

Business plan for the chocolate shop marketing essay



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The confectionery industry in Pakistan is one that is growing and is promising for our business. This is due to the cultural changes and in the liking of our target market. Our marketing strategies include differentiation, creating customer awareness, increasing customer confidence and finally market development. These strategies aim to satisfy our marketing objectives and goals. Apart from these we have set objectives and strategies on a functional level for marketing research, customer services and the advertisement and promotion of our business.

Our total investment is of Rs. 4590, 000 out of which Rs. 1500, 000 is a loan taken from the bank. The interest rate on this loan is 10%, and we plan to pay it off in a time period of ten years.

The major problem involved in our business is that of an increase in interest rates and problems that we will have to face in regards with the location of the shop. Our main risk is associated with the competitors.

Business Description

Brand Name

The chocolate shop

Tagline of the company

“ One Taste Is All It Takes”

General Description of the business

Our business is that of confectionery chocolate which is customized. We will be opening one outlet by the name of the chocolate shop in either Y-Block in defence or Xinhua Mall. The chocolate will be processed after an order is

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placed according to the preference of the consumer. Different sizes, shapes, packaging and flavors will be available. The consumer will be able to choose their own blend of all of these.

Product and services

Semi sweet chocolate chips

Milk chocolate chips

Classic white chips

Semi sweet chocolate baking bars

Unsweetened chocolate baking bar

Bittersweet chocolate baking bar

Milk chocolate baking bar

White chocolate baking bar

Milk chocolate almond bars

Crispy chocolate bars

Blueberry and almond chocolate bars

We also provide chocolates for special occasions in special packaging

Boxed chocolates

Holiday specials

Corporate gifts

Custom molding

Fund raising

Uniqueness of the product

We are one of the very few chocolate manufacturers that make chocolate starting from the cocoa bean through to finished products. Throughout the process, we take special steps to ensure that our premium chocolate delivers our signature intense, smooth-melting chocolate taste.

The uniqueness of our product lies in the fact that we make custom made chocolate with variations to the size, packaging and flavor according to the preference of the consumers

Intensive quality assurance in the selection of cocoa beans means that we accept only the highest-quality beans. We reject as many as 40% of the beans that are offered to us. Beans that are not selected are sold to other manufacturers.

In all of our chocolate product, we use a proprietary blend of cocoa beans that is refined to provide the company's distinct and intense chocolate taste.

We roast the cocoa beans in-house to ensure the company's signature flavor profile is consistently maintained in all chocolate products. Because the nibs are fairly uniform in size, we have more control over the temperature and time, so we can get a more specific flavor. Other companies roast their beans before removing the shell, which requires over-roasting the outside

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portion of the bean in order to roast the inside. This could impart a burned flavor to their chocolate.

Finally, we use an intensive refining process to ensure that its chocolate truly melts in your mouth! We have no grainy feel because we refine most of our chocolate flakes until they are 19 microns (human hair is 100 microns in diameter). Other mass market chocolates are refined to only 40 microns.

Overview of the confectionery industry

Chocolate and Confectionery industry has shown a satisfactory progress in recent years. The industry flourished under tariff protection and it has not only saved foreign exchange which would otherwise have been spent on the imports of such products but has also started earning the much needed exchange to the country. The vast Middle East market is open for the sale of chocolate and confectionery and Pakistan has all the potentials to capture this market. Export of chocolate products included sugar preparations, which increased from Rs. 23. 173 million in 1985-86 to 295. 136 million in 1992-93. The sugar preparations included Pakistani jelly and jams exported in packed form. However, presently more than ten years later the trends have changed to quite an extent. Due to changes in culture and the people being exposed to media, there have been an inclination towards western confectionery which has increased by demand for chocolate confectionery.

The Pakistan confectionery product category reached a value of \$32. 6

million in 2001. It is by far the smallest confectionery market in the Asia-

Pacific region. Pakistan contributes less than one percent of the Asia-Pacific

confectionery revenue. No single product category dominates the market.

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Standard grocers are the leading distribution channel, holding one third of the confectionery market revenue. Traditional grocers are the only other channel to capture a double-digit share. The remainder of the market displays a high degree of fragmentation Use this report to understand the key trends and issues in confectionery and assess the competitive landscape of the Pakistani confectionery industry.

