

Business plan for a handicraft business in uk marketing essay



**ASSIGN
BUSTER**

INTRODUCTION

The objective of this report is to study and prepare the business plan for a handicraft business in UK. This business plan deals with the feasibility analysis, idea generation, and industry analysis at both the local and global level to understand the market and business factors.

The market analysis is also done, primarily through the secondary sources to capture the potential demand of handicrafts in the UK market and the trends which the customer are looking for in this industry. After analyzing the demand, the technical analysis was done for the business.

For the success of any business, it is necessary that the idea or the basis of the plan should be strong. But it is also imperative that the plan should take into account a true picture of financials to have a strong foundation on which the business can be built upon. Therefore in the report, a detailed preparation of cash flow analysis, profitability analysis and the expected expenditure in the business has been taken care of. The report has taken into consideration the risk factor also which the business needs to consider before commencing on the work.

Handicraft is a business which needs not only financial capital but also human capital and it is necessary that skilled labour is available in plenty. The attrition rate is low in this industry provided they are provided with adequate support and wages. In the report I have tried to touch upon that issue as well. Also the manner in which the products would be sold and promoted in the market would be taken care of. We would not be opening our own stores for now and would be selling on to other retailers. However

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

the idea of opening the stores is not discarded as whole for now and would be seen as an option at a later stage in the life of the business. Heavy spending is planned to promote the products in the initial phase of the business and various media vehicles would be tried upon to promote the products well in the market. The business as of now focusing primarily on the UK market and later on in the later stage, the business can be expanded further.

Contents

Introduction

Handicraft Industry

The handicraft industry is one of the most productive sectors in the economy. The reason being that this sector not only uses the raw materials but also give employment opportunities to a number of people. Thus not only financial capital and raw material is employed but also a lot of human capital is also used in this business (Garrison, 2008).

According to United Nations Educational, Scientific and Cultural Organization (UNESCO) International Symposium on “ Crafts and the International Market: Trade and customs codification”, Manila, Philippines, October 1997.

Handicrafts can be defined as products which are produced either completely by hand or with the help of tools. Mechanical tools may be used as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. Handicrafts are made from the raw materials and can be produced in unlimited numbers. Such products

can be utilitarian, aesthetic, cultural, artistic and may have a social, religious and symbolic significance (Robertson, 2002).

Industry Analysis

UK has been a country with a rich and diverse culture. Lot of migrant population also resides in various parts of the country. It is because of this that handicraft industry has played an important role in this country. The industry provides economic advantage much because of the demand from various strata of the population (Mathias, 2001).

Handicrafts have always attracted people much because of their cultural importance and it crosses barriers too. The customers in any market look for handicrafts from not only the local market but also from the other countries (Barlow, 1991). Therefore both the cultural and financial values are attached to this industry. This industry by its mass and production scale lies in the middle class as not much finance and manufacturing facilities are needed in this business. The industry is decentralized and is labour intensive. Not many players fight in this market and only small players operate in this area. The sector employs a lot of people and thus acts as a medium of employment for lot of people. The sector has seen an increase in growth much due to the fact that people have been more open to the culture of other countries and are accepting it more often. The era of globalization has helped in the revival of this industry not only in the UK market but also in other markets too (Andrews, 2009).

Classification of Handicrafts Industry

Handicraft products can be distinguished into the following:

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

Metal ware

Wood ware

Hand printed textiles

Embroidered and crocheted goods

Shawls

Carpets

Embroidered goods

Bamboo products

Zari goods

Earthenware and jute products

Miscellaneous handicrafts

SWOT Analysis of Handicraft Industry

Strengths

Market is diversified and has huge potential

Presence of large product variety because of various cultures

Low capital investment

Flexibility in production of goods as per market demand

Low barriers to the entry of new players

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

Products sold are high value ones and have diversified usage

Weakness

Lack of coordination between government bodies and companies

Inadequate information on the current market trends

Lack of skilled labour

Opportunities

Development of domestic tourism sector which helps in boosting sales.

Usage of internet and other technologies in boosting the market potential

Rising demand because of people becoming more open to cultures

Threats

Lack of branding opportunities in this sector

Threats from the developing countries like India and China in terms of resources

Business Proposition

We would be dealing in the limited set of handicraft industry as many products come under its purview. Our company would serve the needs of the customers in only the wooden handicrafts market. The reason for choosing this is that in UK market these products are used almost in every home.

