

Healthy vending machine business plan



**ASSIGN
BUSTER**

Food awareness is one of the most common areas over which people have started focusing as it is directly related to their health. Irrespective of their background, age, income, or any other factor they are concerned about their eating habits. Based on this very particular aspect, we have come up with our product, i. e. ‘ Healthy Vending Machine’ which will target customers in a niche segment during its start.

Our vending machine will be exactly like any other vending machine, but difference lies in its contents. All the content like snacks, drinks, juice, bars, chocolate, etc. in our vending machine will be chosen in a highly particular manner based on their effect on health. We will be giving very high end concern over quality of food that we place in our vending machine as maintaining healthy food will be acting as our USP (Unique Selling Proposition). We are planning to place our healthy vending machine at all the places where footfall is remarkably high like metro stations, railway stations, shopping malls, crowded market places, etc. We are planning to keep price of our products quite nominal as it will help us in attracting customers are they able to fulfill their need in a healthy way by getting healthy snacks without spending extra money.

SWOT

(S)trengths

Primary strength of our venture ‘ Good Luck Food’ would be its uniqueness in the market. We’ve performed extensive research and so far none other vendor is operating in this domain. Thus following a blue ocean strategy, we will be able to capture maximum percentage of the market without any competition. Based on this trend, there had been several restaurant take

away places that started in recent past in order to serve healthy food in a community which is struggling to get such options. This particular factor will act as the primary strength for our business.

(W)eakness

Weakness of this 'Healthy Vending Machine' will be to attract people towards itself during initial times along with ensuring that it is able to form a clientele. It is one of the most difficult tasks to be performed by any new business, especially for those which are not associated with any big brands. Being a startup (though with excellent business idea), it will act as a weakness for us, had it been started by another vendor which is already operating in this segment and has reputation in the market. Another weakness would be that we'll not be able to spend large sum of money over its marketing and increasing awareness among masses regarding our product. We would be having very limited amount of resources which we would be spending over its marketing and promotion during initial times. Once it starts generating revenue, we will be able to allocate more funds in this domain, but during initial times, new name in the market will act as a weakness for our business.

(O)pportunities

In recent past, bad and unhealthy eating habits of people have resulted into unnatural physical changes. According to a report, amongst most obese countries in the world, UAE ranked fifth. An average person in UAE is consuming 20% more calories than required on a daily basis. Thus it has become a major problem for authorities to take care of this problem. (UAE the fifth most obese country in the world, 2012)

Based on this particular factor, our venture will pose great support to such authorities and we will get initial push without much effort. Also many of such authorities are owned by government, which will provide government support to our venture. It will also help us in getting required permissions from Abu Dhabi Food Control Authority and Dubai municipality in a hassle free manner as we are helping them solve the problem along with complying with their Policies and Regulations. (Policies and Regulations)

(T)hreats

As per our research, there is a high demand of healthy food in almost all the parts of UAE. Also people would be willing to pay more amount of money for this category of food which makes it a lucrative segment of food industry. Also it is one of those segments which have still not been tamed by few market leaders; there is a high end possibility that many new entrants could enter the market soon after us.

We ourselves being new entrant in the market would make it extremely difficult to survive for a longer period of time in the market in which echelon of competition is continuously increasing. Another important parameter which should be taking into consideration is that after sometime, if already existing vendors like Snackzone, Coffee Planet, etc. also enters into the same segment of the market as they are always looking for opportunities, it will become highly difficult to ensure our survival if substantially remarkable survival strategies are not adopted by us. Thus we need to focus over our progress throughout our tenure in the market along with taking care of our survival. (Next generation vending machines launched at UAE-based Coffee Planet, 2012)

Risk Analysis

Basic parameter associated with any new venture is ' Risk'. There is no way one can eliminate the risk completely, but by adopting certain measures it is possible to reduce the level of risk.

Intimidations

First parameter is level of increasing competition which will be a problem in near future based on the prosperous aspects associated with this market segment.

Although new entrant will not pose such high degree of risk, but they will still make an affect over our strategies.

Major risk is from existing players. If they also enter the healthy vending machine segment, it will make a high end impact over our profitability and operations. Also they would have ample resources to sell products at lower margins and kick us out of the market.

Estimate Risks

With every threat, there is an associated factor of risk.

Increasing competition over the period of time had already been estimated by us as it is inevitable. It will make an impact over our market capturing and market penetration.

