

## Unit 6 Business Planning

### Task 1(E2 )

My business idea is to open a fish and chip shop. At this shop people will be able to buy hot food such as fish and chips and many other things such as drinks.

I have chosen to open a fish and chip shop in Queensbury Parade that is in the London Borough of Harrow. I am providing this service as people have to eat, the food I will sell will be tasteful and above all my services will be convenient. There are many different retail shops at Queensbury Parade supplying various services and goods such as a,

- \*newsagent shop

- \*Pub

- \*A bar

- \*Factories and warehouses

- \*Safeway supermarket

But there are no hot food services available. I have chosen to open a fish and chip shop as simply because there is no hot food services available at Queensbury and as there is station (Jubilee line) so there would be a lot of passing trade.

My business will be called Usman' Fish and Chip shop, located at 7 Queensbury Parade.

My business will be a sole trader operator as this is the easiest set up. Being a sole trader there are less regulations that I would have to comply with but with serving hot food I will have to obtain permission from the local authority. As with preparing hot food I will have to obtain planning permission for the local authority, as there are certain laws that have to be abided. I have to obtain the A3 planning permission that basically states the laws and regulation on serving and preparing hot food. I will also have to require insurance for the business as you must have this by law. By law any business that employs people even part time must have insurance. This will provide protection against accidents etc. Starting up formalities for a sole trader are fairly simple as only need to register as self employed, I am responsible for all the costs of the business and the debt. All the decisions will be made by me the owner and I will invest into the business a sum of £5000 and obtain a loan from the bank. The amount of loan I will require depends on the total cost of the purchases to find that out I will produce a budget and then will find out the amount needed. A major advantage of being a sole trader is all the profits will be retained by me. I will have to employ a worker for the business as managing this project all by my self would be difficult and the highest

level of customer would not be offered. In order to keep the costs to a minimum I will put great emphasis on the operational process. My aim will be to provide the highest level of customer service. By doing so and pricing my goods competitively I will overcome my competition thus increasing sales and making a profit. My investment will hopefully offer excellent returns and I should be able to establish customer loyalty.

## Task 2 ( E1)

### Secondary research

In order to have a successful business I have conducted extensive research of the competition and hot food market and the local population also their attitude towards eating out.

### Population of Harrow

<b>Total number of people</b>	<b>Value</b>
Males	99953
Females	106861
Aged 0 to 15	41691
Aged 16 to 74	150514
Aged 75 and over	14609

Harrow has the population of 206814 that is indicated by the census 2001. The total number of males equals 99953 and the females equal s 106861 th8s indicates that there are more females than men. The population aged under 15 equals 41691 and ages between 16 and 74 equals 150514. People aged over 75 equals 14609. The above secondary results show that there is potentially 206814 numbers of consumers available so there would be a lot of demand for services such as a take-away.

The next set of figures show the number of the population in employment and not employed. (Ages16 to 74)

Employed	93856
Unemployed	4602
Long tern unemployed	1265
Students	6491
Retired	16931
Looking after home family	10334
Sick & disabled	5119

The above set of results show the population of Harrow in employment and the number of people not working. My research shows that Harrow as a Borough has lower level of unemployment to the London Borough of Brent. This indicates that by myself opening the business in this Borough would be appropriate and most likely to be successful. By opening the business I am sure that it will run effectively as a large number of people are employed and are mostly likely to eat out as they would be able to afford to.

Marker research segmentation,  
potential customers

**age: all ages**

occupation: beginning from school kids to all types

income: income range in Edgware on average £15000

### **Britain and chips (source [bbc.co.uk](http://bbc.co.uk)). British are chipper about their national dish.**

The potato is probably the more versatile than any other vegetable. After extensive research I found out that the British have used the spud and come up with the great British chips.

#### **Facts:**

Britons eat more than two million tonnes of chips every year. Potatoes are the countries biggest selling vegetable and chips.

There is normally a national chip week in some parts of Great Britain on February 16<sup>th</sup>. Chips shops across the country generate on average turnover of **1500 per week**. Source from **Daltonswweekly.co.uk**.

Substantial amounts of taxes are generated from the fish and chip market in the UK. Sales have been rising despite the cod scare around the world. Sales have risen from £6.8 million to £10.1 million. All this indicates that there is need for the product. Chips are consumed on average of 2 -3 times a week in Great Britain and chips are the countries most popular dish and all this indicates that the market exists and by me launching would be appropriate.

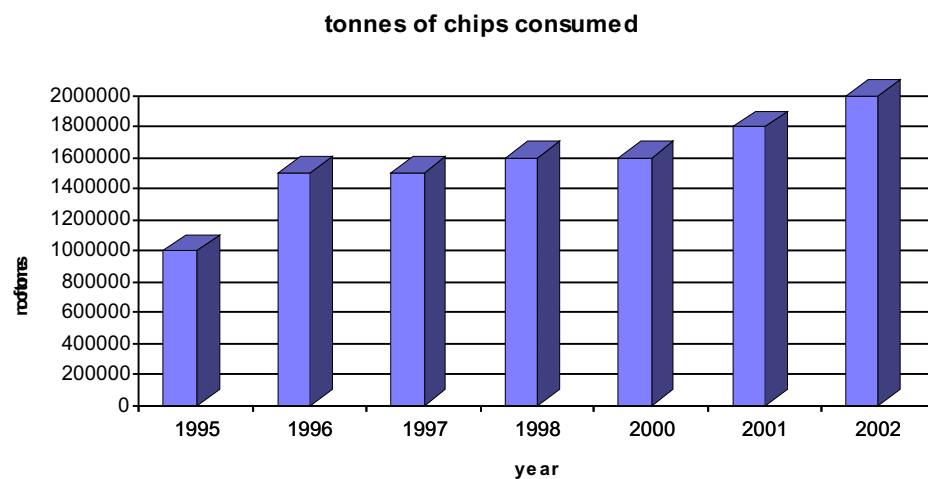
There is stiff competition from major fish and chip chains such as Harry's Ramsden's who during this year will open three more shops in north of UK.

