

Business plan Internet-café

Kasama, Zambia



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1. Introduction

This is the business plan of Yuri Visser and Djurre Kuiper created to help starting an internet-café. This business plan is part of our end project for our school, the Koninklijke Scholen Gemeenschap in Apeldoorn.

For our end project we have chosen to participate with the 'World School' project which is a project that is meant to support any third world country. In order to finish this project successfully we have informed our contact person with all the questions we had.

At first the task was to create a business plan for a local school in Zambia; however this school already seemed to be present. So to make our business plan useful we asked what other help we could give to the village of Kasama.

The task which we got appointed was to create a business plan for an internet-café. In this business plan we have tried to make a plan to realize the internet-café and keep it running while making some profit. Furthermore this business plan will show how the internet-café itself will be built and realized. And what the expected costs and upkeep costs will be.

1.0 Zambia & Kasama

Zambia

Zambia is a country located in southern Africa. Zambia shares its colonial history with countries like Zimbabwe, Malawi and South-Africa.

The First World War was the cause of a period in which Zambia would be ruled by Great Britain. The English offered the local inhabitants to move from their own fertile land towards some free parts of land appointed by the English. In such a way the English 'captured' control over the fertile land and the local population was left with some very poor soil.

The Second World War had a more positive influence on Southern Africa. During this war Southern Africa received colonial investments which positively



affected the economy. The local population earned money for themselves and thereby slowly started to set up their own industries. After some negotiations in the year 1964 Zambia was declared as an independent state. However without the English (financial) support the economy started to

aggravate.

In 1990, under internal and external pressures Zambia introduced a multiparty system. The result of this system was that in 1992 the first president of Zambia was chosen: Kenneth Kaunda. Under his command he introduced some major reforms in the country's economy. One of these was to privatize state enterprises.

The next years Zambia's economy improved under a new president called Levy Patrick Mwanawasa, because of the upcoming tourism and the increase of the international copper prizes.

Kasama

Kasama is mostly known by its position as the capital of the Northern Province of Zambia, situated on the central-southern African plateau at an elevation of about 1400 m. Kasama's population, according to the 2000 Zambian census, is approximately 171,000. It grew considerably in the 1970s and 1980s after construction of the TAZARA Railway through the city, and the tarring of the Great North Road from Mpika through Kasama to Mbala. It sits at the centre of a road network which also reaches the Luapula Province in the west, Mporokoso in the north-west, Isoka in the east and Kayambi in the north-east. Consequently it is a commercial hub with banks, markets, services and an airport.²



1.1 Objectives

As mentioned before, the location we are aiming at is Kasama, Zambia. Building an Internet café for a local school, as extra income to keep up with the costs of the school and to have the ability to maintain it. In order to provide the school with the necessary financial support the objective is to make the internet-café a continuing running internet-café. Our own goals are to make a Business plan for this internet café, in order to help the local population, and increase their knowledge with computers, the internet and also to connect to the world wide web.

1.2 Keys to succes

We believe that this internet café will be a great succes because there are very few internet cafés (exact number remains unknown) in the area and therefore the school will have its own monopoly. Also, because there are quite some villages in the area, the potential demand will be high.

1.3 Missions

The mission of our internet-café is to make the internet available to a greater population. In such a way that the Kasamian population will have access to all the sources which can be found on the internet. Also the internet café should be a place where one can relax and play some games. Thereby the café is supposed to be a place where people of all ages will come to enjoy the unique, upscale, educational, and innovative environment that the internet-café provides.

1.4 Risks

The main risks in establishing any business at all is always the demand. Will there be enough demand for my product, will there be enough interest in it? Won't we go bankrupt due to lack of interest? These risks are also present in the soon to come internet café, the population may not be interested in spending money to go online. Also, will the popularity

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1. Zambia/Malawi/Mozambique, Bas Vlucht en Arjen Westra, Dominicus Haarlem 2009
 2. http://en.wikipedia.org/wiki/Kasama,_Zambia

of the internet sustain, in order for the people to maintain their interests in the internet and the internet café. And formost, will there be a profit?

