

**An Investigation into the
Feasibility and Viability of Opening a
Thai Restaurant in the
Morningside Area**

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1.1 INTRODUCTION

The Thai Land brand represents clear value, and the management hopes to achieve this by setting and maintaining the quality of their products and service. Consumers will hopefully come to see this brand as a product of quality and consistency. Hence the introduction of a new Thai restaurant into the Morningside area is fortunately not viewed as a threat. Thai Land Restaurant and Bar plan to communicate an unambiguous message to its consumers and that message will be one of quality and peace of mind. Customers are aware that they are purchasing a product of quality with the freshest and most nutritional ingredients that have been prepared in the safest, healthiest and yet most authentic way possible. This will enable them to still maintain a healthy lifestyle whilst enjoying good quality, innovative food.

Thai Land - the brand differentiates its offering. This is helpful as consumers often choose not to choose when they are faced with excessive choice, unless there is a vehicle available to facilitate what they believe is an informed choice. Often that vehicle is simply a brand name, which will hopefully be a strong one, in time to come, one that a consumer will learn to trust. Thai Land hopes to provide their patron with a complete and unique dining experience.

A brand is a promise offered by the manufacturer to the consumer and the product or service is nothing more or less than the evidence of the truthfulness of that promise. If a brand breaks faith with the consumer just once, its ability to make promises over time is all but eliminated. Thai Land will maintain this through their full refund policy whilst still ensuring customer quality and satisfaction in all that they serve. Thai Land's customers will loyal to the brand because of its trusted value and quality. This loyalty will not only impact on their product and services but would also ensure repeated and continued business/sales. Thai Lands mission statement is to build life long relationships and this should be evident with the trusted value and quality of all the food that they sell.

1.2 BACKGROUND

The management of this establishment hopes that their name will be synonymous with superior yet authentic cuisine, meticulous attention to detail and value for money in all the food that they serve. They plan to grow into an organisation that is able to provide their customers with an ever-growing range of high quality, ethnic food. Armed with carefully researched customer requirements, teams of experienced buyers will seasonally develop new food ranges according to the climatic changes, throughout the year. To keep abreast of world trends, they will regularly source new ideas from the East and then interpret these into ranges that are suitable for their patrons.

Research efforts regarding customer's perceptions and attitudes towards the introduction of another Thai restaurant in the Morningside area was non-existent prior to this research. Currently the Restaurant Association of Southern Africa does not have much published material about the industry as a whole, in the public domain and this has become more evident with the researchers increased exposure to various company case studies in his capacity as an MBA student. Since the researcher is seriously interested in pursuing such a venture, he has decided to take up the challenge of "filling" this gap in both the market research and academic arenas, by determining both the short and long term effects of undertaking such a business venture.

The research problem shall be explored through customer questionnaires and interviews with patrons and restaurant management/owners. The researcher also plans to familiarise himself with the available literature, past and current sales trends as well as any trends in customer complaints / queries and compliments over the last three (3) months (November 2002 - January 2003). A non-probability sampling approach will be adopted as the researcher needs to identify "a feel of the range of conditions" and for examples of any dramatic variations. Non-probability sampling has been selected mainly because the target group is pre-determined. The target group only includes patrons and management/owners of the restaurants in the Morningside area

1.3 MOTIVATION

The motivation to conduct this study comes from the researcher's travels to the East, as well as his keen interest in undertaking such a venture. There is a definite need for a study of this nature to be conducted as to determine the benefits of opening such a restaurant in terms of feasibility and viability. The lack of essential theory and background knowledge regarding trading patterns, competition and the restaurant industry as a whole is fairly limited. A knowledge and resource base pertaining to this is actually non-existent in a South African context. This therefore presented a challenge to the researcher to investigate the situation and the effects and implications of such a move. Thai Land as a company will be in the unique situation of being the only Thai restaurant to provide a totally authentic Thai meal. Other restaurants do serve Thai food but it is not a proper, authentic ethnic meal offering. Very few, if any, studies of this nature have been undertaken, which make this study almost unique. Having been genuinely interested in this venture, the researcher was fortunate to have personally experienced the varied responses of consumers towards the introduction of an authentic Thai restaurant and realised that there definitely was a gap in research circles regarding this.

1.4 VALUE/ BENEFIT OF THE STUDY

The value of this study cannot be understated. Once the enhanced value can be quantified, Thai Land will be able to adjust its pricing strategy and product range to incorporate added value. This study will help Thai Land to better understand the value and effect of introducing an authentic Thai restaurant in the Morningside area. This study will also compare customer attitudes pre and post the introduction of such a restaurant. This should have an impact in the decisions that Thai Land's management would take on future actions. The implication of/for not conducting this research is that it will not be possible to evaluate the advantages and disadvantages of a Thai restaurant in the above-mentioned area.

The introduction of an established concept whilst still maintaining or exceeding customer expectations and standards translates into a successful strategy. Critical

incidences such as a dramatic increase or decrease in sales or customer complaints have the potential to maintain, increase or decrease existing customer satisfaction levels. This research had the potential to link and merge with any ongoing restaurant-customer satisfaction programmes whilst also measuring the long-term effects of the introduction of another Thai restaurant in this area. The Thai Land Restaurant and Bar will be different from other restaurants in the area for at least four (4) reasons

1. A native chef will prepare all food served in this restaurant.
2. All ingredients will be authentic and traditional yet freshly prepared.
3. Thai Land envisages having a unique product offering in terms of their food, drinks, décor, chef and waitrons. This will allow them to offer diners an unique yet authentic dining experience.
4. This restaurant plans to offer patrons an authentic Thai experience in every sense and thereby allow it to occupy a primary place in the consumer's mind.

This study examines the feasibility and viability of establishing a Thai restaurant in the Morningside area and the effects thereof. The questions that are pertinent in this study are:

- ❖ What are the different problems that Thai Land's management could face should they establish such a restaurant?
- ❖ What strategies need to be implemented for Thai Land to establish a place in the consumer's mind and heart as well as maintain and grow market share?

1.5. PROBLEM STATEMENT

Thai Land's management has recently identified their desire to open Thai restaurant and offer patrons a unique yet authentic Thai dining experience. The main aim of this is to provide the customer with a taste of Thailand.

Information is required to establish the feasibility and viability of the introduction and establishment of such a restaurant in the Morningside area. It also hopes to determine whether this introduction will enhance or dilute any trusted and established names in

the restaurant industry particularly in Morningside area. Thai Land restaurant and Bar hopes to occupy and satisfy a niche market yet the question to be asked now is: "Will they become just another Eastern restaurant?" Also what are customers perceptions and attitudes towards the establishment of another restaurant in the Morningside area?

1.6 OBJECTIVES OF THE STUDY

The main objective of the study was to firstly establish what people's attitudes were towards the introduction of another Thai restaurant and secondly to establish the feasibility and viability of undertaking such a venture. This included establishing peoples perceptions on whether they believed that the introduction of yet another authentic Thai restaurant would allow them to enjoy a higher level of customer service and food or not, as well as any other perceptions that they may have formed.

- ❖ The purpose of this research is to establish the extent to which the establishment of another Thai restaurant has been successful in creating and maintaining the high quality, customer-centered authentic dining experience that it was intended to produce.
- ❖ The researcher would also like to determine the influence of product, quality and authenticity on the customer evaluation of competing restaurants.
- ❖ By answering the above questions, the researcher would be able to establish whether the introduction of such a restaurant will have a positive or negative effect on the established Morningside restaurant's trade. More specifically, the researcher intends to identify customer perceptions, interactions and acceptance levels of food, service and advertising amongst these Morningside restaurants. This research also aims to highlight any trends that may be present amongst Morningside restaurant patron's and owners/managers as well as the influence of product and quality on their evaluation of competing brands.
- ❖ The research will focus on the customer values and acceptance of the introduction and establishment of such a restaurant. Being applied research, this will ultimately be a fact orientated and information gathering exercise.

1.7 HYPOTHESES

- ❖ The introduction of an authentic Thai restaurant in the Morningside area was successful in creating and/or maintaining the high quality, customer-centered, value for money image that it was intended to produce.
- ❖ The relationship between customer acceptance and perceptions, pre and post the introduction and establishment of such a restaurant.
- ❖ Classical or sampling theory approach will be adopted for hypotheses testing.

1.8 RESEARCH METHODOLOGY

The applied research will be a descriptive statistical study for the following reasons:

- ❖ The hypotheses will be tested quantitatively.
- ❖ Generalisations will be made based on the representativeness of the sample and reliability and validity of the research design and instrument.
- ❖ It will be a field setting - normal restaurant environment.