### **Market size of the fish and chip market Great Britain**

In order to find out if demand exists for my service I conducted secondary research on the net on **bbc.co.uk** and on **marketresearch.com**. My results indicated that fish and chips is once

again Britain's most popular dish. Britons eat more than two million tonnes of chips every year. The results also indicated that fish and chip sales in the country have increased even after the cod crisis. Sale of the product have soared from £6.8 million to £10.1 million.

To find out the general demand for my service I have conducted secondary research that will show the size of the market, the number of competitors and where the competition is. To be able to run a successful business I need to conduct market research. I have collected secondary data as it already exists and cheaper to obtain rather than primary as that consumes more time and money.



The above source gained from [bbc.co.uk/news](http://bbc.co.uk/news). The site also showed that chips were the main food people went for after a visit to a pub or after a night of clubbing. Most fish and chip shops are situated near pubs as after drinking the human body needs food so the closest shop they will see is a fish and chip shop and that is one of the reasons most chip shops are situated near pubs.

The first piece of secondary data that I have researched is at the web site ([www.Yell.com](http://www.Yell.com)). I used the search engine to find out the number of fish and chip shops and other hot foods services in Queensbury and the surrounding areas.

In total there are approximately 87 hot food take-aways in Harrow. The hot food market is rapidly growing with more and more hot food take-aways opening. Source from [Harrow.gov.ac.uk](http://Harrow.gov.ac.uk) it stated in the planning options that more and more restaurants and take-way are opening in Harrow.

Below is a list of all the competition my shop will be facing and it is within 2-3 miles of my desired location,

**Mollison Way fish and chips**, shop is based at Mollison Way and sells fish and chips, kebabs and also caters a small eating area.

**Skip Jacks fish and chips**, this is one of the major fish and chip shops in London Borough of Harrow. It sells a variety of hot food and has a take-away and a large seating area. The shop is one of the biggest fish and chip shops in the area and is well recognised.

**Kebabish Original** is another major franchise located only two doors away from Skip Jacks. It has a large take-away and a family seating area. The shop sells many varieties of hot food beginning from kebabs to fried chicken and even curries dishes.

**Chicken Cottage**, the shop is based at Edgware that is only a mile away from my desired location. It sells American fried chicken and also many forms of burgers. The shop is in the heart of Edgware town centre and has a lot of potential customers especially from a school near by.

**PFC Perfect Fried Chicken**, based in Hendon that is only two miles from my location. Again this specific shop deals with fried chicken and American burgers. This shop is too far from my location to be causing major concern.

**MacDonalds**, based in the town centre of Edgware and serves French fries, lunch meals and also breakfast specials in the morning.

**Nandos**, is a major restaurant dealing with special Mexican food. Its prices are very high compared to all the above listed take-away. The shop caters for eat in and take-away. A typical burger and chip meal can cost around £6.99. The shop is too far away to cause any competition to my business.

The competition is extensive as many competitors. The average fish and chip shop makes a turnover of over £1500 - 2000p.w. There is tremendous potential for my fish and chip shop. The above list shows that there is demand for this service but I will face large competition and my shop will have to work hard. The average fish and chip shop turnover I found out by visiting Daltons weekly the web site where it stated what the fish and chip shops are making in Harrow.

The competition will not have a major effect on my business as the competition is at a greater distance and if someone were hungry they would buy the food from the closest shop. The reputation on the other hand might play a small part as my shop will be new and not many people will know about it so people might stick to what they know.

### **Competition and its operating hours**

There is huge competition and the opening hours that most chip shops use are seven days a week with the some having an exception of closing on Sundays. Trading hours are from 11:00 to around 11pm with some opening till 11:30. This indicates that my shop will have to run from midday to midnight in-order to beat the competition.

The next piece of secondary information I found out was that people attitude towards using take-away and the general size of the market. The hot food market has seen an increase from 60% to 69.9% between 2000 to 2001. The market is growing rapidly with more and more shops opening. The competition in the market has increased and will continue to increase. The source found from local library in the Borough food market report. By visiting (**Daltonbusiness.com**) I found out what kind of turnovers the fish and chip shop are making and also gained knowledge of there running costs. Also I found out what kind of equipment my shop must have in-order to perform effectively all this has given me knowledge of my running costs and later on will benefit me when producing my cash flow forecast.

Another secondary piece of information I found out was what equipment I would need. I have used specialist magazines that are designed for restaurants and take-aways such as (**Business Equipment catalogue**). I also used Dalton the web site to find out what kind of services existing fish and chip shops are providing and the sorts of equipment being used.

### **Sources of information:**

bbc.co.uk

Daltonswweekly.co.uk

harrow.gov.ac.uk

### **Primary research**

In order to find out what consumers look for in a fish and chip shop and their general attitude towards using take-aways I have produced the following questionnaire/

Gender male (     )     Female (     )

Which age group do you fall into?

12-20 (     )

21-30 (     )

31-40 (     )

41-50 (     )

51-60 (     )

61-70 (     )

71- over (     )

What area do you live in?

On average how many times do you eat out or use a take-away?

Once a week (     )

Twice a week (     )

Three times a week (     )

Other (     )

What do you look for in your local fish and chip shop?

Good customer service (     )

Quality food (     )

Convenience (     )

Image (     )

Other (     )

How much would you pay for a bag of chips?