Goals and potential of the business

Goals of the company include the following:

To give our customers the best quality customized chocolate

To gain the highest market share in the industry

To gain consumer confidence and loyalty

The company has high growth potential as the industry it is operating in is one which is growing and the willingness and buying power of the consumers is growing as well which will create high demand for our company. Moreover, corporations such as Multinational companies, banks e. t. c are now commonly using confectionery chocolates as gifts to their business clients as well consumers, this will also be of advantage to our organization and help it to grow.

Marketing

Research analysis

Industry Analysis

The industry that The Chocolate shop operates in is that of the confectionery industry which is a growing and an immensely popular industry having organizations such as Nirala, Gourmet and Patchi operating under it. The industry relies mainly on the changing lifestyle patterns and the population growth of the target group.

Opportunity

The opportunity of setting up a confectionery can be linked with the eating habits and demand of the people. People in Pakistan enjoy the traditional confectioneries very well and their demand is still extremely high on occasions such as weddings, birthdays, Eid and also in corporate clients, however recently there has been a cultural change in Pakistan. Now people are turning towards new lines and varieties of confectionery items. This major change can be seen in corporations mostly and now for weddings as well.

Increase number of Outlets

A rapid increase can be seen in confectionery outlets recently, this is a reflection of the increase in demand. The increase in the number of outlets have made such products more accessible to the consumers. Many organizations have opened small outlets near offices or other locations chosen specifically to maximize convenience for consumers.

Consumer demand

In Pakistan confectioneries have always been used as gifts on weddings and other occasions however now there is a higher demand for chocolate confectioneries on not only weddings but also on Eid and birthdays. There is a high and an increasing corporate demand for such confectionery items as now people want to deviate from the traditional sweets.

Competitor Analysis

Our chocolate shop will be competing with all confectionery shops in Lahore, however their main competitor will be Patchi as this organization's main product is chocolate as well. Other competitors are Nirala and Gourmet because they also serve confectionery items on weddings, birthdays, Eid e. t. c.

Nirala has been in the industry the longest and many people of Lahore have a loyalty towards this brand. It has been used on weddings and other occasions. One of their strengths lie in their variety of packaging according to the occasion they cater to. Their packaging is quite diverse and comes in all sorts of sizes. They now also offer a sitting place for their consumer which has increased their demand a great deal because this is one of the feature which is not offered by any of their competitors. Gourmet on the other hand has also had an increase in consumer demand recently because of an increase in their product quality. There is a high demand for gourmet products on weddings, however it is not favorable amongst corporate clients.

Patchi is the direct competitor of our business. They serve chocolate confectionery in different sizes and packaging. Their major clients are corporate clients and they serve to the upper class of the country due to

their pricing. Our business will have a competitive advantage as it will be serving custom made chocolate, sized according to the consumers preference and it is also offering a sitting place in the shop. Moreover, we will also be serving for weddings, birthdays e. t. c.

Target Market

The population of Lahore is approximately 7, 000, 000 people. Our major target market will be the corporate clients of Lahore mainly and other adjacent cities as well. The trends in the corporations of Pakistan are now changing, corporations often present gifts in the form of chocolates to their consumer as well as their business clients. This trend is on an increase in the country. We will also cater for weddings in large packaging and other occasions such as birthdays and Eid. However this will be targeted towards the upper and the upper middle class of the country. Our target market will also largely include walk in clients who will purchase chocolate in small quantities as compared to the corporate clients or those catered for weddings. There is no age limit to the target market as Chocolate is a certain product that is liked by everyone.

Market Size and trends

The market size of our target market includes all of the upper class of Lahore and adjacent cities, all of the upper middle class and any person who could be a walk in customer. Apart from this we are serving to corporate clients which includes fourteen banks and other multinational organizations as well as the local ones.

Marketing Plan

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An in depth analysis of marketing research will be conducted prior to making the marketing plan. Marketing of The chocolate shop will play a key role in the mobilization of targeted number of customers. Major marketing options include, site advertisement, cable ads and handbills among other traditional marketing channels. Before launch of the project, it is recommended that a research for understanding the dynamics of the targeted market should also be carried out, to design the products as well as the promotional strategy. The basic principle of marketing is to sell the right product, at the right price and promote it in the right place to the right people. However, there are other socioeconomic factors, which also affect the production, selling and consumption of foods. The success of marketing is often determined by the extent to which various socio-economic factors are considered.

Business Situation

As it has already been discussed above, the market for confectionery items are in a growing trend because of the increase in the demand and cultural changes in the country. The scope of the market is great as at the moment the only direct competition our business will be facing is Patchi and there is a high demand for confectionery chocolates within the corporate world.