1.8.1 DATA COLLECTION METHODS

A questionnaire has been identified as the primary data collection tool and this will generate quantitative data.

1.8.2 QUESTIONNAIRE DESIGN

The questionnaire will be a pre-formulated written set of questions, (beginning with simple dichotomous {yes/no} type questions progressing to semantic differential questions, to which respondents will record their answers which will be in rather closely defined alternatives. The researcher will consider categorisation, coding, scales as well as reliability and validity as principles of measurement when designing this questionnaire. The questionnaire will be compiled with the funnel approach in mind. (See appendix A for sample questionnaire)

This customer and owner/manager questionnaire will be administered at restaurants that are situated in the Morningside area. The management or owner questionnaire would obviously be administered to management or owners of the identified

restaurants and two patrons have been randomly selected in each of these establishments. This format has been identified for its cost and time effectiveness in securing feedback from the respondent. These questionnaires will yield data responses that fall in the median category whilst still being quantitative in nature. An alpha numeric code will be devised to capture the data responses from the dichotomous questions whereas respondents would rate their attitudes towards a particular change/product on a five (5) point scale for the semantic differentials. This will ensure more accurate and manageable handling of the data. The alpha -numeric code will be set up with coding rules in mind namely, appropriateness, exhaustiveness, mutual exclusivity and single dimension. The preliminary codebook will be used with the pilot data and this will reveal any coding problems that may need correcting prior to the data being collected and processed. This primary data method has been sought for its reputation in control over error and proximity to the truth.

1.8.3 PILOT TEST

A Pilot test will be carried out on approximately 5 restaurant patrons and owners/managers respectively whilst still maintaining the same procedures and protocols. It was conducted to detect any weaknesses in the sampling design, instruments and procedures. Should the pilot test highlight any major flaws, pre testing would be repeated to refine the questions/instruments or procedures tested. The pilot test highlighted no problems and so there was no reason to modify or alter the questionnaire in any way.

1.8.4 SAMPLE

A non-probability sample, in particular a convenience quota sample has been selected for the following reasons:

- ❖ Convenience: selection of target group is readily available in the form of customers and restaurant owner or managers.
- ❖ Quota: respondents characteristics are predetermined and roughly in proportion to the total market.

The target population has been predetermined and identified as diners and restaurant owners or managers. The reason behind choosing this sample is that firstly the researcher just wants to get a feel for the data as well as the fact that this will allow us to measure the difference, pre and post the establishment of such a restaurant.

1.8.5 SAMPLE SIZE

The focus will be on diners and owners or managers of restaurants in the Morningside area. The focus of the questionnaire will be information gathering.

Reliability and Validity

Characteristics of a good measurement are reliability and validity.

1.8.5.1 Reliability

Internal consistency and the reliability of measures can be tested using Cronbach's Coefficient Alpha. Reliabilities less than 0,60 are generally considered to be poor whilst those in the 0,7 range are considered to be acceptable. A good score would include anything over 0,8. Basically the closer the reliability coefficient gets to 1, the more reliable the measure is. The researcher would also apply the Kuder Richardson Formula 20 (KR20) for the multi scale items (semantic differential responses).

In order to ensure that the results are reliable, the researcher would endeavour to choose the representative sample as scientifically as possible. Objectivity will be maintained at all times during the development and management of the questionnaire and focus group session. This will be obtained by involving honest observation/assessment and having no personal bias. Also all respondents' replies/answers would be unprompted/unaided allowing for no prompting bias.

1.8.5.2 Validity

Content Validity: The researcher would ensure that there was adequate coverage of the objectives of the topic under study.

Discriminant Analysis The researcher would use factor analysis to determine the construct adequacy of the measurement device. This test is used if similar/related questions are the same in their response.

External Validity: This could be seen as a threat in that a substantial number of the target group may refuse to participate in the questionnaire due to time constraints (e.g.: lunch break, rushing after work). The question that this then poses is that can these findings be generalised to the general target population if the questionnaire was only filled out by diners and restaurant owners/managers that participated in the survey.

Other Reactive Factors: Some people react or role-play when they know that they are part of a survey or experiment.

The researcher would definitely use conjoint analysis, as it is a powerful tool to measure customer attitudes and choices of product attributes. It could also be used to examine how competitors would react to the idea of the establishment of another restaurant in the Morningside area.

1.8.6 DATA ANALYSIS

The data would be analysed in order to find solutions to problems as well as fulfilling the objectives and hypotheses. Computers and Computer programmes like SPSS make it possible and easy to edit/code and enter data as well as for cross-classification analysis. Graphical techniques and visual representations will be used to represent the statistical data results. Examples of these would include frequency tables, bar or pie charts and histograms. Statistical Process Charts will be used to identify trends that may exist with the Morningside restaurant patron as well as Thai food lovers. An unknown /no answer entry will be created for answers that are not appropriate (not ticked or double ticked). The researcher will edit and capture all the data immediately/daily to avoid any backlog with capturing and editing. The researcher plans to use an optical character recognition program in conjunction with a flat bed scanner. This will be adequate for a research project of this size. This will reduce data handling as well as decrease time between data collection and analysis whilst providing more useable information.

1.8.7 NATURE AND FORM OF RESULTS

The results would be in the form of statistical conclusions, applied findings, strategic plans and recommendations.

1.8.7.1 Appropriateness of Methodology and Data Collection

The number of questionnaires (owners and customers questionnaire = 40 each) that were returned by the respondents (80) provided a set of credible data because of its size. It can also be said that the sample size of 80 drawn, using the EPISTAT software, provided fairly substantial data to analyse and interpret. Random sampling ensured that all diners and restaurant management had an equal chance of being included in the sample, irrespective of the demographics. However, it should be noted that the overall purpose of the sampling method was to ensure transparency and convenience in the selection. Further research into other customer needs and perceptions is recommendations. The method used for data collection was a systematic one, which achieved its purpose i.e. that of collecting as many questionnaires as possible.

The up-to-date software technology used, SPSS facilitated data collection. The data was coded upon collection and SPSS helped the researcher formulate the descriptive statistics, and conduct the different tests as well as the multivariate analysis i.e. cluster and factor analysis. Overall methodology used sample selection and data collection was satisfactory and sufficient to draw upon the results and conclusions.

1.9 DEFINITION OF CONCEPTS

All definitions are described to assist in understanding various aspects of this study as and when they are encountered in the text.

1.10 STRUCTURE OF THE PROJECT / ORGANISATION OF THE STUDY

The chapters in this study are as follows:

Chapter 1: Overview

Chapter one is the introductory chapter that presents the problem to be investigated. It introduces the reader to the foundation of the study, whilst covering areas such as

the background, its purpose, its limitations as well as the manner in which the study has been structured.

Chapter 2: Theory Review

Included in this chapter is a broad theory framework starting a business plan. Around this further theory knowledge is built beginning with a situational and market analysis and the various segmentation variables that are involved there. The next area that is covered is the marketing mix, market segmentation and target market selection. Before moving on to the personnel plan and key financial indicators. This chapter rounds off with a DIY business plan. This is presented in model and question form. All relevant literature and previous studies have been covered in this chapter.

Chapter 3: Company Overview

This chapter details the history of Thai cooking and the proposed operations of Thai Land Restaurant and Bar covering all aspects of their business. All aspects of Thai Land's business are discussed in this chapter.

Chapter 4: Research Methodology, Findings and Discussion of the Results

Chapter 4 deals with the statistical results of the research, the methods of data interpretation and analysis that was used. It will feature the key factors that affected the conclusive attitude of these diners and restaurant owners/managers towards the introduction of a new Thai restaurant. Lastly the researcher will draw on the theory and objectives of the study in discussing the research findings. This will assess the appropriateness of the methodology and data collection techniques that were used in this study. The results are consistently presented in the form of tables and figures.

Chapter 5: Recommendations and Conclusion

This chapter will draw conclusions from the results and make broad recommendations regarding the implications and effects of opening an authentic Thai restaurant in the Morningside area.