90p (     )

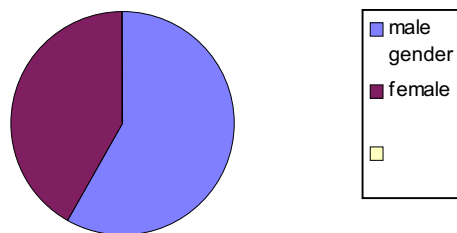
£1 (     )

£1.10 (     )

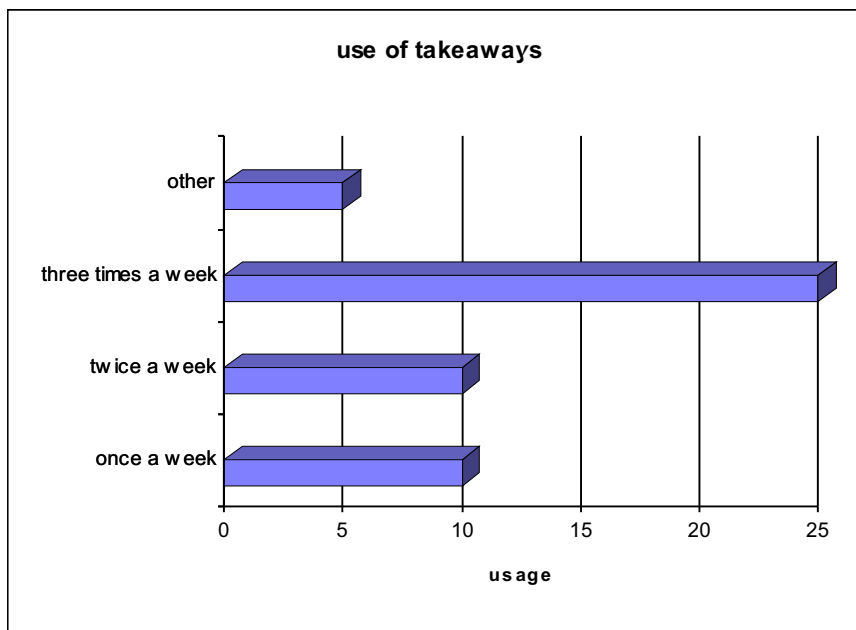
more than (     )

Questionnaires are the most common method of primary research as it is the easiest and detailed information can be gathered. By doing a questionnaire I can gain customers opinion on fish and chip shops and their attitude towards them. I will use the method of random sampling I have chosen this as it is convenient.

gender of people interviewed



The above pie chart shows the number of males to females visiting fish and chip shops. The males equal 29 whilst females equal 21. The pie chart shows that more men visit take- a-ways than women, as women prefer to eat healthy.

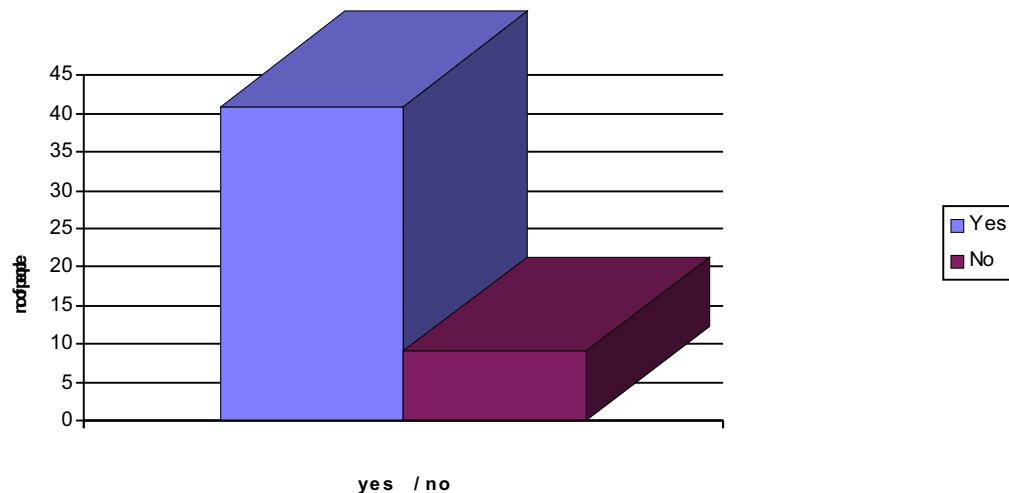


The above graph shows the number of people I interviewed and how many use take-away such as fish and chip shops. The graph clearly shows that the average person I interviewed eats out least three times a week.

By doing the above survey I have now found out that the demand exists for my service and my business would likely to run efficiently. The above graph has indicated to me that demand for my service exists. The graph clearly shows that the number of people eating out is positive and there are potential customers out there.



### Would you buy fish and chips at Queensbury Parade



The above graph shows how many people that I interviewed would use the fish and chip shop at Queensbury Parade. The results are a very good indication of that the business would run effectively and there is demand especially as there is a tube station and a lot of travellers would be attracted.

### Results of questionnaire

The questionnaire has given a clear impression of what potential customers exists and would most likely to buy my services. I had only interviewed 50 people as they will represent the rest of the population and as this is more convenient as less costs are incurred.

There are over dozens of fish and chip shops and take-a ways in the area that sell food at similar prices. Although this represents a challenge in terms of market share, it also indicates the presence of a large strong potential gain. My aggressive plan of delivery will also give an advantage over the competitor and create a good market share. I will also consider having a wide range of products such as kebabs burgers and lunch time special meals.

The results clarify that there is potential for my success. My observation has indicated that similar businesses have been successful in this market.

Task 3 (E2, E2, C1)

## Marketing Plan

### Promotion strategy

The aim of advertising is to inform the population of my shop, create a image, increase sales and compete with various competitors.