2 Company

The internet-café which will be realized will offer the community of Kasama easy and affordable access to the internet. The internet-café will appeal to individuals of all ages and backgrounds. The instructional internet classes, and the staff that the internet-café provides, will appeal to the audience that does not associate themselves with the computer age. This educational aspect will attract younger and elderly members of the community who are rapidly gaining interest in the unique resources that online communications have to offer.

2.1 Company Ownership

As this business plan will not be used by ourselves the ownership remains unknown. However the ownership will probably be in hands of the Kasama school board.

2.2 Start-up Summary

Start-up Expense Details:

10 computer \$1000.- each	\$10,000.-
1 commercial printer	\$1,000.-
1 commercial scanner	\$1,000.-
11 chairs \$50 each	\$550.-
11 computer stands \$50 each	\$550.-
1 air-conditioner	\$900.-
10 Toner Boxes \$20 each	\$200.-
10 Reams of paper \$10 each	\$100.-
Labor for fixing the computers and furniture	\$500.-
Electricity	\$3000.-
Internet + router ³	\$170.-
Water	\$1000.-
Total	\$18,970.-

2.3 Company Locations and Facilities

The site where the internet-café will be located was already decided before the making of this business plan. The location will be close to the school in Kasama. This building is already present however there is no electricity and internet running yet. To prevent more unnecessary cost we will be making use of this facility.

3. http://www.coppernet.zm/index.php/component/option,com_wrapper/Itemid,88/

3. Services

Firstly the internet-café will grant the customers access to the internet and world wide web. Besides that, the internet-café will provide the opportunity to use the scanner, printer and will provide basic computer classes.

3.1 Competitive comparison

The internet-café which will be located near the school of Kasama will not be the first internet-café to settle in Kasama. We expect that there are more internet-café in Kasama however we do not think many cafés will be present.

3.2 Service description

The internet-café will provide its customers with full access to the Internet and common computer software and hardware. Some of the Internet and computing services available to the future internet-café customers are listed below:

- Access to external POP3 email accounts.
- FTP, Telnet, Gopher, and other popular Internet utilities will be available.
- Access to Internet Explorer browser or other browsers.
- Access to printing.
- Access to popular software applications like Microsoft Word and other often used applications.

Next to these computer services, the internet-café will provide the possibility to attain computer courses. During these courses the customer can learn how to use a computer and learn some possibilities, including web surfing.

3.3 Fulfilment

The internet-café will obtain its computer hardware from local stores which can be found in or in the neighbourhood of Kasama. The installation of the internet will also be provided by the local resources. Electricity shall be installed by one of the major providers of electricity.

3.4 Technology

The internet-café will be providing its customers with computers which will be up to date with today's system requirements. The computers will be able to provide the customers with a variety of application to serve their needs. These applications will mainly be the mainly used ones which everyone will be familiar with such as Microsoft Office.

3.5 Future services

In the future the internet-café will be able to expand or improve its services. When expanding the needed amount of hardware should be purchased however what should be kept in mind is how far the internet-café will be able to expand. The location may not be big enough to provide an excessive expansion of hardware.

The improvement of service however could be made possible by providing the customer with additional services. A drink- and/or snack machine could be purchased for satisfying the customer, which would attract more customers and which could make the current customers stay longer.

4. Market Analysis

The main goal of any business is to make a profit by providing services, that usually are not present in the designated area. Zambia is a developing country, that can benefit greatly from international contacts and access to the World Wide Web. To achieve this however, certain requirements have to be met, what is the average price, how can a profit be achieved, and what does the market want?

4.1 Target market segment strategy

Our main intentions are to connect people to the internet, increase their knowledge by having access to sources from all over the world, and to increase their social setting, by a new way of communicating. People will come to this internet café to check their email, socialize with their friends, and gather information not found elsewhere.

