

The reason for the convenient store business marketing essay



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1. 0 Executive Summary

The Commercial building is located 5 miles south of the city of Muscat and 2 minute walk distance by city's main road, which is used by thousands of commuters on daily basis between to the middle of city or just taking a shortcut to south of city. In the main road is being used by residents of city's south and south east in order to reach Muscat city's main center. While going to work, a person along for the ride could stop and buy a sandwich or soft/ cold drinks etc. Similarly on the way home, the same person along for the ride on main road, could come ABC Convenient Store and buy something like household items.

1. 1 Shareholding Structure

ABC Convenient Store is a registered Sole Proprietor. It's owned and managed by Mr. A.

1. 2 Objectives

The main objective of most of the small convenient stores in is to earn highest possible profit margins by selling quality products. Therefore ABC Convenient Store aims to provide highest possible quality products at competitive rates for the local residents of Muscat city particularly. In addition, ABC Convenient Store plans to offer movie rentals, non-food products and check cashing services in order to build and increase its revenues and hence profits. The other objectives of ABC Convenient Store are:

One of ABC Convenient Store's main objectives would be to capture as much as possible share of the commuter traffic on the south east side of Muscat city.

ABC Convenient Store will offer its customers better-quality products at an competitive price.

Achieve at least 30% minimum gross profit margins (selling price less purchase/ wholesale cost) from beginning.

Achieve a lucrative return on investment within five years.

Achieve average growth in market share by 10% each year.

Achieve average growth in revenue by 6% each year.

2.0 The Business Activity

ABC Convenient Store is a new Startup convenient store business within Muscat city. Mr. A, the owner of ABC Convenient Store will occupy convenient store place in two units' commercial building on rent, located 5 miles south of the city of Muscat and 2 minute walk distance by city's main road. It is the main street all the way through city and is used by thousands of commuters on daily basis between to the middle of city or just taking a shortcut to south of city. The building contains two units where mini restaurant is currently open and being successfully run by other individual.

3. 0 Vision and Mission statement

Mission:, ABC Convenient Store will make healthy profits margins for its owner and provide a satisfying work environment for its employees in near future.

3. 1 Keys to Success

The keys to success in this business are:

Location: The location of convenience store plays a very important role in success of any store, and therefore is one of the main key factors for successfully running of convenience store. The location must be close to customers reach like where they work, live or on their normal route while returning and going to home/ work. As ABC Convenient Store is located 5 miles south of the city of Muscat and 2 minute walk distance by city's main road, which is used by thousands of commuters on daily basis between to the middle of city or just taking a shortcut to south of city. We feel that right location provides value to customer and convenience both.

Speed of Service: As nowadays consumers are always short of time and wants quality with speed of service, therefore it is also one of the major keys to success factors for convenience store industry in today's environment particularly. Convenience and value are both achieved only when the potential customers can easily locate the items they want to buy, where in return they get fast friendly and efficient service. In short the store is easy to shop.

Availability: Availability of products/ items is another key factor for success of any convenient store, as each customer have different taste and needs, hence they have their own favorite brand names that they want to purchase, which any good convenience store must carry in order to fulfill potential customers needs. On the other hand the Omani citizens particularly are brand conscious and want items with big brand names, where residents of other nationality living and working in Oman, are more price conscious. Therefore it is necessary that products/ items for both customers segment must be made available.

4. 0 Government support and rules and regulations

5. 0 The Reason for the Convenient Store business

The living standards of the Omani citizen are growing day by day as Government of Oman has taken major steps within last 20 years to increase the living standards. Therefore as of the majority of Omani citizens are upper middle class who are brand conscious and willing to pay anything to buy product required. On the other hand the convenient store industry has been growing on daily basis as people are shifted towards convenient store due to convenience and shortage of time in today's world. According to Government stats and research the convenient store in Oman is growing constantly at a rate of over 110% over last ten years.

5. 1 Industry Analysis Summary

Porter five forces model has been used widely with the purpose of analyzing a particular industry with a view to determine the level of intensity in terms of attractiveness and competitiveness within industry. This model consist of

forces which are very close to any company and that can affect its capability badly to generate profits for owners by serving its customers effectively.

Porter five forces model uses the following: Threat of potential new entrants, bargaining power of buyers, bargaining power of suppliers, Threat of substitutes and Determinants of Rivalry among Existing Competitors, in order to analyze the nature of competitiveness in any industry.

Determinants of Rivalry among Existing Competitors

The rivalry among existing competitors in Oman in retail store industry is being considered as high, as firms are competing severely with other with a view to capture high customer market share. There are many giant convenience stores in retail industry particularly in Muscat, who has gained majority of market share, where on the other hand small convenient stores like ABC Convenient Store, are competing each other to capture the remaining market share, specifically of convenient store's surrounding area at least. Therefore they are trying new developments in marketing, introducing new promotions, creativity of innovative ideas, which has led small stores achieved their target level of market share. Hence competitive rivalry in Oman's retail industry is considered a high threat for existing convenient stores.