There are many various typed of advertising methods such as TV, radio, leaflets, and newspapers. I will not be able to afford the main advertising methods such as TV and radio as I am a small business which is just going to start and will not have the capital do so. I have little start up capital so costs must be minimised. A thirty second add on television can cost up to £40,000 that I cannot afford. I have been observing other fish and chip shops and also chicken and chip shops and recognised that the type of advertising they are using. Most of these are using leaflets that include the menu special offers and state the details such as location. I will most probably use this method but firstly have to find out the costs of printing. The typical cost of a black and white leaflet is 1000 for £20. I will most likely go for the colour menu as it more eye catching and will grab attention. It will state the location, menu and the lunch time offers.

**Promotion** is by:

- \*Monthly or quarterly advertising by leafleting

- \*Small add in the Harrow Times, this is to make people aware of the business and when it's opening and could also use to recruit staff. After careful consideration I have decided not to advertise in the local newspaper as too expensive for placing an add. The prices range from £30 to over £70. As there is extensive competition in this competitive market I have decided to use leafleting as my main form of advertising as you can target certain groups of people in specific areas. I have chosen this method as it is relatively cheap and I can also include coupons for the reader and a discount can be achieved the disadvantage could be that the leaflets might not be read. Another advertising method is word of mouth that can only happen when the shop is opened for a considerable time.

After a few years in the business I will sponsor the **Edgware football club (under 16s)**. I will buy their kits that cost around £25 and their equipment, in return I will display the shop name on the shirts and the kits bags as this method will be a very effective way of advertising and it is giving something back to the community. It is vital when operating a business to know the market and predict future trends. As customers look for new products and maybe even foods. I will constantly review all aspects of the product so consumer needs are met. I feel identifying and anticipating and satisfying needs of potential customers this is vital as

without the customer the business will not run and make a profit. By offering a good service the customers will return and my business will make a profit.

I have come to the above conclusions by conducting primary and secondary research. The results have clearly justified the potential for my shop. Since there is vast competition, this indicated by my secondary research from the local Civic centre web site and also from Yell.com. I will use the method of distributing leaflets to attract valuable customers as there is so many suppliers for the customers to chose from.

### **Pricing policy**

Local competition will have effects on my business. I cannot price my food at a price that is too high because the customers would begin to use the service provided by the competitors. As my business is more a less selling the same goods as the competition I would consider the price to be the same this is due to the fact that consumers look for quality. So I will be using competitive pricing method.

My main objective is to make a profit and that depend s on the level of price I charge and the competition I will face. I have come to use competitive pricing as there is a large degree of competition selling the same product and competitive pricing I feel is more appropriate. I feel there is a wide choice consumers as to what take-away to use and since the prices are competitive quality will play a major role. Customers will only go for the food of the highest quality so I need to concentrate on this aspect.

By producing a questionnaire I found out the price people were willing to pay for a bag of fish and chip small portion. The results that I obtained were more a less **expected as people consider the price of chips to be a £1 and a typical bag of fish and chips to be £3.90.** I have produced a menu with all the prices the location and the lunch time special deals. I have come to price the goods at the prices I have chosen as there is (USP) unique selling price as everyone is selling the same goods under different shop names but I am providing free delivery for orders over £15, up to 3 miles from my location.

There is obvious demand for my service and the market is very competitive also. My producing a questionnaire I found out that the demand for my service exists as people live a hectic lives. I have come to price my goods as I have as I observed my competitors and looked at what prices they were charging and also my questionnaire told me that people would not pay more than a pound for a small bag of chips.

Price

\* Chips 90p

\* Drinks 55p

\*Kebab small £3.20

\*Free coke bottle for orders over £10

I have also decided to organise lunch time special meals where I will offer discounts to customers on certain food and that will attract more trade.

**I have designed and produced a menu that shows the prices I will charge. The prices are competitive due to the competition offering similar products.** I am unable to use **penetration pricing**. This is where a business lowers price sometimes even below profit. This is done to enter the market and attract potential sales from competitors. I cannot afford it as I am a new business with start up costs and low capital.

\*\*\*\*\***Menu in appendix**\*\*\*\*\*

---

### **Product**

My shops will be selling hot food such as fish and chips and kebabs. My aim is to sell the most tasting food at a competitive price. I have come to price my goods at the prices I have by doing market research and also there is demand for my product as the market in London Borough of Harrow is growing. I have produced a menu that states all the prices I will charge and I have also to increase sales have introduced lunch time specials deals this will enable me to sell more as I am offering a discount at the busiest hour. I am using this method as it is offering customers cheaper food to increase sales but this is also to increase promotion by special deals. By having the specials deals I am competing against the bigger fish and chip shops and this will also spread the name of my business as word of mouth. The special offers will help me to increase sales, the specials offers are listed in the menu and the prices are more or less as the same as the competitors.

I will use various methods to attract the consumers from the competitors. I will use **product differentiation**, this is a method that allows me to make the product different from the competitors. In order to apply this I will use attractive advertising, colour full leafletting and also window displays of the food that will be prepared at the premises. This will catch the consumers attention and will attract customers.

Since there is such fierce competition the supplier selling poorer quality food would lose reputation among the consumers. This process will result in the consumers looking for alternatives. To ensure this negativity

does not occur at Usman's Fish and Chip shop I will use quality assurance methods.

The location of the business is vital to its survival. Usman's Fish and Chip shop will be located at Queensbury Parade. This location gives a competitive edge due to a station near by. This will increase sales, this is because there will be potential for passing trade and people will be more able to buy food due to convenience.

**Product presentation** is vital for increasing sales. I will put great emphasis on the layout of the food. I will make sure that the food looks presentable and at the point of sale is offered to the customer using the standards principals. By using this approach I feel customer loyalty will be accomplished and this in return will enhance the image of the shop for being hygienic.

### **Product Life Cycle**

Development      Launch      Growth      Maturity      Decline

Above I have produced a product life cycle diagram. The diagram shows the stage of my product, at this very point my product is at the stage of growth as my business is just opened. I feel soon it will be at the stage of maturity because a fish and chip shop is not a new idea.

