

Draft business plan for spice man



**ASSIGN
BUSTER**

Executive summary

Spice Man aims to establish itself as a B2B focused company specialising in the distribution of premium organic specialty Asian cooking sauces in the UK. It aims to capitalize on the growing consumer demand for quality healthy food and the UK's love of Asian food in particular. The company has secured funds and warehouse/office facilities and its founder has already negotiated the sale of 5, 000 cases each, for the four leading specialty Asian supermarkets across the UK.

Contents

Executive summary	p. 1
Mission statement	p. 2
The product mix	p. 2
Product	p. 2
Pricing	p. 2
Place	p. 2
Promotion	p. 3
SWOT – market overview	p. 3
Strengths	p. 3
Weaknesses	p. 4
Opportunities	p. 4
Threats	p. 5
Competitors	p. 5
Operational channels	p. 6
Finance strategy	p. 6
Spice Man assets	p. 6

Budgeting sales p. 7

Expenses/Overheads p. 7

Human resources strategy p. 7

Summary p. 8

References p. 8

Mission statement

Spice Man is a B2B distributor of premium quality organic Asian cooking sauces to the specialty supermarket sector, in four key areas across the UK. Spice Man aims to fill a clear gap in the market and cater for growing customer demand for high quality, healthy premium Asian sauces.

The product Mix

Product

The product concept:

- Premium quality specialty imported South East Asian cooking sauces
- The USP's of the product: organic luxury ingredients and completely authentic recipes developed by top specialist chefs

The types of sauce include:

- Rendang sauce and fried rice sauce from Indonesia
- Curry noodle sauce from Thailand
- Curry sauce for fish and one for lamb from Malaysia

Pricing

- The average cost to Spice Man of a case of 12 jars of any of these sauces, including cost of shipping insurance and freight (CIF) for arrival at

Southampton is estimated at £6. 80

- The RRP of £2. 49 would produce £1. 92 profit per jar and the hoped for

100% mark-up on products would mean that Spice Man would sell its products to an intermediary for £1. 25, producing 67. 8p profit

- Of the initial stock of 35, 000 cases, Spice Man needs to sell the vast majority – 84%, at the full retail price in order to break even

Place/distribution

- The distribution of Spice Man’s products will be to up-market speciality supermarkets in London, Bradford, Manchester and Birmingham (key Asian food hubs). This could be challenging as ‘ dealing with new suppliers has unpredictable aspects’
- Spice Man will use its new warehouse in Southampton, to stock products. Delivery will be handled initially by a logistics firm. If things develop well, Spice Man hopes to invest in its own delivery vehicles, plus drivers.

Promotion

- The sauces will be branded with ‘ Spice Man’ labels stressing the organic, authentic nature of the products
- Although the focus is B2B, Spice Man also aims to promote the launch of his new sauces in ethnic minority based newspapers. Research has shown that in relation to grocery shopping, the majority of ethnic consumers found this to be an important source of food information

SWOT – Market Overview

Strengths

- The UK’s diverse population and the growth of worldwide travel have developed the UK’s taste for Asian cooking sauces and this trend is set to continue
- Asian food has an image of being healthy and quick and easy to prepare,

as a result the oriental grocery food market is worth £146m with a growth of 4% year on year. Indonesian food has grown 82% in value since 2007.

- 8 out of 10 UK households buy a cooking sauce at least once every year, with the average shopper buying once every three weeks
- There are few equivalent products available

Weaknesses

- The retail price of Spice Man's sauces is relatively high at £2.49 per jar and in today's difficult economic climate customers may prefer cheaper, trusted products
- There is strong competition from other ethnic food markets such as the Italian food sector in the UK, which has the largest market share and is worth £324m and grows by 8.7% each year
- Consumer interest in health has encouraged some customers to stop using ready-made sauces

Opportunities

- The cooking sauce market will grow by 7% by 2011
- Key competitor markets are under pressure e. g. sales are static in the Indian food sector
- More shoppers with children are buying, as are up-market shoppers and customers under 28 years old. There is also growing consumer demand for higher quality, greater nutritional value and more convenient formats. This could offer communications opportunities for Spice Man to differentiate itself from its mass of competition.

Threats

- The competition is fierce in the Asian cooking sauce market and new, competitively priced products are being introduced all the time

Competitors

The competition is strong in this market and new, competitively priced products are continually being introduced.