If new players will enter this market segment of healthy snacks, it will make an impact over our profitability as it will hamper our profit margins. Although it might not be the case in all the regions, but there is a high end certainty of this particular factor.

If existing players enter this market segment, it will make a direct impact over our survival. We may have to follow a separate strategy for survival, but there is also a possibility that we may get extinct if we are not able to handle the competition.

Managing Risks

To handle new entrants, we will have to cover as much market as possible in our first phase before our competition arises. This particular aspect will give us more market visibility as compared to any other vendor. Also being the first player in the segment, we have a chance to establish our monopoly during initial times and earn large profits which will help us in fighting competition at later stages.

To manage the risk of existing players entering in this segment, we will have to ensure that we establish our unique image in the market. Although we do not have ample time, but in order to tackle this risk, we will have to build our brand value and ensure our survival. (Risk Analysis)

Form of Business Ownership

Defining the form business ownership is extremely important as it will define way of our operations along with our liabilities. We can either form ‘ Partnership’ or ‘ Corporation’. But as the food industry, especially healthy food industry is not generally liable to go into heavy debts; it is not required to go for ‘ Corporation’ option. We can choose Partnership for our business venture as amount of initial investment is also not extremely high.

Specifying details of Partnership firm, we can go for ‘ General Partnership’ as it will ensure equal involvement, responsibility and liability of all the partners

in the firm. Thus all the owners will also be responsible for any legal actions if taken against the company which is very less likely as we trying to solve a problem.

Business Goals

Following are the Business Goals of Good Luck Food:

- Ensure its profitable existence throughout its lifetime so that we are able to conduct our operations adequately.
- Build ‘ Good Luck Food’ a brand in Middle East part of the world.
- Provide healthy food to all the people to ensure that they are following a good lifestyle.
- Spread health awareness amongst people which is a noble cause and also act as our Corporate Social Responsibility. It will also help in boosting our business in long run.
- Generate healthy competitive environment in the Middle East region so that customers are also benefitted from our existence.
- Work in compliance with government norms and help it in solving one of the biggest challenges of near future.

Mission Statement

Mission of ‘ Good Luck Food’ is to provide easy accessibility of healthy munching options to individuals and become a leader in the market.

Marketing

Marketing Analysis

In the recent few years, UAE has been emerged as one of the biggest business capital in the world. People from all around the world have come in

this country to either open up a business venture or work in some countries. With such a great diversity of people coming in this country, the level of health security has also increased. This gives a great leverage to our product ' Good Luck Food'. With an increasing popularity for one-stop-shop or one-stop-machines, the target population for our product is not restricted to any particular age, gender or income level. But still, there are some groups which can be considered as a higher buying level group and there is some other which is considered low.

Looking at the demographics of the country, the total population is 7, 890, 924, as estimate in the year 2011. Around 71% of the people living in this country are immigrants. There is a gender ratio 70: 30 (male: female).

Talking about the main target market of the product, this product is reachable to all the customers irrespective of their age, gender, or income level. But, the company is mainly focusing upon the people of the working age group and people who are more into sports (mainly kids). As far as the income level of the target population is considered, middle class people and high class people are the main target customers. Main reason for keeping kids and the working age people to be the target market for the product is that our product will mainly be located in Metro Stations, railway stations, Shopping malls, etc. Hence, the specified groups of people visit these places more often as compared to the other groups.

Talking about the geographical distribution about the target market, our product will initiate its business in three main cities of UAE – Abu Dhabi and Dubai.

According to ICD Research, the potential market for vending machine is UAE as per the year 2015 is going to be huge. Already, there are several companies putting their vending machines at different locations in UAE. The popularity of vending machines is continuously increasing because of the changing needs of the people. Today, nobody would like to go to a shopping mall to buy eatables for immediate consumption, everybody wants vending machines – they are easy to reach and they are cool!

There is a change in the needs to the customers as well. The customer, whichever age may he be from, is now becoming more concerned about his or her health. With such a changing need, ‘ Good Luck Food’ will serve fruitful to the customers because it will be the first vending machined which will help the customers to chose according to their health status.

The sales of various products from the vending machines will depend upon the requirement in a particular season; for example, in Soft Drinks will be more popular in the summer season whereas in the winters, coffee and tea will be preferable. Hence, the sales of few of the products from vending machines will be season.

