering whether the external environment would be favourable for Galvanize to enter into the new hotel business. Do they have enough resources to make it work? Does the management team have the capabilities to manage it? To top it all, she felt the necessity to decide on this issue by the time the board members of HM Antiques convene for a meeting in two weeks' time. Herleena made a mental note to sit down with her business partner, Ana, and their creative advisor Azimin, first thing after lunch to discuss the next plan of action on deciding the feasibility of the new project.



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APPENDICES

Exhibit 1 : Excerpt of Selected Trip Advisor's User Reviews

Melaka: Jonker Street

Ranked #3 of 56 attractions in Melaka

Type: Landmarks/ Points of Interest

Jonker street is a very attractive place in Melaka and a popular area of the historic city to visit. The street is more happening on Friday, Saturday, and Sunday at night but is not quite busy throughout the day as well since Melaka was awarded World Heritage status by UNESCO in 2008. Now the streets are lined with souvenir shops in addition to the traditional restaurants that have staked claim here for decades. Foods and drinks found here that are worth trying include; Hai Nan coffee, cendol, laksa, and so on are recommended.

“You haven't been to Melaka if you haven't been to Jonker Street”

Countless shophouses/roadside stalls on the street carries merchandises like clothes, Nyonya snacks as well as souvenir shops. And if you shop till you are tired, stop by a massage parlour from some rejuvenating massage/spa treatment for a reasonable price. Overall, Jonker Street is easily assessible and within walkable distance from most hotels in the vicinity. A must-go if you are in Melaka! - *Lesterloh, Singapore, 2011.*

“Vibrant mix of multiple cultures”

A fun afternoon walk. We ate at the Bistro 1773 and the Sweet & Sour Chicken was fabulous! Make sure you don't miss the Queen Victoria fountain across the river. It's a fun mix of Dutch red painted buildings, Malay, Chinese, and tourists! - *China_mom, Shanghai, 2011*

“Loved it!”

So glad we were there over the weekend when they have the market, because it is completely different! One of the best chinatowns ive ever been too! Wish i had stayed closer to it! - *Hollie F, Cambridge, 2011*

“Great finds in every corner”

Delightful finds in all corners of the street. Lots of souvenir to buy, great bargains at the night market. You only need to start walking the street hungry and you can find local food, beverage, dessert everywhere. In the morning, street stalls are set up to sell antiques. Such delightful find! Recommended to go in the weekend and stay in a hotel within walking distance. The traffic outside Jonker can be crazy! - *TravellingTurtle9, Malaysia, 2012*

“Jonkers street, what antiques?”

Jonkers street has become a place to buy cheaply made toys, shirts and souvenirs. The whole place needs to stop catering for local asian tourists who seek cheap, tacky souvenirs and rediscover its heritage in providing a quality, authentic experience. -*dabster36, Sydney, 2012*

“Too commercialized”

Would have prefer more originality preserved. Now every weekend, that place is a night market. - *YongHao, Petaling Jaya, 2012*

Source: TripAdvisor (2013).

Exhibit 2: Location Map of Galvanize’s Warung Seni and the Proposed “Living Antique Gallery and Hotel”