1.11 SUMMARY / CONCLUSION

This chapter has clearly indicated the critical questions to be answered as well as the aims of the study. The main area to be researched that was highlighted is the feasibility and viability of opening in an authentic Thai restaurant in the Morningside area. This study was motivated by the researcher's interest in Thai Land as well as the opportunity to establish an authentic Thai restaurant and bar. This study was aimed to elicit the perceptions and attitudes of diners and owners/managers towards an authentic Thai restaurant. Very few, if any, studies of this nature have been undertaken, which make this study almost unique. The point of view of this study on the establishment of an authentic Thai restaurant is one seen from the customer's as well as management/owners perspective and the next chapter will review the respective theory in this perspective in mind.

2.1 INTRODUCTION

The purpose of this study is to identify and explore the steps that are involved in setting up a business - a Thai restaurant in particular. This chapter will explain the fundamentals of a business and marketing plan that are relevant to the nature and objectives of this study. The discussion will commence with an examination of the factors that an entrepreneur or business developer should firstly examine and continues with the steps of a marketing plan and finally culminates with the implementation and evaluation controls.

The aim of any business is to acquire and retain customers. Markets today are highly evolved making it difficult for companies to survive. Hence companies should fully understand the dynamics of their environment as well as their customer and market base. It can therefore be said that companies need to make efficient use of their company resources and opportunities whilst not losing sight of their long-term objectives. This can be achieved by "a process of developing and maintaining a strategic fit between the organisations goals and capabilities and its changing opportunities" (Kotler and Armstrong, 1997).

2.2 A BUSINESS PLAN

A business plan is can be defined as a written document, which details all the relevant elements that would be involved in establishing a new business. In lay mans terms it can be defined as a road map or a game plan. It is often said that a business plan is known as "the dreams of glory" but it is in fact the most important document that a business needs in the start-up stages. It can be defined as the future direction that a business intends to take. A good business plan will help one to exploit opportunities that have been identified. According to Hisrich and Peters, a good business plan is not only important in developing the opportunity but is also essential in determining the resources required, and successfully managing the resulting venture" (Hisrich and Peters, 1998). A business plan will detail all the relevant internal and external elements and strategies that one may encounter in setting up a business. Planning is a never-ending process and planning will continue as the business evolves and starts to meet its short and long-term business goals.

A business plan offers an organisation a blueprint with which to accomplish their goals. These goals can range from securing capital or marketing the business's services to recruiting new employees or developing a strategic plan or budget or even just planning for growth. A business plan should always be informative, specific and visionary.

Every business plan should address certain elements such as a mission statement, strategy, planning, management information and an action plan or scheme. All this information should be provided in some kind of prescribed order. A realistic business plan allows a company to work more efficiently and thereby minimising their risk of not meeting their financial projections. How a business plan is used is key to its value to a business. A business plan can be used internally to give the organisation some direction. Decisions and consensus are usually stated in a formal document that states the company's mission statement, plans, financial projections and action plans. The business plan is also applied externally to inform lenders, partners and suppliers about the organisation's plans for achieving growth and any other goals. This makes it imperative that a business plan is written to be suitable for both internal and external use.

Business plans are often used for securing capital, marketing, recruiting, planning and budgeting, and expanding services or products. Whilst serving as a road map for the future, the business plan includes both financial and operational perspectives. A typical business plan will include the completion of pro forma financial statements to project income, cash flow and balance sheet performance for both long and short-term forecasts. Long-term forecasts are usually for multiple years whereas short-term goals are on a month-to-month basis.

Securing capital is generally required when starting, buying or merging a business. The business plan should specify how much capital is needed over a specific period of time to accomplish these goals.

A business plan is also useful as a marketing tool in that it highlights the company's strengths and weaknesses and designates strategies that will benefit both internal and external marketing initiatives.

The business plan will provide information about the company as a place to work making it a useful tool to be used in the recruitment process.

Planning, forecasting and budgeting are a few of the primary results of a business plan. The budget helps to track specific goals. Projecting the revenue goals and forecasting any financial requirements (cash, capital or debt) are necessary to achieve the objectives of a business plan.

Decisions regarding whether a business should merge or acquire another, or even offer additional products or services would be made easier if a business plan was consulted as the plan recaps the history of the company and projects the future of the business.

Organisations will vary in their plans and these could range from marketing plans to financial or production plans, but they are all vital as they provide the business with structure and guidance. It also allows for the company to adapt and change in an ever-evolving market. Different specialists or sources may be consulted when preparing the document.

The scope and value of a business plan can range from a banker or venture capitalist to a supplier, customer or advisor. This makes the design of a business plan a bit tricky as it needs to appeal to many groups of people whilst when in the market place, a select group of customers needs are all that is important. Ideally a business plan should be developed with 3 (three) perspectives in mind namely, the entrepreneur, the customer (marketing perspective) and the investor.

Thus it can be concluded that a business plan is important for the following reasons:

A Business Plan outlines the business's future destination and the strategies that one would use to get there. In general, Business Plans are prepared:

- ❖ To enhance day to day management of an existing business
- ❖ To convince others to invest in a business
- ❖ To assess the viability of new ventures; and
- ❖ To provide a case for lending support.

The benefits from business planning include:

- ❖ Improved understanding of the Business;
- ❖ A Blueprint for future development;
- ❖ A framework for day to day control and management;
- ❖ Improved communication with staff, customers, suppliers and financiers.

Even in their most basic form, a Business Plan can prove an excellent tool for managers to develop a better understanding of their business, define and communicate strategies for the future and measure performance. A Business Plan will also help in obtaining funding from greens committees/financiers, as they will have a robust and articulate information document from which to base their decisions.

2.3 DEVELOPING A BUSINESS PLAN

There is no set formula for formulating a Business Plan. However, a framework should be adopted that facilitates a Business Plan: With a strategic perspective, one should consider the type of business that one is in, the type of business that one hopes to be in as well as what is happening in the market. Market forces could influence or affect the business in a positive or negative manner. From an operational viewpoint, the entrepreneur should consider whether the business has adequate resources to achieve its goals and what is the best way to organise them. The entrepreneur also needs to ensure that the goals are action oriented and achievable. A business plan is a living document and thus the development of the plan should be on going and entrenched in management practice.

The outline of a business plan should be as follows:

1. Introductory Page
2. Business name and address
3. Details of principal business members (names and addresses)
4. Type/ nature of business
5. Statement of type and amount of financing required

6. Statement of confidentiality report

The business plan should be comprehensive enough to give any potential investor or other involved person, a complete picture and clear understanding of the project. Many business managers underestimate the effort and time that is required to prepare an effective business plan. However, once the process has begun, the manager will quickly realise that the process is critical in ensuring that the objectives and goals of the business are achieved. The Plan needs to be a "living" document, which evolves with the business environment over time.

The introductory page is important as investors can determine at a glance, the amount of investment that is needed for such a business, without having to read through the entire proposal.

Strategic planning is defined as "the process of developing and maintaining a strategic fit between the organisations goals and capabilities and its changing marketing opportunities" (Kotler & Armstrong, 1997). In today's competitive marketplace companies must plan ahead and develop strategies for long run survival and growth. Strategic planning ensures companies make the most efficient use of their resources and the opportunities presented to them in order to achieve these long term objectives.

Marketing not only provides information to assist in strategic planning, but is also guided by the strategic plan. All departments within a company must work together to achieve the organisations objectives and goals. In fulfilling their role, marketers undertake the marketing management process.

2.3.1 BUSINESS PURPOSE

This is the first step in the process and usually a statement detailing the company's reason for business.

2.3.2 EXECUTIVE SUMMARY

This is the second step in this process and should be a few pages in which the nature of the venture is outlined. Any finance or support that may be needed as well as the market potential should be highlighted here. The company objectives and mission statement is stated in this section as well as the type of company ownership.

2.3.2.1 Mission Statement

The mission statement provides 'direction' by concisely stating what the organisations purpose is and where it is headed. Without being too narrow or too broad, the mission statement should answer the questions: 'who are we?' and 'what do we do?' According to Thompson and Strickland, "a strategic vision portrays a company's future business scope (where we are going), whereas a company's mission statement describes its present business scope (who we are and what we do)." Typically a mission statement will acknowledge:

- ❖ the reason for the companies existence in respect to how it satisfies customer needs;
- ❖ a clear and unambiguous statement about what the organisation believes makes it unique and what makes it different from its competitors; and
- ❖ a future direction or performance expectation.

A few years ago PepsiCo, the manufacturer of Pepsi Cola, broadened its mission statement to:

"Marketing superior quality food and beverage products for households and consumers dining out." This clearly defined mission statement led senior management to the acquisition of several related companies such as Frito lay, Pizza Hut and Taco Bell. It also led to them divesting out of businesses that no longer fit within the companies core direction, one such business they sold was Wilson Sporting Goods.