Threat of potential new entrants

Threat of new entrants into the retail industry within Muscat, Oman is medium, as there are very less product differences between products provided by convenient stores; furthermore cost to enter the market is relatively low. It is further assumed that convenient store items/products are easily purchased at wholesale prices or discounts at bulk purchases.

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By analyzing all factors including high growth in trends for Oman retail industry exclusively, further barriers to entry are relatively very low compared to other industries; therefore it can be take for granted that ABC Convenient Store may face further competition with new entrants.

Threat of substitutes

There are only few substitutes available for convenient store items which do not entirely replace the use of existing products by customers but may bring in new innovative ideas to develop new products or reduce the direct costs in producing the same products. In particularly the substitutes of any products may limit the level of generation of revenues and hence profits, in an industry by keeping the profit margins down. However, the greater the convenient stores could create uniqueness for their products the greater the likelihood of success. Likewise already discussed the availability of products, customer service and location of the convenient stores would be the key factors, which could not only create sustainable competitive advantage but could add significant value in overall earnings of the ABC Convenient Store. Therefore threat of substitutes is considered as low in retail/ convenient store industry.

Bargaining power of suppliers

The power of suppliers for small convenient stores like ABC Convenient Store can be prejudiced by key players in supermarkets and grocery chain stores. Because they are being able to negotiate better discounted and promotional prices compared to small convenient stores from suppliers/ manufacturers, which small convenient stores are unable to match due to high purchasing prices of same products. Therefore there is major threat as giant players

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always dictate the prices and purchase large amount of quantity at once, where small convenient stores are left with fewer products at high prices. Hence it is being analyzed the bargaining power of suppliers is high particularly for small convenient stores.

Bargaining power of buyers

Nowadays customers are aware of everything and they have more choices to buy from, therefore customers' acts are considered as powerful force in making prices down. If any product is expensive in any store than they can go and purchase the required products from other convenient store providing lesser or discounted prices. In addition because product is a type of commodity item and consumers have no choice but to continue consumption, therefore we can see high growth in small convenient store if and only prices are matched with giant players in the industry. On the other hand, location and varieties of products provided may reduce this bargaining power. In addition the overall environment, customer service and location of the ABC Convenient Store would attract the customers. We can assume that large number of small convenient stores will be providing similar products and services as ABC Convenient Stores. Due to these reasons the overall industry looks more attractive and profitable.

6.0 Market Size and Growth

According to our research, the main customers are males and females, ages 15 to 40. In addition, according to recent trends in Oman, many small and large stores are trying to capture market share of persons with age of more than 40, particularly females. We are expecting that by providing better

customer services, we would be able to increase the number of customers of aged over 40.

7.0 The Choice of Location with reasons thereof

ABC Convenient Store is a new Startup convenient store business within Muscat city. The commercial building has convenient store for rent out. It is located 5 miles south of the city of Muscat and 2 minute walk distance by city's main road, and is the main street all the way through city and is used by thousands of commuters on daily basis between to the middle of city or just taking a shortcut to south of city. Therefore it's the best location for convenient store. The total area of convenience store is around 500 sq feet, where majority of the portion will be used for shelves.

8.0 Proposed Customers

9.0 Competitor Analysis

The ABC Convenient Store may face little competition from other small and large convenient stores. Furthermore the main competition that ABC Convenient Store may face is from large enterprises that have established convenience stores within fuel stations. But we are expecting that our location will create competitive advantage which shall tackle the competition may face by ABC Convenient Store in near future.

10.0 Buying Patterns and Sales Strategy

The convenience stores are generally small retail outlets with area of 500 to 2000 sq feet. The products or items normally sold at convenience store are: over the counter medicines, household groceries, soft drinks, cold drinks, some non food items, cigarettes, and dairy products. The convenience stores

are mostly located on busy main roads and are regularly open 24 hours a day seven days a week. As name suggests, they not only sell products or items but also convenience to customers.

ABC Convenient Store will aim to provide typical items of convenience store at a competitive price, so that items that customers purchase shall urge to visit again, which will increase the average sale per customer. The main focus of sales staff will be on customer service and always inquire clients if they have been able to locate and found the whole thing that they need. In case, they have not found they need, then these particular items shall be made available in stocks upon request by customers.

11. 0 Strategy and Implementation Summary

ABC Convenient Store will be using a strategy of impressive customer service. Where, company's initial emphasis would be to build same reputation as before, so that potential customers within town are targeted comfortably. The ABC Convenient Store's main competitive edge will be its prominent location, as it is conveniently located on the corner of where everyone must pass in order to leave and return home, it also allows the local community to walk or ride a bike to the convenient store.

ABC Convenient Store intends to stock the shelves with items local residents need and want, with items ranging from milk to over the counter medicines and everything in between. If customers have requests for items not in stock then ABC Convenient Store will stock them.

11. 1 Self Analysis

12. 0 Competitive Advantage

The competitive advantages, which ABC Convenient Store will have over its main competitors within Muscat, are:

ABC Convenient Store's main competitive advantage is its position and its location as in front of Main Street. ABC Convenient Store is located on the corner of where everyone must pass in order to leave and return home. Currently there are no other stores within this location. Due to these facts, local residents will naturally choose ABC Convenient Store as their primary choice, because of the fact that it would be closest to their homes. They will promptly become aware that ABC Convenient Store offers high quality organic and healthy products at a typical convenience store prices; In addition it will become local resident's number one store for small household grocery items and other household purchases.