I have come to the above conclusions by observing the local restaurants, take-aways and also using the research I obtained. It has occurred to me that product quality, quality of service, appearance and the image are vital to attracting sales. I believe by introducing the above methods I will be more successful in my business.

### **Place/Distribution Strategy**

My shop location is at Queensbury Parade, that has its own tube station that would increase sales a lot due to passing trade. My business will be on the main road that has a station and various buses passing through the area that means there is a good transportation system and easy access for my customers. There is also a video rental shop next to my location and that will benefit me as people who hire videos normally buy hot food also. I have come to chose this location due to many valuable factors. There are multiple factories, warehouses, a school and also a station and good transport. The students would be my main source of income I feel as they are able to leave the school premises at lunch times so they will most probably purchase my food. The warehouses and factories will also boost sales as those workers have less time available. My service is quick and convenient more suited to their needs.

I think my business will be successful as of the easy access and the location. The process of my product is very simple potatoes being cut and than fries in the deep fryer and wrapped in bags. The cook who will be my assistant and me will exercise strict standards of sanitation, quality production and packaging. I have after careful consideration decided to deliver my products of value of £15 or over to customer in the radius of 3 miles to do this I will have to purchase a vehicle preferably a second hand van. By doing so people who cannot reach my facilities can still purchase food and I will benefit from increased sales. I have come to this conclusion to deliver food as most of my competitors are doing the same and you can also gain customer loyalty.

### **Competitive advantage**

There are various ways that I will use to create an advantage over the competitors,

- \*Product identity, quality and novelty
- \*High employee motivation and good sales attitude
- \*Innovative and aggressive service options

This can be accomplished by buying cheap quality materials thus reducing costs. The location is very accessible due to good transport. I will make the most of bulk buying and even offer free delivery for orders over the value of £15. The above conveys good customers service and business success.

### **Production Plan**

#### Task 4 (E3)

For my business to be successful my objective is to keep the costs to a minimum, I will put great emphasis on this.

In order for the business to run successfully I will also need consider the following listed below,

- \* Manpower/ cost
- \*Production
- \*Premises
- \*Machinery/equipment
- \*Vehicle
- \*Raw materials
- \*licensing or planning permission
- \*environmental restrictions

#### **Manpower**

For my shop to run effectively I will need a hard working employee, I will need a single person to help me prepare the food and also carry out various duties such as cleaning. As I am just setting up my business I will not be able to pay a high wage so I am considering employing an individual who is looking for an extra income. I am going to comply with the minimum wage Act as I will value my workers and by them working effectively my business will be a success.

Below is a job description that the person I will employee will have to comply with and also it states the qualifications, requirements the wage that will be paid and the number of hours that will have to be worked. The individual will be **trained on the job** by my self so the method will save training costs. This is appropriate as my aim is to keep the costs to a minimum. I will display the wage notice on my shop window to attract the worker before the shop opens.

#### **Key personnel**

Name	Age	Qualifications	Position	Wage
.....	17-60	none needed	serving customers Preparing hot food Responsible individual	£4.50 ph

needs

Total pay for month = 4.50ph x 77hr = £346.50 aweek

The above is a rough indication of the labour costs and hours that might be needed. There will be times where only one individual will be needed to operate the shop, so my assistant will mostly come in near the busiest

periods. I would consider employing two part-time employees this would incur extra costs and shift schedules to be maintained. Resulting in extra time being consumed.

I will take into account the followings Acts and legalities. Some of these come under my business.

**\*Sex Discrimination Act 1975**

**\*Race Relations Act 1976**

**\*Equal Pay Act 1970**

**\*Health and Safety at Work Act 1974**

I will take the following into account as I want my business to serve a wide, diverse range of people. I will employ any individual who is able to perform the tasks I will set and will not discriminate. After a short period I will consider employing another worker to keep the shop running efficiently.

### **Opening hours**

12:00 to 23:00

The shop will open approximately at twelve but I will have to be there for eleven so preparations could begin and food ready for the twelve opening.

### **Production**

Food production and assembly will take place in the kitchen of the shop.

Fresh potatoes vegetables, meat will used to create high quality food.

The workers will exercise highest and strict standards of sanitation, quality production, and presentation or packaging over the kitchen and provide the highest quality of service.

There re some specials requirements that I have to abide such as the **A3 plan that I have obtained form the council. Also I have to have special insects o- cutters that will attract any bugs and also health inspections will be conducted by the Food and Safety Authority of Harrow. Also I will have to special ventilation as the shop will get very warm and smoky inside and also take in to account all the relevant food legislation's.**

### **Premises**

The location of my shop will be at Queensbury Parade no 7 and on lease at a price of 10000 per year this price is fairly expensive as of the location.

Single fronted take-away Fish and chip shop approximately 16ft frontage x 40ft. The shop requires modifications in order for it to operate as a fish and chip shop.



Leasehold

12000 p.a.

### **Machinery/equipment**

The equipment would be bought new and second hand. The take-away will be fully equipped including 2 pan gas counter range, till register, upright glass fronted drinks fridge, heated chicken cabinet, preparation room with potato chip and peeler, barbeque king chicken cooker, steel sink, stain steel tables, stainless steel fish fridge, chest of draws and also a deep freezer.

The equipment I will have to obtain is a microwave and new knives and cleaning fluids etc. The equipment costs and the shop expenses are listed in the resource cost/ budget section in task 5.

### **Vehicle**

I will have to buy a vehicle as one of the benefits I am offering is delivery of food only of value of £15 or over. After careful consideration I have decided to buy a second van of the value of around £500 pounds. This is because the car will be too expensive to run and plus road tax, insurance and also the MOT will be too expensive to afford for a car. The delivery service will have to be done by my self as this will reduce costs and as I have considerable knowledge of the surrounding areas. I have decided to buy a van as I can use it for bringing stock in and if the delivery service operates well I could hire a part-time driver to deliver.