The collection of products in the vending machines should be set keeping in mind their popularity in the market and among the customers. It is very much important that the vending machine should contain all the food which is preferable by the customers. Hence, sales from the vending machines depend a lot on the popularity of the products kept inside the machines.

Marketing Plan

Advertising and Promotional Campaign

There are different types of promotional techniques to be used in the marketing of 'Good Luck Food' among the customers. These promotional techniques used by the company are as follows:

Using Print Media (Newspapers and magazines advertisements): Not in comparison with the earlier times, but still newspapers and magazines are mostly used by the people when they are travelling or when they are not doing anything else. Almost every age group is acquainted with these. Keeping in mind the diversity of the population of UAE, the advertisement will have to publish in both Arabic and English Newspapers. At the starting stage of the business, it will cost AED 50, 000 and the frequency of the usage of the advertisements will be once in a week three months before the launch and daily, one month before the launch and at least three months after the launch. This is one of the most expensive advertisement technique used by the company but is effective as well

Using Digital Media (Television, FM): This is again an expensive technique of advertising. Main target market is the kids, ladies, husbands watching sports channel, daily soaps, and news channels, respectively. The frequency of the advertisements from the digital media would be same as the print media. It would cost a little more than the print media i. e. AED 60, 000

Web Advertising: This is one of the most preferred ways of advertising. In the present era, almost everyone is acquainted with the internet. 'Good Luck Food' will be promoted on the websites which are highly popular, for

example, advertisement will be put in almost every social networking site – facebook. com, twitter. com, etc. These are several other websites where the advertisement will be displayed by the company. The cost of web advertisement would be AED 35, 000

Posters, Hoardings, etc.: Digital and non-digital posters will be displayed on various important places (mostly the places where these vending machines are to be placed) like shopping malls, railway stations, metro stations, etc. These are available for all the passing by customers. This is one of the most effective ways of promotion in case of promoting the product through an eye to eye catch. Total cost of promotion through these techniques would be around AED 35, 000

Web Presence

As this has been presented earlier that internet advertisements would be one of the best ways to promote the product because almost all the people at present are acquainted with internet in the present era. Hence, there is a huge web presence of the product before it gets started off in the market as well as the time when it gets launched because at the present times, it is highly important to continue promoting the products during its operations as well otherwise, its popularity degrades.

Location & Layout

Location

‘ Good Luck Food’ vending machines will be available in various places like metro stations, railway stations, shopping malls, crowded market places, etc. These places are chosen for the placement of these vending machines

because these have high footfall which clearly means that a lot of people would visit these place on a daily basis.

All of these locations would be considered crowded with obviously crowd in the railway stations and metro station would be more than the crowd in the shopping malls as far as the daily frequency is concerned. Hence, these places are chosen because of the fact that they produce high human traffic.

As these vending machines would be placed at the railway stations and metro stations in the open, a deal with the Abu Dhabi and Dubai Municipality has to be done. Permission will need to be taken before launching the same. This deal will be cracked in an approximate average lease of AED 100, 000 per year per location. As we are planning to have 25 locations in Abu Dhabi and 25 in Dubai at the start of the business, hence for the location charges, the company will have to pay AED 5, 000, 000 to the municipality.

Other stakeholders involved

Other stakeholders involved in the business are as follows:

Founder and CEO of the company: The company is founded in partnership of two person – Mr. A and Mr. B. Mr. A has done his MBA in marketing from UK and has a total experience of 10 years in the CPG industry in UK and UAE both. Mr. B has done his masters in Finance from Abu Dhabi. He has a total experience of 12 years in the CPG industry

Suppliers: Our prime suppliers are few of the very important brands in the industry like Dabur, Pepsi, etc. These are the reputed brands in the industry and hence contribute a lot in the sales of the products.

Legal and Auditing Firm

Company's yearly financial statements will be audited by XYZ firm with an annual charge of AED 50, 000.

Human Resource Plan

Legal Issues with the Employees

All the employees in the company will be hired with a legal obligation to work for at least one year in the company. This will be a mandatory bond which the employee will have to sign with the company before joining.

Projection for the employees for Future

Total Investment Made

42, 870, 000

Syndicated Loan of AED 30, 009, 000 has been taken from two different banks of UAE. These loans are promised to be repaid in the time span of 10 years with an interest rate of 10% per annum.