While returning home from offices the commuter will now be able to buy their household groceries to take home. We expect that due to our quick service, commuters will soon regard ABC Convenient Store as helpful time saver convenience store.

13. 0 Selling Arrangement and Marketing Strategies

The products or items normally sold at convenience store are: over the counter medicines, household groceries, soft drinks, cold drinks, some non food items, cigarettes, and dairy products. The convenience stores are mostly located on busy main roads and are often open 24 hours a day seven days a week. Our main emphasis would be to fulfill customer needs therefore

we will ask customer every time if they have been able to locate items easily and have found they looking for.

The city is in great need of change and this is the perfect opportunity to bring about that change. In years to come ABC Convenient Store will be known in the community as more than just another neighborhood business, this will bring the community together giving locals annual block parties and rewarding the kids when they bring report cards and honor certificates with free candy etc. The convenient location of the ABC Convenient Store will mean that ABC Convenient Store will have to carry out little bit above the line up advertising, but ABC Convenient Store will distribute flyers within surrounding areas on monthly basis so that local residents are made aware of ABC Convenient Store.

14. 0 Products and Pricing Strategy

The ABC Convenient Store will provide typical items found in any convenience store; however, items will be “ higher end” than many convenience stores. ABC Convenient Store will offer a product range from over the counter medicines to cigarettes and everything that’s sold in a convenient store. The products will be same as traditional convenience store items in the same quantity, quality and packaging sizes as other convenient stores provide. Some of the products include: soft drinks, cold drinks, fruit juices, household grocery items, newspapers, magazines, hot and cold snacks, bread, auto products like fuel additives plus cleaning materials for autos, condiments, tooth pastes, over the counter medicines and paper products etc.

ABC Convenient Store will price little increase over competitors but most of the products prices will be matched to the most giant convenient stores within Muscat. On the other hand top selling brands will be sold at a discounted price even lower than most of competitors prices, so that ABC Convenient Store can create competitive advantage over its direct competitors and be able to sustain in coming years to come.

15. 0 Various sources of finance available and the source selected

The company will need around RO 23, 000, total initial requirements for capital expenditures. The Funding sources for ABC Convenient Store will be mainly from the shareholder's investments. The only shareholder, Mr. A will contribute full amount of RO 23, 000.

The total initial capital requirements will be around RO 6, 100 which includes Computer for cash counter and point of sale software with scanner and receipt printer at a price of RO 400

Shelves will be placed in major portion of convenient store for placing & displaying of different types of convenient store items/ products, so that potential customers would be able to locate these convenient items comfortable. In addition price tag and banners would be displayed for each type to items. The shelves would cost around RO 2, 200 in total.

Other convenient store's equipments includes banners, price tags, chairs, ice machines, beverage equipments, ice cream equipments, Microwave oven, safes, Air Conditioners, exhausts etc. This will cost around RO 3, 200.

Cash counter setup would include counter desk, chairs etc. This would cost around RO 300.

Legal expenses would include business and sole proprietorship license, and license to start convenient store business and other legal fees necessary. This would cost around RO 500.

Initial marketing expenses would be around RO 900 for banners, distribution of flyers, printing of business cards, purchase of printing papers for receipts, printing of cover letter etc. However we have very tight marketing budget initially but as business starts to grow the marketing budget would be significantly increased as well.

The convenient store will be obtained on monthly rent of RO 500.

The initial inventory would be of around RO 15, 000, which includes all major convenient stores items like: soft drinks, cold drinks, fruit juices, household grocery items, newspapers, magazines, hot and cold snacks, bread, auto products like fuel additives plus cleaning materials for autos, condiments, tooth pastes, over the counter medicines and paper products etc. This number of items initially will be less; however as business starts to grow the number of each particular item or products would be increase significantly in order to meet customer demands. Furthermore, special requests from customers will also be fulfilled believing on the fact that ABC Convenient Store needs to meet every customers demands by making each types of brands names products or items available at the door of ABC Convenient Store.

The break-up of startup requirements is shown in the table below:

Table 1: Start-up

16. 0 Key People and Job Functions

ABC Convenient Store is a registered Sole Proprietor. It's owned and managed by Mr. A.

The owner will engage employees to help run their convenient store. A business Full time Manager will be hired. He will be overseeing the operations at the store like supervising the staff, dealing with various suppliers, performing managerial jobs and developing marketing plans. Furthermore, administration and financial aspects will be managed by the owner, Mr. A himself.

17. 0 Financial Plan

The Financial Plan consists of Breakeven Analysis, Pro-forma Profit and Loss, Cash Flow Projections and Pro-forma Balance Sheet.

17. 1 Important Assumptions

17. 3 Break-even Analysis

Table 3: Break-even Analysis

17. 4 Projected Profit and Loss

The Pro-forma Profit and Loss shows that, ABC Convenient Store will be able to meet Net profit margin in excess of 20% throughout five years of operation.

Table 4: Profit and Loss