Total cost £500

### **Stock**

I will purchase high quality potatoes from the local market in large bags costing £5 for a 20 kg bag. By using this method I will save money and **bulk buying** will get me discount. I will buy the fish from Grimsbey Fish suppliers who offer discounts for fish and chip shops. They also provide a delivery service but I have to order in limited or reasonable numbers, as the fish could be out of date as if kept for too long. The price of cod ranges from £40 a box that contains 50 pieces of cod weight also has to be taken in to account.

### **\*Flow of Mass production**

There are various methods of production the above that is mass production and also continuous these I will most probably use. This method I feel is most appropriate as a product such as chips are continuously made especially at busy times such as lunch. The process

of producing the product, the potatoes have to be cut and washed than fried and drained.

I have chosen the above method as I feel there are many advantages as of this and one being I can produce large amounts with lower costs, the other little production time lost and the final product would be of a high quality. The disadvantage I feel will occur is most likely to be to the workers whom producing the food might find it boring after a while, the products will be similar and if the fryer was to break down no fish and chip would be produced.

#### **\*Quality assurance**

I will decide as what level of quality to aim for, whether it is producing a good or providing a service and how to achieve this.

I have decided where to purchase my raw materials from and they should be of a high quality, I will purchase potatoes from the local market where I can buy the goods in bulk and receive a discount also. The potatoes must be of high quality if not the chips would not taste good and sell, resulting in a loss. I will check the quality by sampling the food and also take into account the hygiene factors and this will benefit trade as of good practices. I will have to check the quality of the materials before they are produced into the final product and this is referred to as **quality assurance**.

#### **\*Quality before customer**

I will make the product of good standards before it reaches the customer by observing and also making sure the customer receives the product in good clean packaging such as the chips being wrapped in white paper. This will give the product the classic English feel and this is also known as **quality before customer**.

The above system will insure product of high standard is offered to the customer. I will focus on checking systems, the storage of products making sure the meat stays on the bottom shelf. To reduce the wastage costs I will set standards so rotation methods are used meaning the older resources being used fast. This will result in less or even no waste as stock would be used before its expire date.

Negotiations with suppliers so discounts can be obtained. Stock control would be used so less waste would be imminent. If waste is on an increase I will use methods to prevent this and keep track of all waste and produce accordingly. Shop management by my self the owner, will set clear procedures and will offer on the job training to workers to reduce

the level costs. By meeting the above set requirements the business will run effectively thus higher profits.

Task 5, E4/C1

### **Appropriate sources of finances, Operating budgets and cash flow forecasts**

In order to run my business effectively I need to sufficient amount of finance and the management of money is a crucial aspect. I will in this section of my plan show a budget, a cash flow illustrating how the cash will be employed into the business. Budgeting is a useful planning tool I will forecast and assume the costs of the business by using my secondary data. These assumptions are specific and realistic as possible.

#### **Appropriate finance**

The costs of opening my business are in very large amount. To be able to run an effective business I will have to invest my self the sum of £5000 and a loan from the bank of £5000. The £5000 will be used for the fixtures and fittings and all the decorations and machinery that I will have to require. So my initial capital including my investment will £10000 and will be sufficient to launch the business and carry it through the first year or two. The £10,000 will be the opening balance on the year one cash flow forecast.

The loan I will obtain from Barclays Bank, the current rate of interest is different for business than for individuals. On my loan of £5000 I will be charged a total sum of interest totally £1100 that also includes a protection plan just in case I fail to make my payments.

I have also required insurance as this has to be done be law to protect my worker and me from any liability. Property insurance have required to protect my equipment against fire and theft.

#### **Budget**

In order to calculate start-up equipment costs and keep them to a minimum I will purchase the equipment from the Loot newspaper which specialises in second hand equipment with wide range of choice. Below I have set my self a budget for the equipment t and how much I will spend on each item. Also the budget will showing running costs and the total inflow.

### **Budget**

#### **Start up resource costs**

<b>Item</b>	<b>£ cost</b>
Microwave	£100
Gas counter	£200
Work surface	£700
Couple of table and chairs	£50
Vehicle	£700
Potato peeler electric	£100
Advertising / leaflets	£120
Till	£80
Fridge and freezer	£200
Steel sink	£100
Draws	£50
Chicken cooker	£70
Ventilation	£500
Insect re cutor	£30
Telephone set	£20
Cutting equipment	£30

The machinery and equipment totals £3050 that I feel is appropriate as I am purchasing most the goods second hand in order to reduce costs.

**Total**                                **3050** opening costs

#### **Other financial commitments/ running costs & overheads £**

<b>Item</b>	<b>finance</b>
Premises source from Hunter & Sons lettings )	1000 (12000 for 1 years actual cost of property
Stock	900 a month
Insurance	180 a month (2160 a year)
Van insurance	£300 total for year( pay at once)
Loan	138
Business tax	80
Accounting charge in instalments.	400 total. only needed for one year paid
<b>Total</b>	<b>£2998</b> a month

#### **Running costs**

Wages                                £1386 a month

Light & heat	£100 a month
Power	£200 a month (prediction only)
should be lower.	
Rates	£30 a month
Telephone bill	£20 a month
Other expenses	£20 a month
Interest	£30 a month (1080 total for 3 years)
Drawings	150
<b>Total</b>	<b>£1936 a month</b>

The cash flow forecast consists of projections of sales and realistic costs. This will enable me to keep track of all costs and I can compare the actual performance to the projected. This will help me identify any errors and improve the performance in the future.

Using the cash flow I was able to produce a profit and loss account and an opening balance sheet. The net profit for year one totalled to £18787 whilst the second year came to £21741. During the second year the net profit would increase by 2954. This shows the business establishing customer loyalty and increasing sales. The cash flow during the second year of trading does not consist of bank charges and accounting fees. This is due to the bank offering the business special offers. So bank charges are redeemed. The accounting fees are also not listed as accounts will be produced personally thus saving the business extra costs.