4.2 Market Needs

Kasama foremost needs an internet café since there is a small amount of internet café's present in the Kasama area. So there is a high demand for an internet café where people can come to check their email and search the web for information. Also, this café is designed to be an additional source of income for a local school, which is a need for the school itself. The customers at the internet café will also enjoy the freedom of accessing different programs like Microsoft Word and other applications.

4.3 Market segmentation

Since our internet café is situated in a major city in Zambia, we expect the population to increase and decrease with the same speed. Therefore we can state and use the population pyramids to predict the amount of customers that would be suitable for our market, by looking at the average growth and applying this to the market, we can predict how many customers we will get.

Total Midyear Population for Zambia

Year	Population
2009	11862740
2010	12056923
2011	12250984
2012	12443435
2013	12635064
2014	12826369

As can be seen, mainly the age groups between 15 and 40 have the largest growth. This is our main target market, therefore we can make an estimated growth of about 1.6% customers per year. We make an assumption of around 5000 customers a year, mainly being young

4. See the Graphs in the Appendix

students, aged around 15~20, looking for an opportunity to go online and explore the World Wide Web.

Potential Customers	Estimated Growth per year	Year 1	Year 2	Year 3	Year 4	Year 5
Kids (15-18)	2%	2500	2550	2601	2653	2706
Adolescents (18-25)	1,50%	1500	1523	1546	1569	1593
Adults (25-35)	1,60%	750	762	774	787	799
Other	1,30%	250	253	257	260	263
Total	1,60%	5000	5088	5178	5269	5361

5. Strategy and Implementation Summary

In this section the strategies of the internet café will be further explained. These strategies are ment to become aware of the possible improvements and decrease.

5.1 Attracting customers

To attract the intended customers the internet-café can use different types of advertising to reach each target group.

For the adolescents for example some posters could be made. These posters could be placed around places where the adolescents would mainly be present. Places like game-halls and sports clubs would be perfect for advertising.

Another way of attracting the customer is to advertise in the local newspaper. By advertising in the local newspaper the households would get notice of the new internet-café. This would result in attracting the parents of the adolescents and the middle-aged inhabitants of Kasama. These ways of advertising will be stopped after two years. This is because over such a period of time most inhabitants will have noticed the internet-café and/or heard about it.

5.2 SWOT analysis

This section will focus on the SWOT analysis. The SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business venture. SWOT is an abbreviation for: **S**trength, **W**eakness, **O**pportunity and **T**hreats.

Strength

The strength that the internet-café will have is its dominant position in the local internet availability. In Kasama the access to internet is very limited however there are some internet-café's which surely will make competing favourably. This condition should have a positive effect on the success of the school's internet-café.

Secondly, the internet-café should have strength in staying up-to-date with the latest computer software. By keeping the hardware updated with the needed software the customers will enjoy working with the computers present. Staying updated with the newest software is also a cheap 'investment' which again would benefit to the success of the internet-café

Weakness

Besides the strengths each company/business has its weaknesses. Weakness can lead to a decrease of a company's success and development.

The weakness of an internet-café in general and also the school's internet-café is keeping up with the latest hard-ware technology. Staying updated with the latest hardware is not only an expensive investment it is an investment which does not sincerely pays off its prices immediately. Over a period of years such an investment should be needed however it remains expensive.

Opportunities

As any other organisation an internet-café has its opportunities. Having certain opportunities offers an organisation a possibility to expand their turnover. An opportunity of an internet-café is that the global population which is requiering acces to the world wide web is slowly increasing. This

increase of internet users should offer the internet-café a chance to expand the business.

Another opportunity from which the internet-café might benefit is the possibility of a rising demand in the market. This raise would be the outcome of the growing popularity under the inhabitants. Once one is familiar with the world wide web one may introduce his or her social environment to the internet. Thereby the popularity of the internet will keep on growing and finally this will reflect in an increasing number of customers for the internet-café.

