

# Muffin break marketing plan and financial considerations



Muffin Break will begin its operations as on January 2010 under the corporation named Tea-stores Inc. This would be a start-up bakery and coffee retail establishment which would be located on MM Alam road. Muffin Break would be offering coffee from various countries and there would be array of pastry products available, these would attract a strong customer base and offer the residents of Lahore a variety in tastes.

Muffin Break aim to be a strong player in the restaurant industry of Lahore, this would be due to the experience of the owners and due to the low competition in the market.

Muffin Break would be offering its products at a competitive price to meet the demands of the middle-to-higher income residents of Lahore, especially students who seem to be a large target market for restaurants.

## **The Company**

Tea Stores Incorporated has its headquarters in Karachi. It's equally owned and managed by four partners.

Ms Saniya Malik has extensive in sales and marketing, Ms Hajra brings experience in finance, Ms Benish has been the HR manager in several well established multinationals and would be using her experience for the management of the company and Ms Saba has been a culinary expert and has all the know-how of how food items should be presented.

## **Products and Services offered**

Muffin Break offers a broad range of snacks and drinks for its target market.

There would be a wide array of coffee and espresso products, using coffee beans from various countries such as Brazil and Columbia.

There would be fresh bakery and pastry products that would be made at all times of the day. Since we're aiming for youngsters there would also be various salads available for the youngsters and diet conscious people to select.

Some of the primary products would be hotdogs that will be regular, foot-long hot-dogs and barbeque sauce served on specialty home made buns.

Muffin Break would also be offering side dishes and deserts such as coleslaw, French fries, Onion Rings, potato chips and cookies.

## **MARKET ANALYSIS**

The café and restaurant industry in Pakistan has been experiencing a rapid growth.

The increased awareness amongst the urban population for a cuisine that has various cultures blended in it, it has made it compulsory for any café to offer the best taste from various countries.

Muffin Break wants to establish a large regular customer base, and will therefore concentrate its business and marketing on local residents which for now would be the Lahori population, which will be the dominant target market.

This will establish a healthy, consistent revenue base to ensure stability of the business that has just started its operations.

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In addition, the student traffic is expected to comprise approximately 35% of the revenues. High visibility and competitive products that have a variety of tastes, ingredients, side orders etc and service are critical to capture this segment of the market.

## **Marketing Plan**

Muffin Break would be using a variety of methods to advertise this includes direct mailings, flyers, mailer coupons, and door hanger menus. Initially, their planning to offer students a discount card this would increase the sales their generating from students.

Muffin Break plans to use an innovative customer survey card/ visitor log this would help it in maintaining a database of its customers and this would eventually help in generating a mailing list.

Keeping its student target market in mind, Muffin Break is also planning to sponsor events organized in universities such as Lums, LSE, BNU and UCL. This would also give the café a medium to distribute its door hang menus so that there is increased awareness about the new café that's opened in Lahore.

## **V. Financial Considerations**

Muffin Break plans to open its business with a Rs. 5, 000, 000/- capital. A capital of Rs4, 000, 000/- would be raised by the partners, and the remaining Rs 1, 000, 000/- would be raised by borrowing a loan from the Bank of Punjab.

All the four partners would be investing an equal sum of capital which in this case would be Rs1, 000, 000 per partner.

The loan being taken from Bank of Punjab would be under its ' Karobar Barhaou' loan products available, an interest rate of 10% annual would be charged on the loan that would be paid in 3 years. Payments for this loan are set by the bank at Rs110, 000 that has to be paid quarterly [4 payments in 1 year].

This would provide Muffin Break with its initial start up capital, which is highly crucial.

One of the partner's uncle's restaurants had just closed down in MM Alam and now Muffin Break would be using this premise for its café, although it does need immediate renovation which would be included in the start-up expenditure.

Muffin Break anticipates in its first year an annual sales of Rs 4, 910, 000, followed by sales of Rs 5, 670, 000 and the third year sales would be Rs 6, 550, 000.

As far as breakeven is concerned there are high chances that Muffin Break breaks even in the fourth month of its operations as its sales would be rising steadily.

Profits would be approximately Rs 130, 000 at the end of year 1, Rs 360, 000 at the end of the year 2 and Rs 460, 000 for the year ended 3.

Assumption: The initial start up revenue expenditure has been accounted in the balance sheet under the heading of current assets.

The long term asset that Muffin Break has to immediately purchase is a generator, so that its high quality customer service does not get hindered by any electricity shortages. This has been accounted for the 3 years since Muffin Break's inception in its fixed assets.

## **Sales Forecast**

Muffin Break is in its initial few years hoping to generate most of its sales from its different from the rest hotdogs that would have the student market craving for more.

The next area it seeks to penetrate is the coffee segment, and the café wants its own people to make the coffee which is why no coffee machine would be bought.

Assumption: The prices herein have been set using market analysis the café that have been used for this forecast are: CTC, Jammin Java, Hotspot, Espresso and Gloria Jeans.

Cost of sales have been assumed 15. 63% which is again as per the market analysis.

## **HR Expenditure**

Since Muffin Break wants to stand out from the rest of the cafés its ensuring that it has the best and educated servers, chefs that have great expertise

and credibility would be hired, thus a great amount of investment would be made in hiring the right type of people for Muffin Break.

Assumption: Here we have specifically used only the estimates of Gloria Jeans, that works a lot on its customer service. These are the annual HR expenditure.

An interest rate of 10% has been charged by the Bank of Punjab.

The tax rate prevailing on restaurants in Pakistan are 12%.

It can be seen that over the years Muffin Break's sales are steadily growing, although this is coupled with the increase in Total operating Expenses.

Muffin Break has received a loan of Rs 1, 000, 000 from the Bank of Punjab.

The interest rate charged is 10% although a payment of Rs 110, 000 has to be made in every quarterly payment, this includes both the principal repayment as well as the interest payment.

This loan would be according to Muffin Break's estimations be paid by 2. 75 years even though the bank has offered a 3 years period.

## **Pro-forma Cash Flow Statement**

The cash receipts are mainly generated from the sales of the restaurant.

The cash flow expenditure is based on the cost of goods sold.

The only fixed asset for which there has been an investing activity is the purchase of a generator.

The cash flow principal payment on a loan is the summation of four quarterly principal payments.

The cash figure has been calculated in the cash flow statement

The owners capital would be the same throughout the years, unless there's an investment made.

The retained earnings: these include the profits that have been invested by the Parent Company Tea-stores Incorporated

The other current assets estimate has been assumed using the market analysis.

## **NPV ANALYSIS**

The NPV analysis has been used to show the feasibility of this café, whether the bank or other prospective investors should invest in it.

It shows the present vales of the future cash flows, for this NPV estimation has been done using the WACC.

The Wacc has been found using the Capm Model.

Since the NPV has turned out positive this project should be taken, as it promises high profitability.

An IRR calculation also suggested the internal rate of return of this project was highly positive that makes it a highly lucrative investment.