The distribution of our chocolate will be done through our own retail outlet, we will be implementing the strategy of forward integration. Our product will not be distributed to other retail outlets. All orders will also be places at our own shop.

Our consumers would want value for their product and they will be given high quality products. The customers will be ranging from all age groups

however we will be catering mainly for the upper class and the upper middle class, however a major target market of the business will be of walk in clients.

Identification of problems and opportunities

The major opportunity of our business is that it is operating in an industry which is growing and has high demand. Another opportunity is of the growing inclination of corporations towards the use of confectionery chocolates for purposes of gifts e. t. c. Our business will also be using state of the art technology for the chocolate making which will be made fresh after the order is places by the customer. The future of the confectionery industry also proposes many opportunities for our business, as the industry is offering a promising growth. This has occurred as a result of cultural changes and the increase in consumer income and spending power.

Our business will be serving the needs of the consumers by making available to them customized chocolate which was initially not being catered to them by any source.

However our organization will also be facing certain problems. The first issue to face is that of the entry of timing into the market. As the main decisive factors in this case are events and season, we will have to match the timings with these two limitations. For example weddings generally occur around winters in Lahore, therefore entering the market well before that would be a good idea. Another issue that would be faced is of the sustainability of the organization, it is not only important to be successful over a certain time period but the most difficult part is to be able to sustain this success and to

be able to meet the changing requirements of the consumers. Another problem would be to see whether the location we will opening our shop at is accessible to a majority of our clients and can attract a large number of walk in customers.

Marketing objectives

This stage in marketing planning is indeed the key to the whole marketing process. The marketing objectives state just where the company intends to be; at some specific time in the future. To be most effective, objectives should be capable of measurement and therefore 'quantifiable'. This measurement may be in terms of sales volume, money value, market share, percentage penetration of distribution outlets and so on. Some of the objectives of our business are as stated below:

To increase sales by at least 10% each month

To achieve a market share of 10% within the first 18 months of operation

to achieve atleast 75% customer awareness of our product in our target market within the first 6 months of operation

To gain customer confidence within the first 12 months

Marketing Strategies

The marketing strategies are formulated in such a manner that they will assist in attaining the above marketing objectives

Differentiation: this is the primary marketing strategy of our business. We will be offering a unique product that is not available in the market before.

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This strategy will be useful in increasing our sales objective and the market share objective

Increasing awareness about our product is another strategy which will be used to achieve all three marketing objectives of our company. This will be done through effective marketing and promotional activities

Customer confidence will be gained by taking in complaints from customers and handling them as the customers desire and also by providing customers with high quality

Market development is another strategy which our business plans to follow after a certain time period of our establishment. We will be exploring new untapped markets in terms of geographical area to increase sales and market share.

Departmental / Functional objectives

Our functional objectives will be divided into the advertising and promotional objectives, customer service and market research objectives.

Advertising and promotional objectives:

build awareness to reach the customers and tell the market as to what we are what we offer

Create interest in our consumers in order to make them visit the shop at least or to make a purchase

to stimulate demand and increase the purchasing activity.

Reminder advertising which will be used to maintain the interest and awareness of the consumers.

Customer service objectives

The main objective for customer services is to make sure that the complaints of the customers are heard and are taken care off.

Market research

To keep the business up to date with the changing demands of the consumers

To keep the business up to date with the entry of new competitors

To keep the business up to date with the strategies of the existing competitors

To keep the business up to date with the technological innovations of the industry.

Departmental / Functional strategies

These strategies will be implemented in order to meet the above objectives.

the advertisement and promotional objectives would be achieved through strategies involving effective advertisements through print and television mediums as well as bill boards.

the reminder advertisement objective will be achieved by continuous effective advertisement, however it will not be on such a large scale as it will be at the time of launch.

customer service objectives would be reached by having a 24 hour help line available to the customer for complaints and other queries.

Market surveys will be conducted time to time in order to achieve the marketing research objectives

Control of the Marketing plan

In order to keep an effective control on the marketing plan periodic reviews will be held. On quarterly basis a review of the marketing plan will be held to see whether the objectives are being met and if the strategies are efficient or not.

Feedback will be taken from not only consumers but also from the employee's of the organization on the operations of the company and on the implementation of the marketing plan. The marketing plan will then be reviewed accordingly and changed if needed.

Operations

Organizational Plan

Building a strong, lasting organization requires careful planning and strategy, in which organizational plan plays a vital role. Organization plan discusses the form of ownership and advantages and disadvantages of the new venture.