For mission statements to be meaningful, they need to be backed up by specific objectives and goals. These objectives should be specific, measurable, achievable, realistic and include a specific time frame, in other words, they need to be.....SMART

Specific means that each objective that you construct must include exactly what is to be done.

Measurable means that you can tell when you have completed the task. Because the objective is stated in measurable terms, it will be possible to revise this type of objective in future activities to allow more time for the task. All feedback information is important in long term planning. It is important to learn from previous performance.

Achievable means that you estimate that you can complete the task within the constraints of the objective. There could be a wide range of reasons why the task was not achievable, in this instance, and planners need to take this information into account when reviewing objectives. This does not necessarily mean that objectives would change in the following time period. But it could mean that some remedial activities would be required.

Realistic means that on the basis of the evidence you currently have, it is very likely that you will achieve your objective.

Timely means that the objective needs to relate appropriately to other tasks.

The same principles can be applied to any business situation. It is important to establish objectives that are SMART to ensure that a business understands its own limitations (or skill deficits) are likely to be reflected in the SWOT (strengths, weaknesses, opportunity and threats) analysis.

2.3.3 BUSINESS PRODUCT PORTFOLIO

An efficient business portfolio can be developed by allocating resources to those products or strategic business units (SBU's) which will be profitable in the future and by identifying and capturing possible market opportunities.

A portfolio analysis can be undertaken using the Boston Consulting Group approach and classifying products or SBU's as either Stars, Cash Cows, Question marks or Dogs.

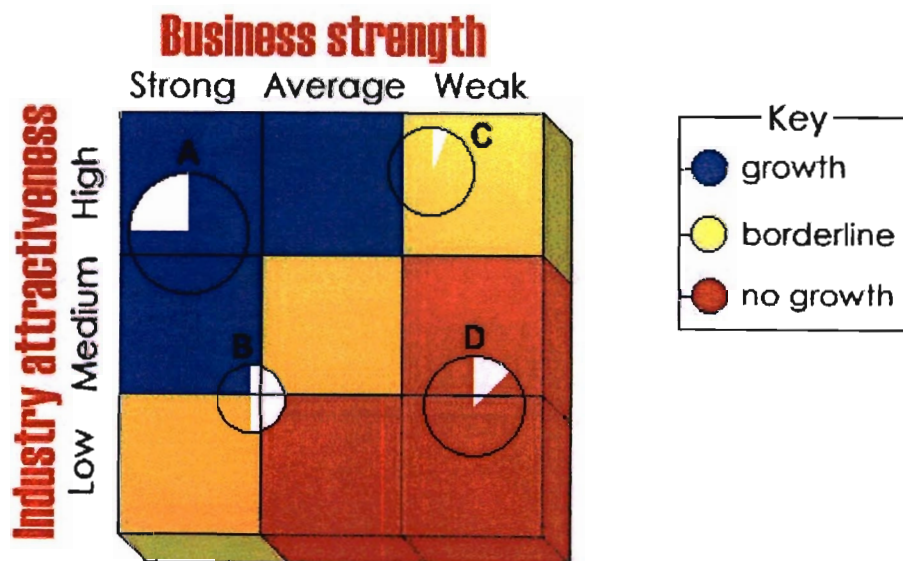
High Market Growth Rate	STAR Cash Neutral	PROBLEM CHILD Cash User
Low Market Growth Rate	CASH COW Cash Generator	DOG Cash Neutral
BCG MATRIX	High Relative Market Share	Low Relative Market Share

Figure 2.1. BCG Matrix : Growth Share Market Matrix

Adapted from Richard Lynch (2000) Pearson Education Limited, England, P 176.

An alternative analytic tool is the General Electric approach. The GE grid was developed by General Electric, and it uses a two-dimensional matrix based on industry attractiveness and business strength.

GENERAL ELECTRIC'S STRATEGIC BUSINESS-PLANNING GRID



Adapted from: Kotler, P., & Armstrong, G., (1991)
Principles of Marketing (Fifth Edition), Prentice-Hall, New Jersey, USA. p. 34.

Figure 2.2: GE Strategic Business Planning Grid

Business strength refers to the size, growth, share positioning, margins, technology position, strengths/weaknesses, image, environmental record and people of the organisation. Industry attractiveness refers to the size, market growth, pricing, market diversity, competitive structure, profitability, technical role, social impact, environmental impact, legal and human implications of the industry.

These matrices will provide insight into which products have profit potential and should be allocated resources and which products should be 'harvested'. However, these matrix approaches are not without their problems.

To identify possible opportunities in the marketplace the product / market expansion grid, or Ansoff matrix can be useful. Igor Ansoff devised the Ansoff matrix.

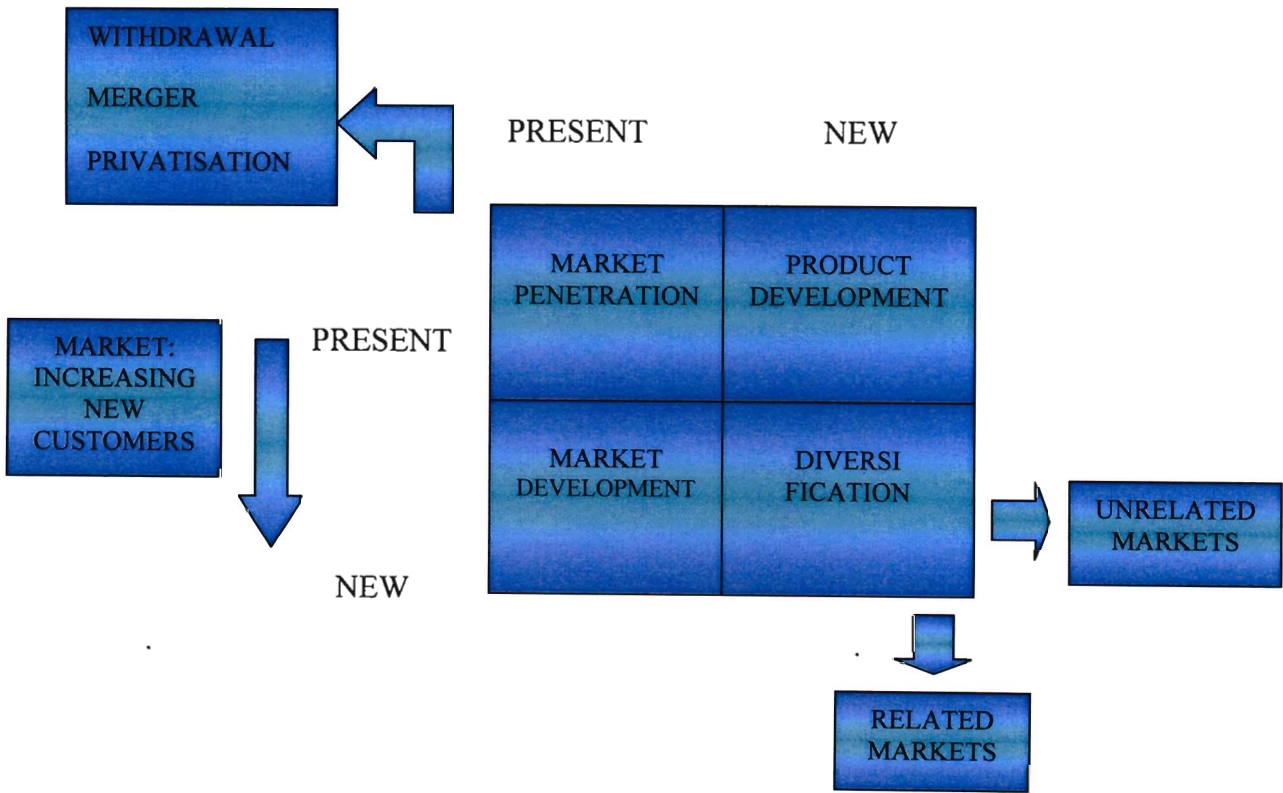


Figure 2.3: Ansoff Matrix

Adapted from I. Ansoff (1989) Corporate Strategy, Revised Edition Penguin, Harmondsworth

This matrix provides a logical framework for the understanding and development of marketing objective. The basis of the matrix is the degree of newness of the products to be sold, and of the markets to be targeted. A company can consider possibilities for market expansion, market development, product development and diversification.

