

Saimaa University of Applied Sciences  
Business and Culture, Imatra  
Faculty of Tourism and Hospitality  
Degree Programme in Tourism

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## **Business Plan for Sherpa Restaurant in Kuopio**

Bachelor's Thesis 2013

## **Abstract**

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The objective of this thesis was to make a business plan for Sherpa restaurant which is located in the town of Kuopio. This thesis talks about the Nepalese food culture in this region. The aim of this thesis is to carry the Sherpa restaurant in a correct path towards its objectives and goals. This business plan is made after research and an investigation as well as suggestions given by restaurant's owner in Helsinki region includes Nepalese as well as other restaurants. This thesis also clarifies why this particular place was chosen to provide its services. During the thesis, all the financial projection, inventory system for restaurant, company webpage, restaurant menu etc. were prepared.

The theoretical background of this business plan was based on number of business books. The thesis also gives an image of its potential customers and possible competitors. Porter's 5 forces analysis, SWOT analysis, marketing analysis, competitor's analysis were also carried out in this thesis. Qualitative and Quantitative research methods were also conducted to find out customer's behavior and interest towards Nepalese restaurant.

The outcome of the survey done in Kuopio center gave firsthand information about people's interest in Nepali Restaurant. The result of this study shows how the restaurant came to provide its services in Kuopio. During the opening week around 4,000 customers visited Sherpa restaurant. Nowadays, the demand of spicy food at lunch time keeps increasing day by day. This result shows that the menu for spicy food at lunch time should be increased. Sherpa restaurant has to consider giving some special discount to attract number of tourist visitors in Kuopio. One of the key improvements that should be made by Sherpa restaurant is newspaper advertising.

Key words: Business plan, restaurant, research, Kuopio

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## **1 Introduction on business plan**

A continuous production and distribution of goods and services with the aim of earning profits under uncertain market conditions is Business (Kalyan-city2011).

Starting a new business venture is like going into tropical forest on a treasure hunt. There are rewards to be won, in both material wealth and in personal satisfaction, but there are dangers lurking and you can easily lose your way (Blackwell, 2008, p. 1.)

Business plan works for business to look ahead, allocate resources, focus on key points and prepared for problems and opportunities (Tim, 2013)

It is said that most people think business plan are necessary only for loan application or starting of new business, which is not correct. Business plans are also needed for running a business with optimized growth and development.

### **1.1 Aim of thesis**

The aim of this thesis is to carry Sherpa Restaurant in a correct path towards its goals and objectives. Another aim is to build, grow and expand as a healthy company. Restaurant Sherpa will always be aware of difficulties, problems, risk with the help of this thesis since there will be a huge number of solutions and ways. This thesis will help to create a successful business.

### **1.2 Research Problem**

There are not enough restaurants in Kuopio town where people are satisfied with restaurant services, food quality, customer services which are only a hypothesis that the author invented to make a solution regarding this thesis. Sherpa restaurant will provide all the needs.

### **1.3 Research approach**

Most restaurants are lacking behind to provide different taste of food in the town of Kuopio. Sherpa restaurant will be a new Nepalese restaurant that can provide different and unique food taste that people in Kuopio have never tasted before. They can enjoy ethnic food with soft tune in restaurant.

### **1.4 Theoretical approach**

Different theories from great writers are included regarding business plan, marketing planning, SWOT analysis, different research approaches, company laws, and empirical studies. The easy definitions and statements by experts were chosen.

### **1.5 Limitations:**

The author had to stick only to the Sherpa restaurant which focus to serve only Nepali dishes. Since the business size of the company was small –scale, survey was done with some questionnaires and interview around Kuopio. The author had to focus on Finnish business system since the company was going to start its business in Finland.

## 2 Business Planning

A business plan is a road map that provides the directions so a business can plan its future (Entrepreneur magazine 2013).

### 2.1 Business Idea

Business idea always encourages new way of thinking when it come to an innovation. Developing a good business idea requires a wide range of competences and energies that are only rarely present in single individuals. A successful entrepreneur has provided his simple explanation of the concept which is “it’s really quite simple: use your common sense, listen to people, and seize opportunities as they arise”. (Hougaard 2005.)

Successful entrepreneurial launching requires special knowledge which in a best and broadest sense is a must for sustainable development. The business idea provides the tools making it of interest to anyone who works with getting an enterprise off the ground or studies entrepreneurship. Business idea is a framework intended to sharpen your senses towards entrepreneurship and perhaps make you want to have a go at it yourself. (Hougaard 2005.)

