

Would a tuck shop be a successful business?

The business that I am assessing the advantages and disadvantages of in order to determine whether it would be a successful business venture is a tuck shop. The measures I am going to use to find whether it is successful is mainly **profit**, although another effective way within a school, is to find out how much of the potential **market** is being exploited, the amount of pupils being able and willing to visit the tuck shop.

There are of course other ways in which the success of the business could be measured, such as **ROCE**, but this would be very poor for a tuck shop as a tuck shop doesn't have many big **assets**, so it would definitely be a poor measure of it's success, a business such as a courier would have a good measure of success from ROCE, due to lorries and depots. **Profit margin** is also something that cannot be used to great effect with a tuck shop, as you cannot mark up the prices of tuck shop goods very high at all, as there will be no demand for them if the price is too high. So the **mark-up** will be relatively low, but with high **sales** meaning more **revenue** and eventually more profit.

I conducted various types of **research** in order to find out whether a tuck shop would be a successful business. Initially, I looked into the various **costs** that would be incurred in the process of setting up the tuck shop, as well as the various costs that would be incurred whilst operating the tuck shop, **variable costs** such as the cost of purchasing **stock**. In addition to **fixed costs**, such as the factory costs and the wages for the two members of staff who would operate the tuck shop. The main type of research conducted was **surveys** of potential customers within the market. They were asked various questions regarding the tuck shop, whether they would visit, how much they would spend and other such questions. I believe this type of research is most productive for the situation, as to calculate things such as the revenue, you must find what the average person within the catchments of the targeted market would want, and whether they would be appealed by the idea of a tuck shop. This is more effective than not asking the potential consumers, as you can tailor the tuck shop to their needs, providing what they want and ensuring that you can make as much out of the market as is possible. Guidelines for costing can also be provided from conducting questionnaires and surveys, as you can find what price the majority of the market would be willing to pay, through simple market research.

Also, from the questionnaire, the market size was deciphered, or at least the proportion of the market which can readily be exploited. According to the questionnaire, approximately 19 out of every 30 pupils, this results in 950 pupils, out of the total 1500 visiting the tuck shop at least once per week.

Competition was considered as the deterrent of the extra 11 potential consumers, things such as people not being at all interested in external food whatsoever, choosing to bring their own packed lunch, and the ice-cream van, who would specialise in selling ice creams, which some people may enjoy, although we would consider stocking ice-cream in the summer to remove this competition during season.

I have used my research and questionnaire to calculate the following, profit, revenue and costs. I used the data from my research to calculate the revenue, by taking a small sample of pupils from each year, and finding out how many pupils would visit the tuck shop per week and how much they would end up spending, this would then be used to calculate the average spending per pupil in each year group and then would be multiplied by the amount of weeks that they would attend school. This is repeated for every year group until all of them have been done, and then they are all added together and there is a revenue figure.

The variable costs, for stock was calculated by taking the revenue figure, and finding out what proportion of the revenue went on, chocolate, sweets, drinks and crisps respectively. Then, the revenue each would bring in is calculated, and then stock I bought accordingly for how much is needed to be sold. So, the overall revenue, is divided by the amount of units and then multiplied by the **wholesale price**, added to the other products calculations, using the same method, which then finds an annual cost for the products. Other costs are detailed, such as rent and wages for members of staff.

Then, the profit is calculated by subtracting the costs from the revenue. In comparison to competitors, the **product range** is of similar size and variety, with an advantage being that the tuck shop would be located within school grounds, whilst an ice-cream van would be outside of school grounds and therefore inaccessible for Year 7s and Year 8s, meaning that a lot more of the potential consumers in these years would be regular customers, as they cannot get the products which they may desire in any other way.

The **pricing structure**, is also something that would be determined from the questionnaire, I asked what prices pupils would be willing to pay for products, and have based the prices around what the average price was. Also, I researched the prices in the ice cream van and have ensured that they either match or better these prices, depending on the product, this means that we will not lose as many customers to the ice cream van as we may have done had they undercut our pricing strategy.

When considering whether or not a tuck shop would be a successful business, many things must be considered. Firstly we see that just under two thirds of the potential market would be tapped, this is very good considering the upsurge in the trend of healthy eating, brought on by Jamie Oliver. This trend however, could pose a problem to the business, whether the school itself would condone, let alone promote or allow a tuck shop to operate upon its premises, if the school has moral obligations to unhealthy eating. This could also make a few potential consumers be put off by the idea of eating the products we're set to offer, although we may if demand is high enough, begin to stock healthy eating products. In fact, if I was able to redo the research, I would ask pupils whether or not they would buy healthy food from the tuck shop over unhealthy food, then we could gauge before starting, whether or not we should consider stocking healthier foods.

Also, we see from the calculations that a profit of £5306.20, which is not spectacular, but for a business being set up and in its first year it is not bad at all. The profit can only get

higher in following years, seeing as the **initial outlay** put on products such as a fridge would disappear, meaning there are less costs, ultimately meaning more profit. If someone was to run a franchise of tuck shops, with 20 or 25 schools covered within a local area, an overall profit of over £100,000 would be very much possible, this includes wages for staff and all running costs. Seeing as it would not be particularly difficult to oversee, this is a very possible prospect and if one person could gain contracts to run a tuck shop in a few schools, they could earn a decent wage for themselves.

However, the research itself may not be completely correct as it is only a sample of pupils questioned, and there could be an uneven spread, with more than average people who would use the tuck shop, or less than average, meaning that the entire data would be rendered meaningless or at least, very inaccurate. Also, people's answers to the questionnaire could in fact be made up on the spot and little more than fiction, if they don't know exactly what they'd spend or what they'd spend money on, let alone spend money in the tuck shop at all, seeing as the tuck shop is yet to manifest itself and the questionnaire is speaking little more than hypothetically.

However, I do think the business would be a successful one, a lot of the market would be exploited and the profit figure looks healthy especially if the person was to run more than one tuck shop in tandem, which would not be that difficult to do, as with hired staff, overseeing the running of a few tuck shops is no more strenuous than any other job and would not take incredibly long hours to work to make it happen after the initial setup.

Glossary

Profit – Revenue minus costs, this is the money made and kept by the business and its owners.

Market – A place or medium in which goods and services can be exchanged.

ROCE- Return on capital employed. Net profit/capital employed. A way of showing how successful a business has been in making acquisitions of assets.

Profit margin- Net profit as a percentage of the value of sales.

Sales- The amount of money made from selling a good or service.

Revenue- (see Sales)

Assets- Everything owned by a business which can have a monetary value placed upon it.

Mark-up- Percentage addition to the cost of a product as a basis for setting the price.

Research- A process in which the potential success for something is found out.

Costs- Money that needs to be paid out of the business, for a service or product from another business.

Variable costs- Costs of production which rise with the level of output. Costs of making the actual product.

Fixed costs- Costs of production which need to be paid out regardless of output.

Stock- Amount of products that are then going to be sold on.

Surveys- Questions given to a sample of a potential market.

Consumers- Buyers within a market.

Competition- Businesses with which you are competing in a market with.

Wholesale price- Price at which goods are sold to retailers, who will then sell the goods on to the public.

Product range- Range of goods or services a business provides.

Pricing structure- The way in which a business decides to price its products.

Initial outlay- The initial costs needed to set up a business.

Bibliography

Wholesale price source: Makro

Textbook: Nuffield BP Business and Economics for GCSE (second edition)

Competitor: Ice Cream Van