Products like decorative chairs, desks, beds, sofas which are made by hand are seen as high value products in the market as customers look for something different. Particularly for the UK customer, they need products

which not only serve their functional purpose but also add something extra. It is with this that we plan to enter in this industry with this specific set of products.

Wooden handicrafts refer to a wide range of wooden items carrying utilitarian and artistic value that are made by hand or with the use of simple tools. They are made by unmatched workmanship, have fine designs and have subtle elegance. The products require low capital investment to manufacture. The wooden handicraft sector provides a high ratio of value addition and has emerged as one of the major sources of foreign exchange in the country too. (Sumption, 2010)

Market Analysis

Majority of the current players in the market deal in almost all the product categories in the wooden handicraft industry. (Macleod, 2006)

Retailing is not done by them and they deal in mostly the production part. They have retailing contracts with other partners which help them sell the products

Monthly production units are majorly in the range of thousands of units for all the products combined

Wooden and glass handicrafts are majorly in demand in the UK market. (John, 2006)

Inventories are usually kept low as these products are sold and produced in lower units in the market.

Almost all the players in the market hire the labor at a contractual basis rather than on a permanent basis.

Many of the players take the route of exhibition to promote their products to the customers. (Mathias, 2001)

These products are high margin products as they are mainly value based ones. Hence high margin and medium volume is generally the trend in the industry

Competition

The following players currently operate in the market and sell wooden handicrafts in the market.

World Art and Crafts Ltd.

Java Art

Elements Ltd.

Demand Analysis and Forecasting

During our study we also analysed the demand pattern for the various products in the wooden handicraft market and it came to around 50000 units per month on approximation. There is a demand supply gap in the market as according to our supply the current players in the market are able to provide close to 30000 units only. Hence we consider a huge potential to be catch up in the market.(Boseley, 2009)

The market is growing closely at an annual rate of 15%. Hence it is decided that the capacity would be initially 60% for the first year and then it will grow accordingly.

Marketing Channel

As mentioned before, our business involves only manufacturing the products. Therefore we would use a network of retailers called partners to sell our products in the market. These would be mainly big retailers like WalMart, Tesco etc.

Strategic Marketing Plan

Wooden handicraft particularly the furniture part is an unbranded commodity and hence manufacturers generally do not have to spend too much on the promotional part. It is better for them to increase the margin given to the retailers so that they push the company product more in front of the customers.

However in order to differentiate our offering and to capture the customer base, it is necessary to have a basic strategic marketing plan. The following would be the strategies used by us:

Steady supply with timely delivery to fulfill the demand in the market thereby providing products with high quality

Products would be given emphasis on the design front. Designs would be based on several themes

Orders would also be taken online from the customers apart from being available in the retail

The company plans to both manufactures the products locally in the UK market as well as import some of it from the Indian market. Indians play a vital role in UK both in terms of trade and demographics and thus there is a market to serve the Indian community.

The other reasons to source the products from India are:

The demand for Indian wooden handicrafts is evergreen. It is both difficult for the labour in UK to produce these handicrafts as the design in Indian art work is quite intricate. Hence it is decided that some portion of our products would be sourced directly from the Indian producers, mainly based in states like Rajasthan and Madhya Pradesh.

Indian being a developing country, both the labour and raw materials are quite cheap as compared to other developed countries. Hence it makes sense to outsource some of the production work.

Indian artisans are well known around the world. British make a major portion of the people visiting India every year and hence they come in contact with Indian art and culture too. Thus getting products from market like India helps in understanding the customer taste and keep the product portfolio up to date.

Some of the Indian players which have been shortlisted and considered for sourcing of the products are as follows:

Khan Arts India

Madnik International

Goyal India

Indus Trade

Handmade Crafts

Antiquity Handicrafts

All the products in the portfolio would be sourced from these six major exporters in India. These players have been selected after thorough search of their business and their financials. They enjoy good reputation in the Indian market and also export to other players in different countries. It is decided to have business with six players as it will help us diversify our risk and help us maintain a steady flow of products from India. These players are from different parts of the country and thus the products served by them would have different designs as India being a vast country has many sub cultures which attract many people worldwide.