Business idea is a framework that intends to sharp the senses towards entrepreneurship. Below figure shows the model for business idea.



Figure 1 Strategy model for business idea (123rf 2010.)



## **2.2 Business Plan**

A business plan is a written statement that describes and analyses your business and gives detailed projections about its future. A business plan also covers the financial aspects of starting or expanding your business-how much money you need and how you'll pay it back. (MCkееver2012, p. 6.)

A well-written business plan will provide a pathway to profit for any new or existing business (Pinson. 1999, p.1).

Business plan is usually comprises with a description of a company or small business, its services or products. Business plan mostly includes budget, financial projection, and marketing analysis.

According to Hearst (2013), business plan is a document that details the strategy of business owners on how they intend to run their business. Business plan provides a road map for where the owners want to take their businesses.

Business plans are guides for owners to run their businesses. If there are problems in running the business e.g. slow sales, not enough customers etc then those problems are solved by analyzing the information in their business plans.

A business plan which is detailed touches several key areas. Business plan can cover company's vision, goals, name of management, employees, services etc.

Although business plan was created at the beginning of starting the business, it is necessary to review it from time to time and makes changes according to the need of company (Hearst 2013).

Business plan can be helpful in following ways:

It helps to make vital business decisions that focus on activities and maximize our resources.

It helps to understand financial aspects of our business like cash flow, requirement of break-even.

It helps to gather marketing information.

It helps to avoid difficulties that may arise in the business.

It helps to set a specific goal and measurement.

Helps to expand to profitability directions. (Abrans 1991)

More over business plan can help to make the right decisions in right time.

### **2.3 Benefits of business plan**

Here are four benefits of writing a business plan by Mc Keever (2012):

#### **1 Help us get money**

Most lenders or investors require a written business plan before they will consider the proposal seriously. Before making any commitment, they want to see whether you have understood your business. They also want to make sure your business has good chance of succeeding.

#### **2 Helps whether to proceed or stop**

Business plan are designed to provide answers to all the questions that prospective lenders and investors will ask. It also teaches us what the weakness and strengthens in our business concepts are and what our realistic chances of success are. This is extremely important that there is a saying that a great many business people owe their ultimate success to an earlier decision not to start a business with built-in problems.

#### **3 Help us improve our business concepts**

Business plan writing allows us to see how changing parts of plan increases profits or accomplishes other goals. Spreadsheet programme in computer can make financial projections where we can try different alternatives more quickly. This ability in our plans can increase our chance of success.

4 Helps us keep on track

A written business plan gives us a clear course toward the future and makes our decision making faster.

### **3 Business plan for restaurant**

In general, Business plan for restaurant covers following points:

#### **3.1 Executive summary**

The executive summary summarizes the entire business plan in a few paragraphs by giving the most important statement possible about the nature and objectives of the business. This section cannot be ignored because it demonstrates the focus with clear goals and states who you are, what you want and where you are going.

State the mission of your company. The mission statement is a brief description of how you want your company to be viewed by its customers. It also states your company's vision as to future directions toward which it intend to move (Pinson 2008, p 23.)

#### **3.2 Company summary**

This section will provide the information on your company including, who you are, where you have been, where your plans are going and how your company fits into industry and market place. It includes following points:

- The precise nature of business
- A brief history of the business or how you developed your products and services
- How your facilities will be able to handle your future growth
- Company details, including the legal structure of the business
- Growth potential
- New products and the developments that have arisen in the recent past that will make the products and services more attractive to the public
- Economic trends that are favorable to the industry

This section should provide the reader with the concept of how the business works and why it has a unique chance to shine in the market place (Pinson 2008).

### **3.3 Company Finance**

Although your hopes and plans for financing your business will be set out in all the cash flow forecasts which you will attach as appendices, it will be helpful if you give a brief summary. The following are shown no matter how small the business is:

- The expected turnover for the first year;
- The expected net profit for the first year;
- How much of the loan will be paid off in one year;
- When you expect to pay off the loan entirely;
- What you hope for the second year

The additional information which could be of importance are the rate at which to expect profit to grow and the dividend policy will be. (Blackwell, 2008, p 14-15.)

### **3.4 Product and Services**

This section describes the products and services and what are sold. According to Pinson (2008, p 34), products and services should explain following things:

#### **3.4.1 Products:**

One must describe in depth, what one's product is. Specification of this can be done with drawing, photos, sales brochures, and other such items.