I have produced a break-even analysis that clearly shows the margin of safety. The actual margin of safety is 22103, (**break-even in appendix**). In significance to the break-even analysis, the chart clearly shows number of sales to break-even. Upon producing the chart I encountered several difficulties as I am selling more than one product. So a unique approach was taken to producing the break-even. Actual amount to break-even is **49897**.

**I have produced in appendix:**

*break-even analysis*

*two year cash flow forecast*

*a fore cast profit and loss account for the two years*

*a start up balance sheet*

Task 6/ E5, C2, C3

**Assessing the viability of the plan**

In order to find out if my business will be successful I will use accounting ratios. The ratios indicate to me the owner and the bank how the business is performing financial terms.

There are three different types of ratios,

Solvency

Profitability

Performance

**annual gross profit  
margin**

(gross profit £61200/ sales                      **85%**  
£72000) x 100 =

**annual turnover to break-  
even**

(overheads £42413/ gross profit margin    **49897** to break even  
85%) x 100=

The annual gross profit margin ratio indicates a highly positive gross profit. The above two ratios indicate that my business will be profitable. The annual break-even point which the ratio indicates is 49897. The advantage of producing break-even chart is that I can show my bank the number of sales needed to break-even. By doing the above ratios and charts, I can show that the business will be profitable and that in return will improve my chances of getting a loan. I will now work out the ROCE **return on capital employed**. The ROCE compares the net profit of the business to the owners capital. The final figure will be in a percentage.

**Formula**

**net profit 18787**                      x 100                      =100%  
**owner's capital 5000**

The above ratios shows that the return on capital employed will increase by 100%. This indicates that the business will be a success as the above ratios shows. The ratio compares the net profit of the business to owners

capital. On the investment of 5000 I will receive a return of 100% on the investment. The return on capital employed ratios is very positive approximately an extra £10000, return will be made on the investment that is considered to be very good. Similar businesses upon opening can even make much higher returns but they usually invest more capital. The expected market share within the next five years is difficult to measure but by producing the ratios I feel my sales will increase roughly up to 8000 in the next couple of years in the desired seasons.

There are several shops in the that can make up to 8000 a month. I feel since my business is next to a tube station, near a school a major supermarket, pubs and also warehouse that is five minutes away. My sales will increase definitely increase results in major profits.

I believe my business has done considerably well during its first year of trading and will definitely improve in the second. This indicates the loan obtained is completely unnecessary. But it would have been difficult if the cash flow went in to negative figures so the loan is a back up.

### **Comparing the ratios of the first year to the second year.**

#### **Ratios for year 2**

##### **annual gross profit margin**

(gross profit £62634/ sales                      **86%**  
£73434) x 100 =

##### **annual turnover to break-even**

(overheads 40893/ gross profit margin        **48109** to break even  
86%) x 100=

I will now investigate the ratios from the first year to the second year. The annual gross profit margin in the first year is 85% and during the second an increase of 1% totalling to 86%. The estimates show the business making improvements and a greater gross profit during the second.

The annual turn over to break-even during the first year is 49897 whilst in the second it is 48109. The break-even point has fallen by 1788. This reflects the true potential of my business and clearly indicates further potential.

I believe the effective approach to the production, marketing and financial plan have resulted in these positive figures. By purchasing the majorette of the equipment second hand has resulted in vast savings. Pricing the goods accordingly has also hindered this further.

#### Task 7/ E6

I believe I have completed the business plan to the best of my ability and also took into account the various aspects needed to run a successful business. In order to complete the business plan accurately and also taking into account the latest changes in the market. I had to find out if the business I would produce a plan for would work. I had done extensive market research to find out this. The market size was a bit difficult to measure but my questions in the questionnaire and myself observing lead me to expect a approximate £ 70,000 first year turnover. This will eventually be a bit higher in the second year. There are several take-away shops similar to mine in the surrounding areas and trade appears to be good. This is also backed up by the research I have done on fish and chips and individual questionnaire to find out the demand for the product exists.

The census of Harrow gave me the rough indication of my customers in Edgware and their age ranges and the potential customers.

My fish and chip shop I feel is at the best location as a school is a few minutes walk, a tube station that would provide passing trade and various warehouses located few minutes away that would attract the workers at launch time who are looking for a quick bite to eat.

The premises would cost me £1000 a year, this quote I found out from a business lettings in Queensbury so I could calculate my costs.

To make the business plan as accurate as possible I researched the insurance quote from dialling a respected dealer. I also identified my equipment costs from the Loot newspaper which would reduce me thousands in costs. The benefit of doing this was that it helped me to calculate my costs overall and how much I would be spending on rent.

Having sorted out the research I have also touched on how the production process would take place and the quality I would provide. In the earlier stages I stated the production process the manpower needed. Also the various methods of advertising and pricing that I would use. My pricing is competitive due to the market. I came to price my food by observing what my competitors charge and I have also designed a menu to illustrate my prices. By pricing my products competitively and using appropriate



advertising also the quality checks I would be competing with my competition and attracting customers.

Financial plan I have produced which states where and how the money will be spent. I have produced a budget that I would strictly follow and also cash flow forecasts and even producing projected final accounts to see if my business is viable. By doing so I identified the amount of money needed how it would be spent to benefit the business fully.

Overall I feel my business will gain a lot of custom in a relatively small period of time. I feel I have taken all the necessary procedures into account whilst producing this business plan.

\*\*\*\*\*

\*\*\*

Task 8/ C4

Whilst producing this business plan alternative approaches were considered by me. I was considering to open a take-away and a restaurant service at the same time. Meaning catering for all but I realised that this plan would incur high costs on me. I had decided to stick to just a take-away as this process is quick, rapid but I still took into consideration and brought in few table and chairs so customers would still have a place to sit down. This I feel is another way of increasing trade.