Technical Analysis

Wood carving is a time consuming process as craftsmen take time to make every piece. The process may take a week to months depending upon the level of intricacy in the design. The process use a lot of different tools also like saw, lathes, drills, chain saws etc.

Machinery Involved

The following machinery would be used by the workers in the business:

Chemical treatment plant

Seasoning plant

Surface planner

Grinder

Driller

Gaze machine

Sanding machine

Structure and Civil Work

Sr. No.

Particulars

Area (Sq. feet)

Amount (British Pounds)

1

Factory shed

1800

6000

2

2 stock room

360

1050

3

Guard room

80

250

4

Power room

80

250

5

Boundary wall

3200

6

Washroom

48

150

5 labour quarters

7

Rooms

120

18000

8

Wash rooms

48

700

9

Office rooms

180

550

10

Fire fittings

600

Total

30750

Labour Requirements

Handicraft is a labour intensive product and thus a lot depends on the kind of labour employed.

Employees

Number

Annual Salary (British pounds)

Production supervisor

1

25000

Accountant

1

25000

Skilled workers

5

20000

Semi skilled workers

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

8

16000

Unskilled workers

3

13000

Peon

1

10000

Guard

1

10000

Total

20

119000

Financial Analysis

Particulars

Land and site development

Building

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

Plant and Machinery

Other fixed assets

Preoperative expenses

Preliminary expenses

Provision for contingency

WC Margin

Total

Means of Finance

Particulars

Promoter's capital

Long/Medium term loan from banks

Total

Basic Assumptions underlying the financial projections

The construction period will last one year

The company would work 365 days a year

The expected capacity utilization will be 60% in first year, 65% in second year and the increment based on past performance.

The term loan would be re-paid in 14 equal half-yearly installments. The interest rate on the outstanding term loan would be 12%

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

The bank finance for working capital will cost interest rate 12%

The depreciation rates for company law purpose would be

Building 3. 34%

Plant and Machinery 8%

Misc fixed assets 5%

The suppliers for raw material would provide credit for 15 days

The salvage value is assumed to be 5% of fixed assets.

Sales Forecast

Sales Forecast (units)

Year

2010

2011

Units

9500

12000

Conclusion

The business plan has been prepared keeping in mind all the factors and taking financials to the best of the present picture. It is therefore expected that the actual outcome would represent the true picture of this outlined plan.

Finally, my personal interest in this field will lead to establish my own business. These will result in successful and sustainable business.

References

Andrews, J.(2009). Handel all'inglese, Playbill,. Accessed from: <http://www.playbillarts.com/features/article/4236.html> (Last Accessed: 5th March 2010)

Barlow, I.(1991) Metropolitan Government. Accessed from: <http://www.new.wales.co.uk> (Last Accessed: 5th March 2010)

Boseley, S (2009). The question: What's behind the baby boom? The Guardian. Accessed from: <http://www.guardian.co.uk/lifeandstyle/2008/jul/14/familyandrelationships.women> (Last Accessed: 5th March 2010)

Garrison, Webb B. (2008). Why You Say It. Accessed from: <http://www.readbooksonline.net> (Last Accessed: 5th March 2010)

MacLeod, Donald (2006). Britain second in world research rankings. The Guardian. Accessed from: <http://www.guardian.co.uk/education/2006/mar/21/highereducation.uk4> (Last Accessed: 5th March 2010)

Mathias. P (2001). The First Industrial Nation: the Economic History of Britain. Accessed from: <http://www.johnbirchall-economist.com> (Last Accessed: 5th March 2010)

Mathias. P (2001). The First Industrial Nation: the Economic History of Britain. Published by: Routledge, ed. 2, pp. 56-58

<https://assignbuster.com/business-plan-for-a-handicraft-business-in-uk-marketing-essay/>

Mensah. J (2006). British culture on a high rise.

Robertson, Kirsty (2006), How to Knit an Academic Paper. Queen's University, 30 March 2006

Sumption, M.(2010). The UK's new Europeans: Progress and challenges five years after accession. Equality and Human Rights Commission. Accessed from: [http://www. equalityhumanrights. com](http://www.equalityhumanrights.com) (Last Accessed: 5th March 2010)