Key brands in competition with Spice Man:

- Sharwood's – quality brand, Red Thai sauce £1. 57
- Lloyd Grossman – premium brand at £2. 09 per jar
- Supermarket own brands – high quality yet reasonably priced products such as Tesco Finest Thai curry sauce (Red or Green Thai) at only £1. 65.

New variants include Finest Yellow Thai and Finest Laksa at £1. 49

- Patak's Karai – quality mainstream sauce at £1. 57
- Goldfish Curry sauce (specialty product) – £1. 49 per container
- The Real Organics Food Company – organic Thai cooking sauce at £2. 69 per jar (only currently available in the south of England)
- ' Xotiq' produces ambient South Eastern Asian meal kits which are distributed through independent grocer shops, butchers, delicatessens, farm shops and garden centers

Operational channels

Specialty supermarkets have been identified as the best retail outlets because:

- Such operations can be flexible in their terms and conditions, whereas mainstream supermarkets will want to impose conditions such as low

promotional prices

- Specialty supermarkets already target the kind of customers that Spice Man sauces will appeal to

Suitable outlets include:

- London – Hoo Hing – leading independent supermarket network and delivery service
- Birmingham – Sing Fat Chinese supermarket and wholesalers
- Manchester – Win Yip and Woo Sang supermarkets
- Bradford – the Pride Asia supermarket chain

Sales agreements have been established with these stores with each taking an initial stock of 5, 000 cases.

Finance strategy

Spice Man assets:

- £100, 000 in seed capital to invest in the initial stock
- Further £350, 000 loan secured from a high street bank

Budgeted sales:

- Spice Man hopes to make 67. 8p profit per jar. If it sells all its initial stock, it will make an overall profit of £284, 760 (on 420, 000 jars)

Initial Expenses/Overheads

The following cost must be deducted from any profit made:

- Initial stock of 35, 000 cases, then future stock
- Premises – rental of small warehouse in Southampton with tiny onsite office

- Power (light, heat, electricity, gas)
- Telephone
- Insurance
- Transport cost of goods plus insurance (inbound and outbound)
- Postage
- B2B Marketing and advertising
- Interest and bank charges payable
- Office stationery
- Founder's salary
- Equipment hire for example, a small fork lift truck to receive and send on, cases of sauce
- Training budget – specialist training in for example fork lift truck driving, health and safety etc.
- Petrol expenses – for sales visits to potential clients
- Expert fees including accountancy, lawyers etc.
- Depreciation – office and warehouse materials and eventually delivery fleet
- Tax

Human Resources Strategy

- The founder of the company is Indonesian and fluent in relevant Asian languages and English. He also has a track record in the food sales business as he was a successful Asian sauces salesman for Europe. He has the relevant skills to launch such a business and he will be the sole staff member in the short-term.
- As a distributor Spice Man will need to develop strong working relationships

with three sets of key customers including suppliers of the sauces (based in Thailand, Malaysia and Indonesia), logistics partners and the eventual retailers of his product

- In the longer-term Spice Man hopes to employ staff including a sales force, warehouse packers, delivery drivers and a finance expert

Summary

Spice Man has already secured promising distribution deals in its key marketplaces across the UK. It has the human, financial and operational capacity to launch the business but will need to ensure that the quality of its products and service is top class, in order to cement the strong business relationships it needs to succeed as a B2B operator.

References:

Bainbridge, J., 2007. Sector insight: Cooking sauces – sauces gain from premium push. *Marketing*, 24th January, pp. 102

Cripps, P. 2009. Morrisons debut for northeast curry maker Maysan. *The Grocer*. [Online]. Available at: <http://www.thegrocer.co.uk/articles.aspx?page=articles&ID=198842>. [Accessed 29th April 2009]

Ford, R., 2009. Kitted out for an Xotic evening. *The Grocer*. [Online]. Available at: <http://www.thegrocer.co.uk/articles.aspx?page=articles&ID=198732>. [Accessed: 30th April 2009]

Hutt, M., Speh, T., 2009. *Business Marketing Management*. 9th edition. Thomson South Western.

McLleland, F., 2009. Ethnic foods offer convenience retailers variety. The Grocer. [Online]. Available at: <http://www.thegrocer.co.uk/articles.aspx?page=articles&ID=198830>. [Accessed 29th April 2009]

Omar, O. 2004. Food shopping behaviour among ethnic and non-ethnic communities in Britain. *Journal of food products marketing*, 10 (4), 39-57