Explain about the quality of your products, uniqueness and its features.

#### **3.4.2 Services**

Tell what the services are. Why it is able to provide, who will be performed. Tell why this business is unique and what special offer to the customers. If one's have both the product and services that work together to benefit the customers one should be sure to mention in the business plan.

## **4 Research methodology**

Research methods in education (and the other social sciences) are often divided into two main types: Quantative and Qualitative methods.

### **4.1 Qualitative research methods**

Qualitative research is a broad umbrella term that covers a wide range of techniques and philosophies, thus it is not easy to define. In broad terms, qualitative research is an approach that allows us to examine people's experiences in detail, by using specific set of research methods such as in-depth interview, focus group discussion, observation, content analysis, visual methods and life histories or biographies. Qualitative methods, however are much more than just the application of qualitative methods (Hennink.2011.)

### **4.2 Quantitative Research Methods**

According to Aliaga and Gunderson (2000), Quantitative research is 'explaining phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics)'.

### Key difference between qualitative and quantitative research

	Qualitative research	Quantitative research
Objective	To gain a detailed understanding of underlying reasons, beliefs, motivations	To quantify data and extrapolate results to a broader population
Purpose	To understand why? How? What is the process? What are the influences or contexts?	To measure, count, quantify a problem, How much? How often? What proportion? Relationship in data.
Data	Data are words( Called textual data)	Data are numbers or numerical data
Study Population	Small number of participants or interviewees, selected purposively (non-randomly) Referred to as participates or interviewees	Large sample size of representative cases  Referred to as respondents of subjects
Data collection methods	Indepth,interviews,observation, group discussions	Population surveys, opinion polls, exit interview
Analysis	Analysis is interpretive	Analysis is statistical
Outcome	To develop an initial understanding, to identify and explain behavior, beliefs or actions	To identify prevalence. Averages and patterns in data. To generalize to a broader population.

**Table 1: Key difference between qualitative and quantitative research adopted from Hennink, Hutter, and Bailey(2011)**

### **4.3 Primary Data**

Primary data means original data that has been collected specially for the purpose of mind which means someone collected the data from the original source first hand. Collection of data this way is known as primary data. People who gather primary data may be an authorized organization, investigator, enumerator or they may be just someone with clipboard. In this case these people are acting as a witness so primary data is only considered as reliable as the people who gather it. This kind of research is referred to as field research, e.g. questionnaire. (wikibooks 2012)

### **4.4 Secondary Data**

Secondary data are collected for other purpose. Wikibook, 2012, defines that when we use statistical method with primary data from another purpose for our purpose we refer it as secondary data. Meaning of it, is; one purpose's primary data is another purpose's secondary data. Secondary data are those data that is being reprocessed. E.g. Data from books (wikibooks 2012.)

## **5 Reliability and validity**

Although Kuopio's population is above 100,000, the number of respondents was too little. The result of this questionnaire might not bring exact result since the respondents were few but they were from different backgrounds giving similar answers, which helps to understand in details. A high degree of stable answers shows high degree of reliability which means the results are repeatable.

Validity determines whether the research truly measures the results that were intended to measure or whether the research result is truthful or not. The questionnaire which was made in the intention to see the response was measured positively. It shows that a large of people in Kuopio are waiting for Nepalese restaurant to be open.



## **6 Management and personnel**

A small business company usually starts up with the owners doing most of the work. As business becomes bigger and sales increase, management and personnel needs will also change. The company's goal is projected for growth and the necessary in management and personnel must be planned (Pinson 2008).

### **6.1 Management**

Management is a tool which regard to achieve the goals and objectives of an organization. Management aim to affect the future of the company. The most critical issue to be addressed in business may be management. Many potentially profitability operations have failed due to inability to effective management operation of the company (Pinsor2008).

### **6.2 Personnel**

Personnel is required in a company as it gives following answers:

How many employees will be needed to operate a company efficiently?

What job are they needed for?

At what stage in the business will they be hired?

What qualifications/ experience will they need to have?

What salaries and benefits will they be paid?

Some businesses fail because they hire too many people too soon. Other business fail because they become too successful too soon and they are not organizationally ready (Pinsor 2008, P. 39.)

## **7 Company Law**

The chosen legal structure must be described and explained why it is most advantageous for the business. The owner or corporate officers should be named. Their strength and weakness should include in the resumes in supporting documents of business plan.

In Finland, most of the permits are granted on first application. But some types of business requiring e.g. specific skills or specific case by entrepreneur are always subject to licensing and permit are required whether to carry out by Finnish or non-Finnish person.

