

Feasibility study on swiftsales hot dogs joint

Business



Mission Statement The mission statement is to rise within the ranks and become the most reflective hot dog retail outlet that inculcates all the new market trends and desires, sell more natural products, and address all consumer demands in response to the new health concerns of the fast food industry

1. 0 Business Description Swiftsales Hot Dogs Joint is a retail outlet that sells hot dogs rich in natural fiber along a busy tree in Ohio-the sales and market prioritization of hot dogs rich in natural fiber results from the changing consumer trends that emanate from the concerns of fast food consumption of health.

2. 0 The Fast Foods Industry Assessment In spite of the many debates and concerns of the US food culture, McDonald's is still the market favorite for most Americans.

The fast food industry has been a target of critics over the concerns of the industry's role in raising health concerns and susceptibility to lifestyle diseases. However, the concerns and statistics are favoring fast food consumption because of ease of access and the taunting responsibilities of the modern human kind. According to Schlosser (2009), " in the year 2011, Americans will spend over \$110 billion on fast food more than they will spend on movies, books, magazines, newspapers, videos, and recorded music combined and every day about one quarter of the U. S. population eats fast food.

" These revenues end up in not only the pockets of some of the most established fast food firms, but also the small retail outlets that sell along the busy streets. Most Americans prefer the fast food retail outlets or menus because of the aggressive advertising campaigns and tactical marketing ideals adopted by the firms in the industry. The marketing concepts employ

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the most important brand development by aiming to build a company which could satisfy the customer's needs. For instance, hot dog has been marketed in the US to extent that it is almost a super brand. The advertising campaign of hot dogs focuses on product positioning that targets the hot selling points, market differentiation and market segmentation among different consumer groups in America. An example is the preference of beef hot dogs among children.

In spite of an industry, business organizations have the duty to develop strategies that make it easy for customers to know about their products and have the desire to purchase them (Fukuda, 2003). It is for this reason that the fast food industry has responded to the concerns of fast foods and their impact on health of Americans. In response, the firms have reinvented hot dogs that are low in fat and rich in fiber. The new product is natural and rich in protein. The market leader, as observed earlier, is McDonald's whose products appeal to most American citizens.

As a market leader, it is significant to analyze McDonald's in order to get vital business tips for the establishment of the new hot dog joint. Fast food products are greatly advertised in the newspapers, electronic media and billboards. The multi channel system of advertisement is a strategy that ensures quick product awareness of people and successful product adoption. Due to the aggressive advertising campaign run by McDonald's, the firm commands a big market share in the fast food industry. The other marketing strategies also explain the successful nature of the firm. The new retail outlet in Ohio will borrow some of the marketing strategies that are only applicable in a small business environment.

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The feasibility study will find a market niche by shifting from a generalist position and prospecting the product. Consequently, strong brand mix with other food products that are consumed together with hot dogs will enhance the market for the new joint. These include sellin fries and pop. As has been asserted in both empirical and academic studies, most business organizations face a problem when finding the right blends between the features and attributes of the products' quality. As considered by Fukuda (2003), " many managers are usually not averse to how price can and should relate to what customers think of a product and therefore either charge too much or too little for a product," (143). The price strategy for the fast food industry should be well-positioned and instituted within the tenets of creating particular niches in the clients' minds.

For instance, \$3. 50 enables a customer to have a Big Mac in New York City; although, not all products are priced the same in all market places.

Americans purchase McDonald's products because of the company's victory in creating points of parity in locations where other fast food retailers try to have an advantage. Brand loyalty towards McDonald's fast food products results from a mix of business strategies that can enhance preferences of fast food brands. 3. 0 The Hot Dog Market Assessment The hot dog market in the United States is big, considering that there are concession stands, institutional cafeterias and restaurants that serve hot dogs in most places in the US.

It is quite difficult to establish the number of hot dog sales per day, but the surging numbers of frequent customers indicate there is a market. Estimates by the Information Resources Inc. on the number of supermarkets and <https://assignbuster.com/feasibility-study-on-swiftsales-hot-dogs-joint/>

grocery stores that sell hot dogs excluding Wal-Mart, indicate that 700 million hot dog packages were consumed in retail stores. This figure translates to over \$1.7 billion retail sales in the year 2011 (National Hot Dog and Sausages Council, 2012).

The number of hot dog sales remains high across various states, cities and minor villages in the US. The numbers of sales remain high, despite the uniqueness and nature of points of sale across the regions. Other than the retail outlets mentioned above, ballparks and airports also record high sales figures. The increasing number of sales of hot dogs can be attributed to the high demand for protein-rich, less fat content and foods rich in natural fibers. The hot dog products have been reformulated and packaged to meet these new food trends.