2.4 SITUATIONAL ANALYSIS

This is a detailed description of the products and services, the company location and facilities as well as plans for any future product launches. Analyses of competitive comparisons are to noted as well. The location of a business can play a very important role in its success or failure. The location should be built around the customers and it should be easily accessible to them whilst still providing a sense of security. Any current or future market or demographic shifts should be considered when choosing a business location.



Figure 2.4: Situational Analysis

2.5 MARKETING ANALYSIS

Once a decision has been reached about the strategic direction the organisation wishes to adopt, each business area (accounting, manufacturing, human resources, research and development, marketing, etc.) must develop functional plans to achieve these organisational goals. Conflict can arise as each department may have their own idea about what is important. However, if the marketing concept is accepted as a guiding philosophy these conflicts can often be resolved.

2.5.1 The Marketing Planning Process

In developing their functional strategy, marketers undertake the marketing management process. This process consists of analysing the market and the environment for opportunities, carefully segmenting the consumer market and selecting the appropriate target markets, developing an effective marketing mix to reach these customers and managing the entire marketing effort. At every stage it is important to consider the impact of the competition and their goals, objectives and strategies as well as your own companies industry position and resources. Essentially, this process is undertaken in a formal sense when the marketing manager develops the marketing plan.

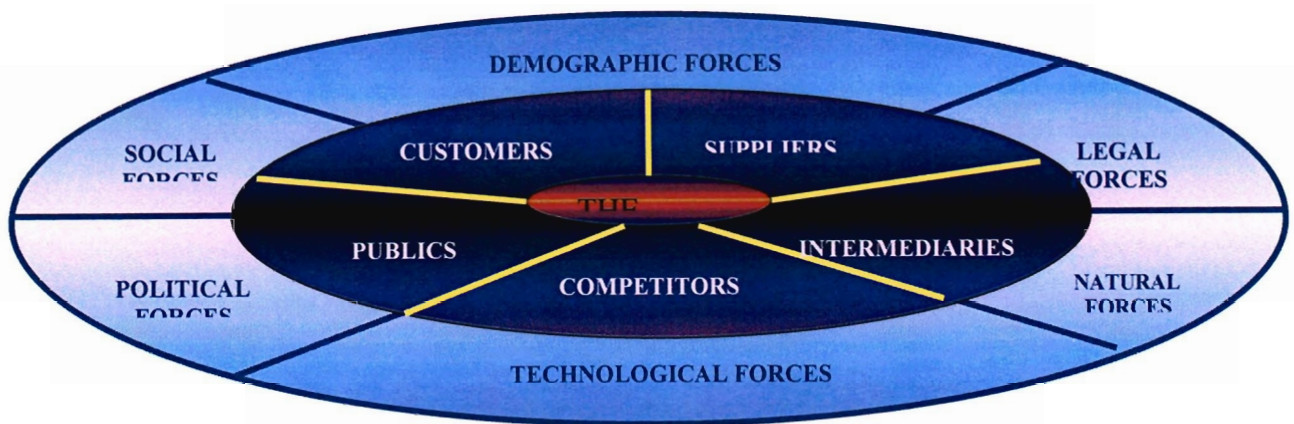


Figure 2.5: The Marketing Environment

2.6 MARKET SEGMENTATION

Marketing plays a vital role in successful business ventures. The manner in which a business is marketed along with a few other considerations will determine its success or failure. This section will commence with the market segmentation and positioning criteria that is applicable to the particular company. Market demographics such as geographic, demographic and behavioural factors are useful in segmenting and targeting a market. Once the target market has been identified and segmented, the needs of the market should be analysed as well as market growth and trends. Useful tools for this would include a SWOT analysis. SWOT is the acronym for strengths and weaknesses that the firm will be faced with internally and the opportunities and threats that it will encounter in the external environment. A general rule of thumb when drawing up a marketing plan is to identify customers by their age, sex, income/educational level and place

of residence. This will allow the business to target the group of people that are most likely to purchase their product or service. Once the business finds that their customer base is expanding, they can then modify the marketing plan to include customers from other segments. Key elements to look for when drawing up a marketing plan, are customers likes and dislikes as well as their expectations. By identifying these factors correctly, it will allow one to develop a marketing strategy that will arouse and fulfill their needs. The two (2) main reasons for segmenting a market are firstly to group buyers with similar needs into smaller markets and secondly to maximise the companies resources and the likelihood of success by targeting the correct group of customers. Markets are highly complex and hence it is very rare to find a product that actually appeals to all consumers. The simple reason for this is that different consumers have different needs. Abraham Maslow developed a hierarchy of needs that is split into five (5) broad categories.

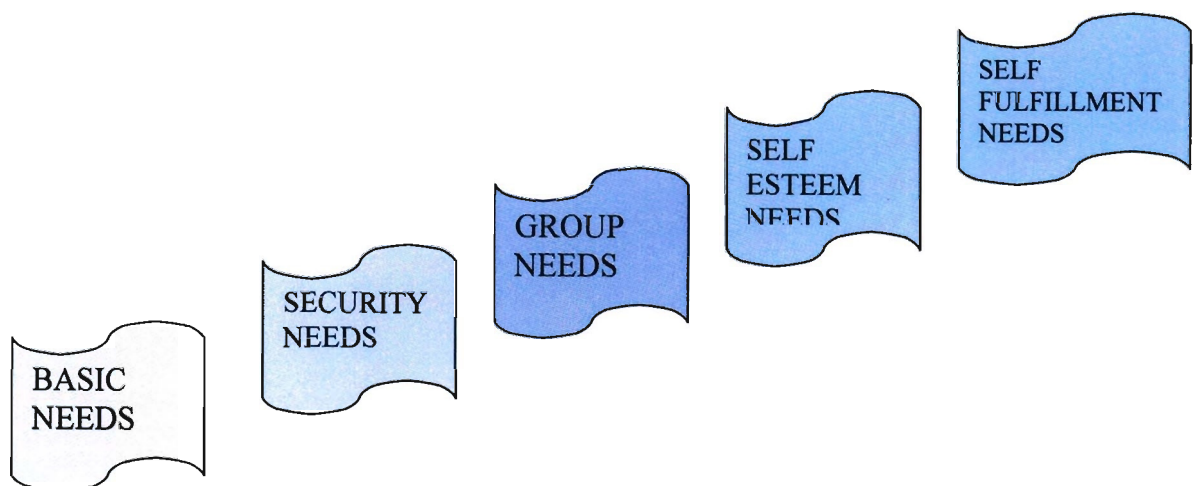


Figure 2.6: Maslow's Hierarchy of Needs

The marketer must understand the needs and wants that would be responsible for inspiring and motivating a consumer to perform certain forms of purchase behaviour. Maslow believes that even though it is difficult to analyse individual needs it is possible to develop a broad picture of consumers needs based on his hierarchy of needs. Basic needs are related to one's need for food, shelter and clothing, the bare necessities. The second level deals with the security needs, which are concerned with one's physical well being and need to provide protection. This could mean a house, in a safe area, using safe items etc. Group

needs centre around our need for acceptance, the need for affiliation and a sense of belonging. Self-esteem relates to one's desire for status, respect and achievement. Possession of certain items or products and a specific lifestyle might contribute to this. Lastly, self-fulfillment is concerned with ones full personal development and individual creativity. Individuals that are constantly trying to ensure that their individual skills and capabilities are being optimally utilised can achieve this.

Marketers, both in consumer and industrial markets, have recognised that they cannot appeal to all buyers in their markets. Instead of trying to compete in an entire market, companies must identify the segments of the market that it can serve best. This is also known as target marketing. "Market segmentation is the division of a market into distinct groups of buyers who might require different products or marketing mixes" (Kotler et al, 1994). Figure 2.7 illustrates the fact that markets are segmented on the following bases namely: geographic, demographic, pyschological, demographic, pyschological, psychographic, socio-cultural, use related, use situation, benefit and hybrid segmentation.