The most important forms of incorporations for business enterprises are:

### **7.1 Private entrepreneur ( TMI/FMA)**

Private entrepreneurship is one of the simplest ways to setup a business in Finland. A natural person residing in the European Economic Area may carry out the trade in the form of a private entrepreneur. If a person outside the European Economic Area wants to open a private enterprise he/she needs to have a trade permit which can be granted by the National Board of Patents and Registration (NBPR) (Uhy 2012.)

The owner of the enterprise acts on behalf of the business and concludes its contracts. The election of auditors is not regulated by law. The business has to be registered in the trade register with a start-up notification form of private entrepreneur. It should contain trade name, personal data, nature of trade, municipality of main establishment and address of the place of the business. The fee is 75 Euro and it has to be paid in advance (Yrityssuomi 2013)

## **7.2 General partnership**

It is based on principle of contractual freedom which means partners are concerned to make whatever arrangement they see, the division of power between the parties, the management of partnership etc. However they have mandatory right to investigate the company account and books and to bring a legal action challenging the annual accounts ( PRH, 2013.)

A general partnership has at least two partners who jointly carry on a trade on the basis of contract. The partners are personally liable for the debts and other obligations of the partnerships. The partners can be either natural person or organizations such as other companies ( PRH 2013.)

There are no any legal requirements as to capitalization of a partnership, hence the partners may freely agree on their investments in the partnership. Partners who are working actively in partnership may be paid a salary. Profits are distributed between the partners equally, if not otherwise agreed. Interest on prevailing amount of paid up capital is paid out first. Partners can at a time withdraw money invested in the partnership and takeout money or assets from the company. ( PRH, 2013)

## **7.3 Limited partnership**

Limited partnership is same as general partnership except that limited partnerships have two types of partners. One is active which are personally liable for the obligations of the partnership, while the liability of silent partner is limited to the amount of the partner's contribution agreed in the partnership. There must be at least one general partner and at least one silence partner. There are not any limited provisions on minimum capital investment. The limited partners have neither managerial power nor a right to block decisions or to represent the partnership. (PRH, 2013)

## **7.4 Limited company**

Limited company can be a public limited company or private limited company. A public limited company must have minimum paid-up share capital of Euro 80,000. The required minimum paid up share capital for private limited company is Euro 2,500. The share and bonds of a private company may not be subject to trade on NASDAQ OMX Helsinki Ltd. (PRH 2013)

The ultimate decision-making power in a limited company is vested in its shareholders at the annual general meetings of shareholders. As a rule, all the shareholders are initiated to take part in and to express their opinions and use their voting rights at shareholders meetings.

The annual General meeting must be held within six months of the end of the company's financial year, unless the articles provide for a short term (Rochier 2012).

More than half of members of the board must be present for the meeting unless a larger proportion is required in the Articles. A limited company may also have a managing director who is appointed by the board and must abide by its instructions and orders. The board of directors is responsible for the administration and the proper arrangement of the operations of the company.

In general, a limited company has at least one auditor appointed at the annual general meeting. However, small size companies are excepted from obligation to appoint an auditor subject to concern conditions. Provisions on auditing performance, qualifications and the supervision of the auditing profession are set forth in the auditing act (PRH 2013.)

## **7.5 Co-operative**

Co-operative is one important player in the agricultural sector and in the retail business in Finland. Under the cooperative Act (1488/2001; FI osuuskuntalaki). Cooperative is a society whose number of members and amount of capital is not determined in advance and whose purpose is to carry on business operations in order to support the finances of its members by having them use the services of society. The cooperative rules may provide that the cooperative can issue investment shares, which have many features in common with shares of limited companies (Roschier 2012.)

The figure below shows the important forms of incorporations for business enterprises.