Its further includes authority of principles and rules and responsibilities of all the major position of the business.

In the organizational plan, developing the management team and form of organization are the foremost steps. In this the importance of employees, their loyalty and commitment to the organization and type of ownership is of greater concern to the potential investors as well as for the entrepreneur.

Form of ownership

There are three types of major legal forms of businesses or ownership. The three basic types are:

Proprietorship

Partnership

Corporation

These three basic types of businesses are compared with regard to ownership, liability, start-up costs, continuity, and transferability of interest, capital requirement, and management control, distribution of profits & losses and attractiveness for raising capital.

The new venture “ The Chocolate Shop” is proprietor owned business. The owner is the individual who starts the venture and has full responsibility for all the operations. The owner may hire some personnel such as managers, advisors, and accountant etc, to assist in day to day working of the business.

Liability of owners

The proprietor is liable for all aspects of the business, which means no distinction is made between the business entity and the owner. This is known as unlimited liability in which owner has to satisfy any outstanding debts of the business, creditors may seize any assets the owner has outside the business.

Cost of starting a business

The financial cost of the business is mentioned in the financial plan. But here, the cost of starting the business refers to the legal fees and expenses incurred for the formation of the venture. In our new form of business which is based on the sole proprietorship, there are not many legal expenses involved compared to the other forms of ownership. The only legal fees required is the fees for trade name, which makes the cost of starting the business very low.

Continuity of business

Continuity of the business is one of the most important issues for the investors as well as for the suppliers and customers because investors are concerned about the investment, and suppliers and customers prefer to have long relationship with the business they are interacting with. The chocolate shop is a proprietorship business, in which continuity of the business depends upon the owner will to continue, and or otherwise lasts till the death of the owner. Where as, typically in Pakistan, business is continued by the successor of the owner.

Transferability of interest

In a sole proprietorship, the owner is completely free in the transferability of interest. The owner can sell any part or the business as pleased or when a good value is given. The chocolate shop`s owner has the same advantage of transferability of the interest being a sole proprietor.

Capital requirement

The need for capital during the early stages of the new venture can become one of the most critical factors in keeping a new venture alive. For a proprietor, any new capital can come only from loans by any number of sources or by additional personal contribution by the entrepreneur. In borrowing money from the bank the entrepreneur may need collateral to support the loan. Any borrowings from outside investors may require giving up some of the equity in the proprietorship. Which ever the source for fund is the owner or the entrepenure is liable to make the payments and a failure to do so can result in foreclosure or liquidation. However, even with these risks the proprietorship is not likely to need large funds of money to do business.

The chocolate shop, has acquired Rs. 1. 5 million from the bank and the rest of Rs. 3 million is invested by the proprietor himself/herself. To acquire the loan from the bank, the owner has to keep his/her house as collateral.

Management Control

In any new venture, the entrepreneur will want to retain as much control as possible over the business. In proprietorship, the entrepreneur has the most control and flexibility in making business decisions. Since the entrepreneur is the single owner of the venture, he or she will be responsible for and have

sole authority over all business solutions. Mean there is a centralized chain of command in the shop.

Distribution of profits and losses

The chocolate factory is single owner or sole proprietor based business, therefore all the profits and losses are received by the owner.

Attractiveness of raising capital

The ability of proprietor to raise capital depends on the success of the business and the personal capability of the entrepreneur. Primarily because of the problem of personal liability raising capital is a difficult task.

Tax attributes for proprietorship

In proprietorship taxable year is usually a calendar year and taxes are deductible on the income generated by the proprietor business. Organization cost is non-amortizable and capital gains are taxed at individual level. A deduction is allowed for long-term capital gains and capital losses are carried forward indefinitely. For the initial organization or commencement of new business, results in no additional taxes for individual.

Tax issues for proprietorship

The proprietor has some tax advantages that there is no double tax when profits are distributed to the owner and that there is any capital stock tax or penalty for retained earnings in the business.

Authority of principle

The main authority of principle in the chocolate shop is with the C. E. O that is chief executive officer, who is responsible for the entire major decision making. Main functions of the C. E. O are:

Reviewing operating and capital budgets

Developing longer-term strategic plan for growth and expansion

Supporting day to day activity

Resolving conflicts

Organogram

C. E. O

Manager

Production Department

Sales Department

Cashier/Accountant

Salesman

Salesman

Store Keeper

Chocolate

Maker

Chocolate

Maker

Roles And Responsibilities Of Management

C. E. O: This diagram shows that at the top of the hierarchy there is a C. E. O who is the sole proprietor of the business . He the is the only owner of the business his job basically would be to have an overall look at functions of the business . It is a centralize chain of command. As the sole owner of the business will be taking all the major decisions at the top. All the employees of the business would come under his command.