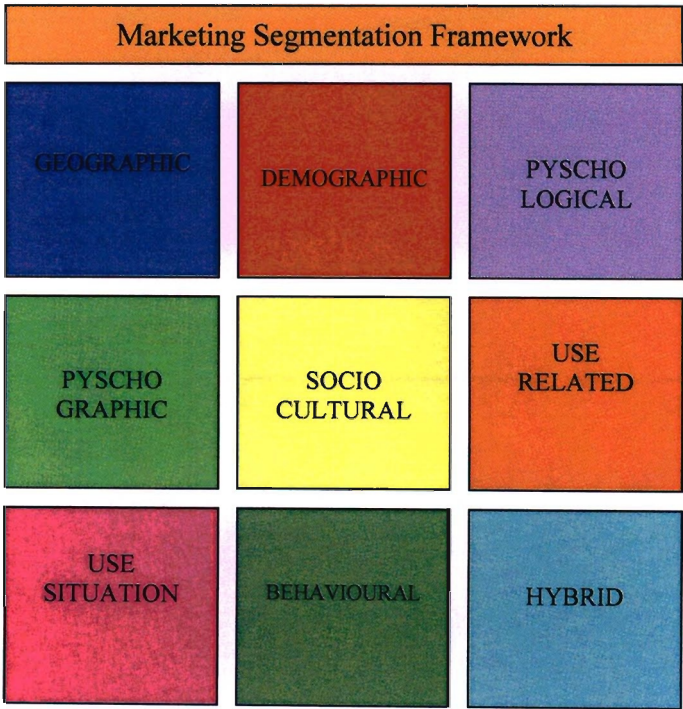


Figure 2.7: Simplified Marketing Segmentation Framework

2.6.1 Geographic segmentation divides a market by location, that is by country, state, region, county, town and city. There are obvious implications for overseas markets, yet even within a country, marketers may find substantial differences regarding climate, social custom etc. that will affect customer purchases.

2.6.2 Demographic segmentation involves dividing the consumer market into groups using population data. There are various variables upon which a population is divided. These include age, sex, income, marital status, family life cycle, educational or occupational, ethnicity, religion and race. This is regarded as the most popular of bases for segmenting consumer markets because consumer needs often vary closely with demographic variables, as well as the fact that it allows for ease of measurement of the variables. Even when other bases are used for segmentation, demographic variables are still used in the description of the segments.

❖ **Segmentation according to Age**

Product needs vary with different generations needs and wants.

❖ **Segmentation according to Sex**

Gender has different uses for various products hence different buying patterns.

❖ **Segmentation according to Income**

Earning potentials and disposable income determine a consumer's ability to purchase products and services.

❖ **Segmentation according to Marital Status**

Needs and wants vary between married people and single people. Marketers need to also cater for single parents and same sex couples when segmenting a market.

❖ **Segmentation according to Family Life Cycle**

Consumers go through a cycle starting out as newly weds and having a family and then suffering from the empty nest syndrome once their children have left home. At each stage in the cycle, these consumers have different needs and wants and therefore their consumption of products would vary accordingly.

❖ **Segmentation according to Education or Occupation**

These two (2) categories are generally an indication of the sophistication of a consumer and therefore have a definite impact on their buying patterns.

❖ **Segmentation according to Ethnicity, Religion and Race**

Different religions have different tastes and preferences. Certain products are actually forbidden by some cultures and traditions and so a marketer should take cognizance of this fact when developing and targeting market segments.

2.6.3 Psychographic segmentation

Using psychographics to segment markets divides buyers into groups based on socioeconomic status, lifestyle or personality characteristics. This allows the marketer to gain a better understanding into the personality of the consumer. In other words, it groups people in terms of their attitudes, values and lifestyles. A study on psychographics, which was conducted by Alfred S. Boote in the United Kingdom, France and Germany, revealed that the underlying value structures in each country appeared to bear sufficient similarity to warrant a common overall communication strategy.

2.6.4 Socio-economic Segmentation

Expenditure and consumption patterns can be broken up according to consumer's social class. Dividing groups of consumers into different classes is known as social stratification. Each class of consumers will have their own pattern of behaviour, which will serve to reinforce its purchasing and consumption patterns. Socio-economic groups classify people according to similarity of income, occupation and education.

2.6.5 Behavioural Segmentation

Behaviour segmentation is where buyers are divided into groups based on their product knowledge, usage, attitudes or responses. Within behaviour segmentation, of particular importance is a powerful form of segmentation, known as benefit segmentation. This type of segmentation groups buyers depending on the various benefits sought by buyers from the product class. Their usage of a particular product or service is the first criteria used in this method of segmentation. Their manner of use and the benefits that they seek in a product are other defining behavioural characteristics. Purchase occasion and reason is another behaviour pattern that can be noted. Was the purchase of the product or service for a gift, vacation, or seasonal? The third behavioural characteristic is brand loyalty. Loyalty to one product indicates receptiveness to others. The last

characteristic used in behavioural segmentation is responsiveness to price and promotion. It is noted that some groups respond more to special marketing efforts than others. An example of this would be coupons or discounts vouchers.

2.6.6 Benefit Segmentation

This involves dividing the market up in terms of benefits sought by the consumer. Consumers purchase different products for different reasons e.g. for its looks, flavour, status, effectiveness etc. It is imperative that marketers select the "right" group of variables when segmenting or targeting a consumer market. The following criteria can be used to evaluate a possible marketing segment.

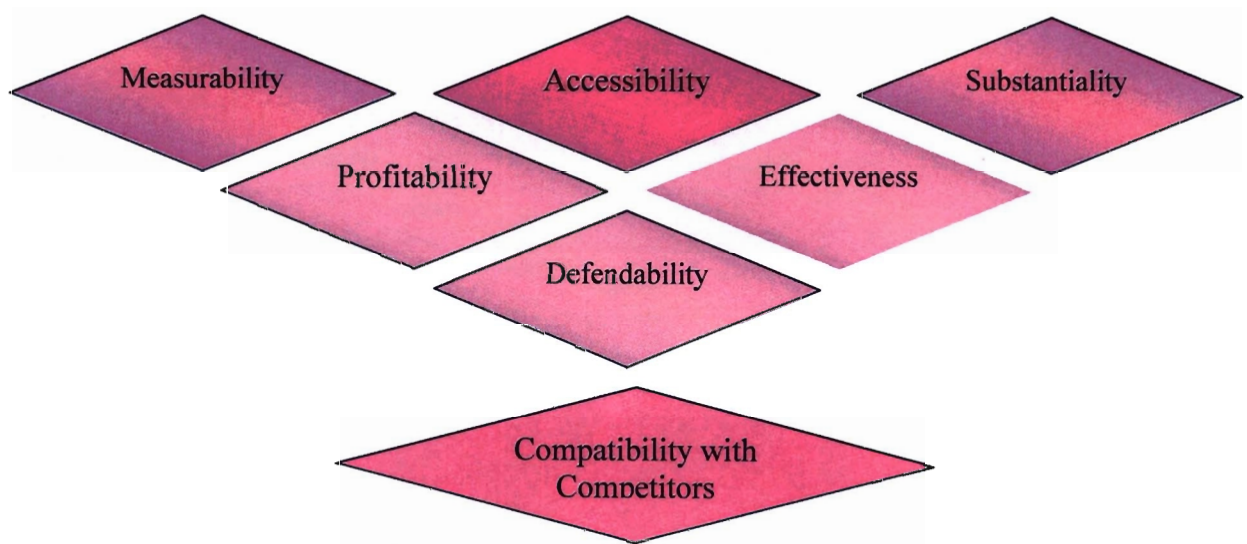


Figure 2.8: Criteria to evaluate marketing segments

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Measurability - it is important that the segment can be identified and quantified in size

Accessibility - how accessible is the target segment in terms of advertising, sales force, distributors, transportation or even warehousing.

Substantiality - what growth phase is this target segment in, in terms of the product life cycle? Is the market growing, maturing or shrinking?

Profitability - are there potential profits to make targeting this segment worthwhile?

Effectiveness - does the company have the capabilities and infrastructure to adequately service this market?

Defendability - can the company defend itself against a competitor attack?

Compatibility with Competitors - is the competition interested in this segment?
If not, why not?

Kevin Lane Keller suggests that a marketer should also look at points of parity and points of difference when defining a customer market. Points of difference are those associations that are unique to a brand or service that are strongly held by consumers. Thus one could say that a company with points of difference had an UPS or unique selling proposition. Rosser Reeves and Ted Bates coined the term "unique selling proposition" in the early 1950's. Points of parity are associations that a brand might have in common with another. "Often, the key to positioning is not so much in achieving a point of difference as in achieving necessary competitive points of parity. " (Kevin Lane Keller, 1998)

2.7 Target Marketing

Market segmentation conducted by the company would reveal the various segments the company's market consists of. After evaluating the target market, it is important for the company to consider the pattern of target market selection that they will pursue. The company now has to select which segment(s) it wishes to target. They can go for single market concentration, selective specialisation, product specialisation, market specialisation or full market coverage.