	Private entrepreneur	General partnership	Limited partnership	Limited liability company	Cooperative
<b>Number of founders</b>	Entrepreneur works alone	At least two active partners	At least one general and one silent partner	One person or several people	At least three people
<b>Capital required at start-up</b>	Little capital required	Partners' inputs, no minimum capital required	Partners' inputs in accordance with the articles of association	Share capital: private €2,500, public €80,000	Participation shares, no minimum capital
<b>Decision-making</b>	Entrepreneur makes decisions personally	In accordance with the articles of association	General partner	General meeting of shareholders, board of directors and managing director	Annual general meeting of a cooperative, board of directors and managing director
<b>Risk and responsibility</b>	The entrepreneur is responsible based on his/her personal property	Partners are responsible based on their personal property	General partner is responsible based on his/her personal property	Owners responsible based on the amount of share capital	Members of cooperative responsible based on the amount of co-operative capital
<b>With-drawal of assets and profit distribution</b>	Assets used as private withdrawals, no wages	Partners: salary, shares of profit, loan and private withdrawals	General partner: as in general partnership, silent: share of profit	Shareholders: dividend income, wage income depending on work contribution	Members: interests on capital, returns of surplus, compensations, wage income
<b>Taxation</b>	Partly taxed as capital income, partly as earned income	Profit shared between partners, after that taxed as a private entrepreneur	Profit shared between partners, after that taxed as a private entrepreneur	Pays 24,5 per cent tax on result	Pays 24,5 per cent tax on result
<b>General description, suitability</b>	Personal work contribution decisive, flexible decision-making, family companies	Trust between partners vital, as is the ability to cooperate. SMEs.	Trust between partners vital, as is the ability to cooperate. SMEs.	Suitable for companies that need capital, heavier administration than in other forms of business	Aims at producing services for members, not maximising profit, democratic decision-making (one vote per member)

**Figure2: Characteristics of Forms of Business in Finland ( Yrityssuomi 2013)**

## **8 Competitor Analysis**

Competitor analysis provide a brief profile on direct competitors. This section in business plan should include brief profile on major competitors of what services they offer. It is said that competitors strength and weakness section outline the proper strength and weakness of the competitors.

## **9 Marketing Planning**

Marketing planning is a logical sequence of events leading to the setting of marketing objectives and the formulation of plans for achieving them (Mcdonald and Wilson 2011, p. 53).

Marketing plan is based on the overview and goals to establish the company. The plan defines all the components of the marketing strategy which address the details of the market analysis, sales, advertising, and public relations campaigns. The market plan is completed by addressing customer service, implementation of the marketing strategy and plans for assessing the marketing effectiveness. (Pinson and Jinnett 2006, p.208.)

According to the American marketing association, marketing is defined as both an organizational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefits the organization and its stakeholders.

Marketing planning is a systematic process involving assessing marketing opportunities and capabilities, determining marketing objectives, agreeing target and brand positioning strategies, seeking competitive advantage, creating marketing programmes, allocating resources and developing a plan for implementation and control. (Dibb & Lyndon Simkin 2008, pp. 3-4.)

### **Marketing plan advantages According to Bob Parker:**

- Expanding markets
- Beating the competition
- Hitting the best customer targets

- Winning new customers
- Minimize the threats
- To identify the company strength and weakness
- Enhancing performance

## **9.1 Market analysis**

According to Sba2013, this section of marketing plan contains information about target market, competitors and marketing trends. The components of market analysis are:

### **9.1.1 Identifying target markets**

This gives information on who are you selling to? Who are your ideal customers? Your target market should be defined in term of demographics, psychographics and special characteristics of niche markets.

### **9.1.2 Demographics**

Demographics refers to the statistical data of population, average age, income and education. In most cases Government data is a common source of demographic information.

### **9.1.3 Psychographics**

Psychographics uses demographics to determine the attitudes and tastes of particular segment of a population. Psychographics determine lifestyles: Where people spend their vacations, where they shop, how they spend their income etc

### **9.1.4 Niche markets**

Niche markets are a small segment of the population that shares common characteristics, interests, spending habits etc. Successful niche markets usually focuses on a small segment of total market.

## **9.2 Research your competition**

It is always important to concern what other companies are after in same market. Who is competing? What are their strengths and weakness relatively? Check out their general health of their general health of business, their



approach to marketing and their financial information. In addition, specifically investigate the following in depth helps to know more about the competition:

Visiting websites and examine their design, format and contents. To know the answers like, is the website professional and complete? What features and benefits do they promote? How do they position their products? What website do they link to? Do they offers special events? (Linda 2008, p 47-48.)

## **10 Porter's 5 Forces Analysis:**

In general, Porter's 5 Forces Analysis represents the competitive environment of the firm. This strategy helps to avoid putting the competitive edge at risk and ensure the profitability of products on long term. For companies, this analysis is able to direct its innovations in term of choice of strategies and investment. The profitability of business within companies depends on following forces:

- Competitive rivalry within the industry
- Threats of new entrants
- Threats of substitutes products
- Bargaining power of customers
- Bargaining power of suppliers

These forces will be discussed in details in the following chapters.