Manager: As the name suggests the manager is responsible for managing the resources in the best possible way and give the business its best possible outcomes. Manager takes into account the performance of the sales and production department. The manager is answerable to the CEO regarding the feat of the two departments. The manager also assesses the performance of the workers in the lower levels of hierarchy.

Sales Department:

Cashier/accountant: The cashier looks after the cash flows (both inflows and outflows) of the business. The person also maintains the accounts of the company, recording its sales, revenue, expenses etc of particular periods. A specialist is required for the job because of the importance and complexity of the task.

Salesperson: The primary function of this salesperson is to generate and close leads, educate prospects, fill needs and satisfy wants of consumers appropriately, and therefore turn prospective customers into actual ones. The successful questioning to understand a customer's goal, the further creation of a valuable solution by communicating the necessary information that encourages a buyer to achieve his goal at an economic cost is the responsibility of the sales person.

Production Department

Store keeper: This is a job in which the concerned person has to keep all the records of the inventory and the raw material. He has keep track of every thing which comes and goes from the store. He will report directly to the manager of the daily flows. He will recommend how much and when the raw material is need.

Chocolate Maker: This person will handle all the chocolate making process. He will handle all the machinery and the chocolate making process. He is basically a trained professional an artist in his field . He will design and make the chocolate according to the taste of the customer.

Financial Plan

Total Investment

Break down of Initial Investment (Rs. per month)

Rent

60, 000 x 6 = 360, 000

Salaries

80, 000

Raw material

300, 000

Packaging

150, 000

Furniture

600, 000

Transportation

600, 000

Interior

1500, 000

Machinery

1000, 000

Rent will be paid six months in advance, totaling Rs. 1200, 000. Salaries are a total of Rs. 80, 000. Rs. 20, 000 of these would be paid to a manager, Rs. 15000 each to the employees hired for the making of the chocolate and Rs.

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5000 each to three other employees who would be taking orders and serving. Products would be sold on a price of Rs. 200 per 100gm of Chocolate.

Paid in cash

3090000

Loan from bank

1500, 000

Total

4590, 000

Income statement

Advertisements

Advertisements in the income statement are the highest in the first month because that is the starting month so investment in advertisement needs to be higher. It reduces in the summer and increase again October onwards.

Depreciation

Depreciation is calculated on furniture as 5000, it has zero salvage value and the useful life is 10 years. Machinery has a salvage value of 350, 000 and a useful life of 10 years hence the depreciation is Rs. 7083. 3.

Interest expense

The interest rate on the loan is 10% and the loan is to be given back in a period of 10 years and is paid monthly.

Jan

Feb

March

Apr

May

June

Sales revenue

1400000

1800000

1600000

1600000

1600000

1600000

CGS

630000

810000

720000

720000

720000

720000

gross profit

770000

990000

880000

880000

880000

880000

Operating expenses

salaries

80, 000

80, 000

80, 000

80, 000

80, 000

80, 000

Utility bills

100, 000

100, 000

100, 000

100, 000

100, 000

100, 000

Maintenance

10, 000

10, 000

10, 000

10, 000

10, 000

10, 000

Misc expenses

5, 000

5, 000

5, 000

5, 000

5, 000

5, 000

Advertisement

150, 000

50, 000

50, 000

50, 000

50, 000

50, 000

Depreciation on furniture

5, 000

5, 000

5, 000

5, 000

5, 000

5, 000

depreciation on machinery

7, 083

7, 083

7, 083

7, 083

7, 083

7, 083

interest payments

20, 343

20, 343

20, 343

20, 343

20, 343

20, 343

rent

360, 000

transportation

615, 000

15, 000

15, 000

15, 000

15, 000

15, 000

raw material

300, 000

300, 000

300, 000

300, 000

300, 000

300, 000

packaging

150,000

150,000

150,000

150,000

150,000

150,000

total operating expenses

1,802,426

742,426

742,426

742,426

742,426

742,426

Profit before tax

-1,032,426

247,574

137,574

137, 574

137, 574

137, 574

Tax(30%)

-309727. 9

74272. 11

41272. 11

41272. 11

41272. 11

41272. 11

Net Income

-722, 698

173, 302

96, 302