The first step in evaluating market segments is where the company gathers data on sales, growth and expected profit for the various segments in order to select segments that have the right size and growth characteristics. Next, the company will examine the structural attractiveness of the segments, including current and potential competitors; substitute products; and the power of buyers and suppliers. This is also known as Porters Five forces.

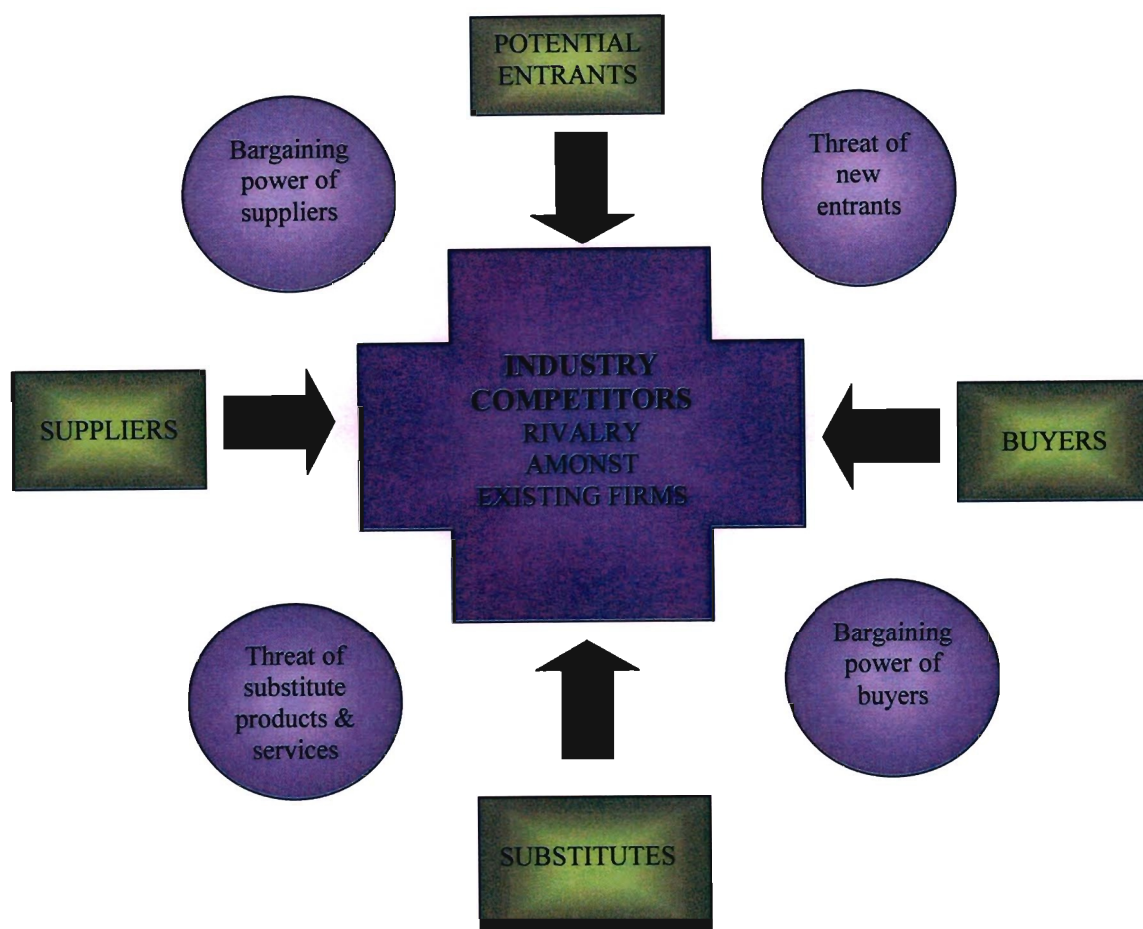


Figure 2.9: Porters Five Forces

Adapted from Competitive Strategy: Techniques for Analyzing Industries and Competitors

Finally, the company must consider the segment with regards to its objectives and resources. Having a segment in line with the company objectives is not enough, the company must still consider if it has the superior skills and resources in comparison to its competition in order to succeed in the market place.

After evaluating the various market segments, a company must choose one or more of these segments to make up its target market. Thus it can be said that a target market is a set of buyers with common characteristics which a company decides to serve. The company has three market-coverage strategies available to it in selecting target markets. They are undifferentiated marketing, differentiated marketing and concentrated marketing.

2.7.1 Undifferentiated marketing

A company adopting an undifferentiated marketing strategy would ignore differences between market segments, and approach the market as a whole with one market offer. This strategy focuses on common buyer needs rather than what is different, and is designed to appeal to the largest number of buyers. Such a strategy provides cost economies, but difficulties can arise in the development of a product or brand that will satisfy all buyers.

2.7.2 Differentiated Marketing

A company utilising a differentiated marketing strategy targets several market segments, with separate marketing mixes for each segment. Differentiated marketing has become increasingly popular with companies as it often creates higher sales levels than undifferentiated marketing. However, it also increases costs, as the marketing mix has to be modified in conjunction with different segments' needs e.g. different products, different advertising.

2.7.3 Concentrated marketing

A company with a concentrated marketing strategy concentrates on a large share of one or more segments. This strategy can be useful to a company with limited resources. Through this strategy, smaller companies are able to gain a strong market position in the segments they serve, thus providing a way for them to gain a foothold against larger companies with greater resource bases.

When choosing a market-coverage strategy, a company has to consider several factors:

- ❖ Company resources
- ❖ Product variability
- ❖ Product life cycle stage
- ❖ Market variability and
- ❖ Competitors' marketing strategies

Product position is the complex set of perceptions, impressions and feelings which consumers hold for a product, which creates for the product a place in their minds relative to competing products. It is the way consumers define the product on particular salient attributes. Positioning is unique in that it is not the *actual* attributes sometimes which positions a product in the minds of consumers, but the *perceived* attributes. A product can be a high quality product, but if consumers perceive that it is poor quality, it will not sell. On the contrary, a poor quality product with high-quality consumer perceptions will sell well. Positioning is so important to marketers that they do not wish to leave their product's positioning to chance. Instead, they design marketing mixes to create the desired positioning in the minds of their consumers. Thus, it is the marketing mix, which creates the product position.

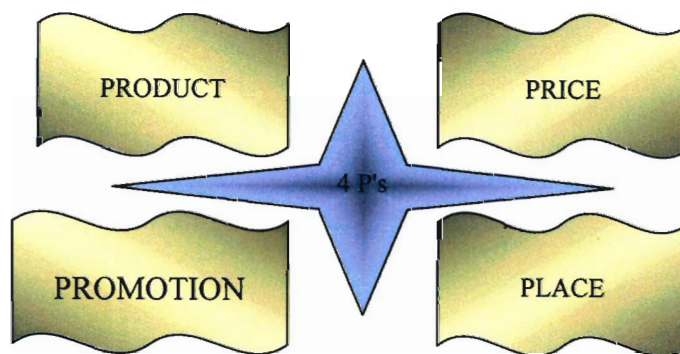


Figure 2.10: Marketing Mix

2.11. SWOT ANALYSIS

SWOT is an acronym for the internal strengths and weaknesses of a firm and the external opportunities and threats facing the firm. A SWOT analysis will give the entrepreneur a quick overview of the firm's strategic situation. A good strategic fit will highlight the company's strengths and opportunities and minimise its weaknesses and threats.