Foods that fall under the low-fat and fat-free categories widely sell and, according to the National Hot Dog and Sausages Council (2012a), "In 2004, these products accounted for 12.4 percent of the total hot dog market. The top ten markets demonstrate substantial sales reaching more than \$53 million in 2008." The most selling hot dog is the skinless variety prepared inside a cellulose casing, which is removed before packaging. The new trend in the market is the preference to hot dogs served in their natural casing.

Most consumers now shows a characteristic crave for hot dogs in with natural casing that are not removable. Hot dog consumption is a food culture that is popular across all regions in the US, but levels of consumption vary from one place to another. For instance, in 2011, the New Yorkers spent \$108 million more on hot dogs than any other markets in the US. The table

below gives the ranking of the leading markets starting with the biggest market. Los Angeles San Antonio/Corpus Christi New York Baltimore/Washington Chicago Dallas Houston Philadelphia South Carolina Harrisburg/Scranton Source: National Hot Dog and Sausages Council (2012b)

The hot dog food culture sells in the US like an American icon.

The foodstuff has been used in many Hollywood movies, written literature, TV commercials, and music videos to the extent that it deserves being its own star (National Hot Dog and Sausages Council, 2012). Other amazing statistics on the hot dog market reveals that thhe “ During the Hot Dog Season, Memorial Day to labor Day, Americans typically consume 7 billion hot dogs or 818 hot dogs consumed every second during that period,” (National Hot Dog and Sausages Council, 2012). The facts presented in the market analysis point to the ready market of selling hot dogs. Moreover, given that Baltimore/Washington is ranked fourth in the US market, setting up a retail point in anywhere in Ohio would reap good returns for business. The market analysis in this feasibility study supports the setting up of a hot dog joint. 4.

0 Financial Assessment A hot dog stand is simple and easy to operate as it runs on a basic menu, unless modified. The main menu is hot dog and availability of a few drinks and toppings like ketchup or mustard. At the initial point of starting the business, the main concern should be the making of quality hot dogs as toppings will come later. Appendix 1 outlines the possible expenses that would be incurred in starting up a hot dog business along a busy street or corner in Ohio. The initial cost of starting requires the purchase of a hot dog cart.

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The cheapest cart would be \$500 (a second hand cart) while the lowest priced new cart would cost \$2, 000 in most states in America. Alternatively, one could purchase branded carts from Wal-Mart ranging from \$10, 000 to \$30, 000, but the operators must be willing to work within the business directions of Wal-Mart. Due to this restriction, unbranded cart costing \$2, 000 is the best option. The profit margin of a hot dog business will depend on the demand for hot dogs. In a high traffic street near office blocks or learning institutions, the sales will be higher than in areas where traffic is low. The cost of preparing one hot dog will depend on the cost of supplies needed to make it.

The supplies include sausages, buns, ketchups or toppings, and cost of energy used during cooking. The 3000 annual cost takes of all the supplies required in preparing hot dogs every month. The number of sales will assume that the operator works for 20 days in each month, which translates to 24 days in a month. More information on expenses is attached in Appendix 3. The breakeven analysis attached in Appendix 2 shows that the business will have to sell a minimum of 38 units of the three products (hot dog, fries and pop) a day in order to break even in the first year of operation. The business is assumed to work for 20 days in a month and 240 days in a year.

At least \$187 sales will be needed in the first year, while the subsequent years will require at least \$179 sales a day. Given the high demand for hot dogs in Ohio, this breakeven point will be easy to achieve. The sales revenue forecast in appendix 3 assumes that it would be possible to sell at least 80 hot dogs at \$2. 50 each, 60 plates of fries at \$1. 50 per plate, and 40
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servings of pop at \$1 per serving. The working days are assumed 20 days of every month.

These translate to \$34,360 in the first year, and 36,360 in the succeeding years. With this projection, it would be possible to break even after a few months into the business. The sales forecast is assumed to remain constant in the first three years, as the business establishes its name and tries to break into the new market. Appendix 3 gives more details on the forecast for the first three years. To sum up, the Swiftsales Hot Dogs Joint will be a profit making business entity set up in a strategic location. An ideal place to set up the venture could be near office blocks and near institutions of learning, as the clientele have less time for lunch break before resuming their respective commitments.

The idea that the business will only provide eating spaces outside will create a sense of urgency for the serving customers. Most significantly, Swiftsales Hot Dogs Joint will sell nutritious hot dogs that are low in fat and high in fiber to satisfy the needs of the clientele.