In order to find out if the market size to a greater extent I was considering to purchase the market size information on the fish and chips via the Internet by paying £200. I had decided not to do this as I feel the research I have collected is sufficient enough and it illustrated the market size in great enough detail.

The questionnaire I carried out was a convenience sample as it represented the population, in order to interview a wide number of people would have left me with high costs. So convenience sample was took.

Another service that I was considering to offer was free delivery for orders over £10 but decided not as providing this would leave me with high fuel costs. Instead I put the free delivery price to £15 as customers would be made to place a high order to benefit of the free delivery.

Whilst producing a production plan I had to decide whether to mass produce or continuous flow. I had decided to produce the chips in mass quantity whilst the rest such as burgers would be produced when asked for. I have adapted this process as most take-away shops suffer from high wastage at the end of the night so this process should reduce waste and lower costs so future stock costs would be low.

#### Task 9/ A2

In this part of my plan I will demonstrate the effective links between the marketing, production and financial elements.

The production plan which I have taken great care to produce, takes into account all the food hygiene factors and presentation. In my production plan I have stated how the products will be made how the highest level of quality must be provided to gain customer loyalty.

I was considering to cater for parties and birthdays but to do this I would have required greater space. The shop could not offer this. One of the reasons that the premises is chosen is of its size that is relatively small and this is to keep the costs of the rent low. So I could not cater for parties.

There are several special requirements that I had to consider as stated by the Law. A3 planning permission and also other equipment as insects re coutors and such as health and safety checks and basic hygiene. Also in my production plan as food is being cooked I had to purchase a ventilation system in order to get all the smoke out and sustain a safe environment. Whilst purchasing the equipment I had to remember that the costs must be low as possible as due to the fact that I'm a new business and with less capital. The objective of mine is to plan and control and to ensure that the available resources, staff, machinery and equipment are used efficiently to meets the needs of the customers and the most is made out of them. Methods of control will be used at the shop to keep the costs to a minimum. By turning off any unnecessary equipment. My aim will to provide good quality food at competitive prices so competition exists.

Due to the high costs I am unable to employ more than one worker. I feel this will effect us as we will have to work twice as hard. I could not recruit another worker as I would be paying another £346.50 a week that is a considerable amount and would results in high costs.

The financial plan also links with the production I feel as one of my main aims is to keep the level of wastage to a very minimum. It has come to

my understanding that the level off waste is at a great margin for take-away shops. In order to prevent this inspections will take place on the foods that are close to their expire date and sold for less. This will reduce the costs of wastage. This will bring down the costs in the finance. I have come to price the goods at the prices I have by observing the various fish and chip shops in the area. The prices are competitive and would help my business to compete. By doing so the profits would increase. One of the objectives is to make a profit as the ratios indicate that the business will.

The marketing plan also considers how the public could be made aware of my shop. There were several methods of promotion that I could use but the costs factors I had to consider. The advertising will be done by quarterly leaflets the cost of this service is relatively low and have decided to do this as I cannot spend huge amount on advertising. I have also decided to sponsor the Edgware football club in the future to enhance the reputation and the name of my shop( Usman's fish and chips). By doing so I feel my sales could be increased. The constant marketing will increase sales and I will have to purchase further more stock in order to meet the demand. I feel the production depends on marketing, if the marketing efforts are not working than the production would be effected. As business would not be attracting the right number of customers so sales would fall. Resulting in less production and losses. When preparing all my production and marketing one of the main aims was to keep the costs to a minimum. I feel the start up costs are appropriate as most equipment is purchased from the Loot second hand and specialist equipment magazines. By doing so my costs have remained relatively low.

Analysing my business to a greater degree I still feel more staff would be needed in order for the business to run successfully. But I am not able to do this as the wage costs are too high already and I will not be able to increase the workforce as the business must run for a few months.

I could also on my very first day of business could introduce special offers for the first day only. By doing so customer would be attracted and high number of sales could be made.

To improve the production I could also hire a new member but as I cant afford to, me and worker will have to work hard and once the business is stable more staff could be recruited.

Task 10/ A3

Below I will illustrate the advantages of me producing a business plan. The business plan will persuade a lender such as a bank to lend money. Providers of finance need financial information about the business - a break-even analysis, cash flow and profit forecast- set in a clear way. This would help the chances of a business getting a loan from a bank or person.

By producing the business plan I can monitor the progress and compare it to my plan and see if it is meeting by set targets.

The business plan that I have produced evaluates and takes into account the market size, the population the prices that are being charged by the competitors. In my business plan I have set my self a budget and also produces a sales forecast that I hope to follow. The budget is designed to keep the costs on track, I have allocated funds towards advertising and other commitments. The financial plan gives a clear indication on how the money should be spent.

I have also produced a break-even analysis which indicates the number of sales needed to break- even. The advantage of this is substantial the break-even indicated that the business will be running successfully.

The only major difficulty I found was the market size once achieved all the other aspects were imminent.

The above are the advantages of myself producing a business plan I feel it will enable me to keep track of my business. The plan clearly sets out the objectives that I will constantly look at and compare the performance to in order to find out if the business is doing as it was predicted.

I believe benefits of IT have not been considered by the plan. Computers could have been used to produce the accounts resulting in saving time.

Also online tax payments and the overall payments of bills by using the net. If computing had been used this would have saved me valuable time and even money. By not using this method I feel the business is at a disadvantage. But I was unable to afford a computer as I had very little capital. In order to overcome this I will most probably purchase a computer in the second or third year of trading.

Overall I feel the business plan is produced accordingly taking into account the interest rates and needs of the market. The various methods used to test the viability of the business such as ratios have proved the business has potential. \*\*\*