Threats

The internet-café will be one of a few located in the city of Kasama. However the internet-café will face certain threats which can cause a slight decrease in its popularity in the market.

One of the threats the café will face is the continuous reducing price of the availability of internet itself. Because of the lowering price the internet will become available to a greater population. When this situation occurs more and more people will have an internet connection at their own house. This will make the existence of an internet-café redundant.

An other threat which may threaten the internet-café is the increase of internet-café's at a local scale. When the consumers get the opportunity to choose from a variety of offers the amount of customers will probably decrease.

5.3 Sales strategy

For our internet café, our employees do not require much background training, apart from a basic computer course. If they do not possess this knowledge, there will be an opportunity to learn these. The full time technician will require basic handyman training and more advanced computer knowledge. This however cannot be provided by the internet café itself. Helpful service is one of the key factors that distinguishes our internet café from other Internet cafés.

6. Management summary

An internet-café itself does not require a lot of employees. Therefore the organizational structure isn't too complicated. In this section the intended future organizational structure is further explained.

6.1 Personnel plan

The internet-café requires just a handful of employees in order to function.

In total the internet-café will count a staff of at least four persons. These four can be divided into two groups. At first there are two teachers which will be spending their time teaching customers and children how to manage handling a computer. Besides these two teaching employees there is another group of two employees.

These two employees will fulfill the role of supporting staff. Their job is mainly to support customers with any problems and next to that they will assist customers with their computers.

Personnel plan

	Monthly salary
Teacher 1	\$200.-
Teacher 2	\$200.-
Supporting staff member 1	\$150.-
Supporting staff member 2	\$150.-
Total	\$700.-

7. Financial plan

The following sections lay out the details of the financial plan for the future years.

7.1 Start-up funding

The internet-café will not have the pleasant condition of a start-up fund. Thereby the internet-café should be self providing and also earn back the made costs.

7.2 Projected profit and loss

Profit and Loss	Year 1	Year 2	Year 3
<u>Sales</u>			
Estimated customers*	5000	5088	5178
Hourly fee	\$1.50	\$1.50	\$1.50
Total Sales	\$22,464.-	\$22,896.-	\$23.301.-
<u>Expenses</u>			
<u>Payroll</u>			
- Teachers	\$4,800.-	\$4,800.-	\$4,800.-
- Supporting staff	\$3,600.-	\$3,600.-	\$3,600.-
<u>Marketing/Promotion</u>			
- Posters	\$35.-	\$35.-	\$0.-
<u>Furniture</u>			
-Chairs	\$550.-	\$0.-	\$0.-
- Computer stands	\$550.-	\$0.-	\$0.-
- Toner Boxes	\$200.-	\$0.-	\$0.-
<u>Electronics</u>			
- Scanner	\$1,000	\$0.-	\$0.-
- Computers	\$10,000	\$0.-	\$0.-
- Printer	\$1,000	\$0.-	\$0.-
<u>Other expenses</u>			
- Computer Electricity**	\$62.67	\$62.67	\$62.67
- Internet ⁵	\$396.-	\$396.-	\$396.-
- Additional unexpected	\$2,200	\$2,200.-	\$2,200.-

expenses			
Total Expenses	\$30,063.67	\$11,093.67	\$11,058.67
Total Sales	\$22,464.-	\$22,896.-	\$23,301.-
Total Expenses	\$30,063.67	\$11,093.67	\$11,058.67
Profit	-\$7,599.67	\$11,802.33	\$12,242.33

* more than 19 customers a day

** 10 computers running 3 hours on a daily basis and 7 hours stand-by

7.3 Break-even analysis

According to our calculations the expected break-even date will after 235 days of the second year.

Daily Profit	$\$11,802.33 / 365 = \32.36
Total Loss 1st year	\$7,599.67
Loss divided by daily profit	$\$7,599.67 / \$32.36 = 235 \text{ days}$
Conclusion	After 235 days in the second year break-even will be accomplished.

8. Appendix

8.2 Graphs