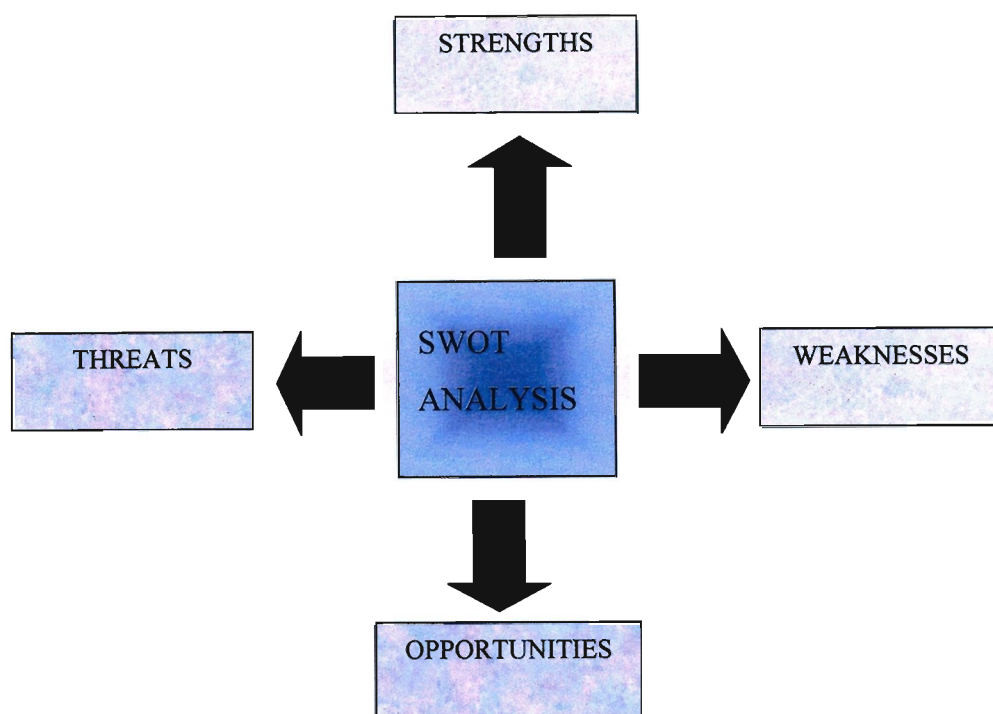


Figure 2.11: SWOT Analysis

CHARACTERISTICS	INTERNAL ENVIRONMENT	
	STRENGTHS	WEAKNESSES
Market share	Market leader / dominance	Weak management position
Leadership	Good leadership & management skills	Lacking good management or leadership skills
Equipment	Age of equipment and manufacturing ability	Old equipment or plant with higher costs than competition
Finance	Good cash reserves & resources	Weak finances & poor cash flow
Innovation	Innovation orientated & outward looking, Market leader with new products	Not keeping up with the competition. Poor record for innovation & ideas
Reputation	Known for quality, service & product	Known for poor quality, service & product
Networks	Established networks, infrastructure & relationships	No established links, infrastructure or networks
Core strengths	Many or high on key skills	Few & low on key skills

Brand	Established with good brand equity & loyalty	Weak or lacking
Products	Differentiated Has range of products	Not differentiated Reliant on a few products
Economies of scale & scope	Achieving economies of scale & scope	Not achieving economies of scale & scope
Strategy	Low cost position	Costs too high
Integration	Backward or forward integration	Inability to integrate

	EXTERNAL ENVIRONMENT	
	OPPORTUNITIES	THREATS
Markets	New market opportunities, segments, Market growth (PLC)	Slow market growth PLC Mature or in decline
Products	New uses for products/ Differentiation	Substitutes
Competitors	Competitor weakness	Increased competition, New market entrant
PESTEL	Change in PESTEL Demographics - new market	Change in PESTEL Demographics - new market Technological threat-look outside
Economy	Economic upturn/boom	Recession
External	New takeovers & partnership opportunities	Increased pressure from customers & suppliers - bargaining power
Tariffs	International growth / subsidies	Trade barriers & tariffs
Strategy	Diversification opportunities	

2.9 LOCAL AND NATIONAL COMPETITION

By studying the competition, an entrepreneur will be able to assess whether he can find a special place in the market that does not necessarily reduce competitors' sales, but expands the market to benefit the whole industry. Finding this special or unique place in the market is called a market niche or positioning one's business. Position refers to the image customers have of a business. The secret is to create a business image that enables one to position their business to act as a natural magnet for their intended customers.

A number of factors that customers often look for include:

- ❖ Price (i.e., cheapest price, fair price, price for quality, etc.)
- ❖ Assortment
- ❖ Parking
- ❖ Service
- ❖ Sales personnel
- ❖ Quality
- ❖ Fashion
- ❖ Convenience
- ❖ Location
- ❖ Atmosphere

The overall position of the business should emphasize those areas that the customer values most and those that set the business apart from the competition.

2.10. INDUSTRY ANALYSIS

Industry Analysis would involve looking at the future trends and industry outlook as well as any historical data or trends that may affect an organisation in such an environment.

Competitive analysis is important at this stage and the entrepreneur should identify his competitors. Competition is a way of life. Nations compete for global market place, as do individual business owners. Advances in technology can send profit margins of successful business into a tailspin overnight. When considering this and other factors, it can be concluded that business is a highly competitive volatile arena.

2.10.1 INDUSTRY PARTICIPANTS

Because of the volatility and competitiveness, it is important to understand ones competitors. Rarely is a product or service just sold by one business and so every organisation should be aware of competition. There are two (2) types of competition namely direct and indirect. Direct competition exists when two (2) or more organisations produce similar products and appeal to the same target markets. Indirect competition is equally important as consumers might find slightly different ways of meeting the same need. It is important to note that no business is exempt from competition; even a business that provides a unique end product with no direct competition can be affected by indirect competition. After all it is frequently argued that competition is healthy for both businesses and consumers. Competition forces consumers to offer new and improved products at market related yet competitive prices and this allows consumers to have a more varied selection of goods from which to choose.

A SWOT (strengths, weaknesses, opportunities and threats) analysis should highlight the viability and feasibility of the new business venture.

Market segmentation should identify the target population and customer base that the new business venture would be aimed at. When conducting an industry analysis, one should look at past sales for a period of approximately three (3) to five (5) years and consider what the anticipated growth for this market is. Other factors to consider are the number of new entrants and products that have entered the market in which you are competing as well as your competitor's performance. Are their sales increasing, decreasing or remaining static. Customer profiles are important and one needs to identify the various ways in which they differ from your competitor's customer profile.

2.11 MARKETING STRATEGY

A marketing strategy is sometimes summarized into "the six Ps" - a framework you can use to make sense of marketing - product, price, place, promotion, profit and people.

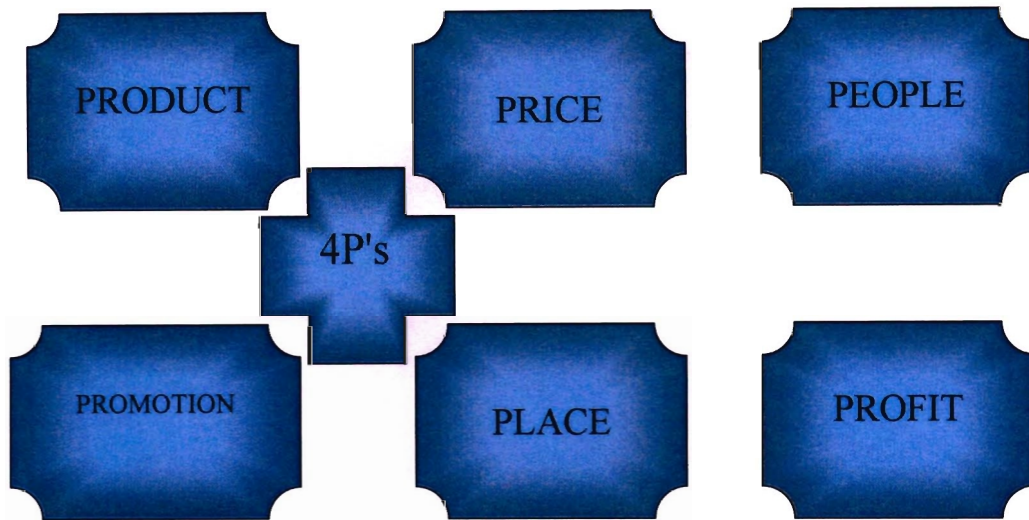


Figure 2.12: The 6 P's in the Marketing Mix Strategy

A marketing strategy means a customer orientation in every aspect of your business. A marketing orientation brings the customer into the centre of the picture.

A marketing plan is your plan of action - who, what, why, where, when, and how much. The marketing plan includes details on:

- ❖ Market Area - The trading or business area
- ❖ Market Share - A business' share of total sales in a market area
- ❖ Location - The business' physical base
- ❖ Customers - The market
- ❖ Competition - Those selling similar goods or services
- ❖ Methods of Selling - Ways sales are made
- ❖ Price - The rand figure that products or services sell for

- ❖ Servicing and Guarantees - After-sales support
- ❖ Image - Appearances and impressions
- ❖ Advertising - Ways to encourage and increase sales
- ❖ Promotion - Ways to increase market share and sales and raise profile

2.11.1 PRODUCT STRATEGY

Products are more than the tangible good the consumer purchases. A product is a combination of the:

- ❖ benefit it provides,
- ❖ its tangible features, and
- ❖ the additional service accompanying it.

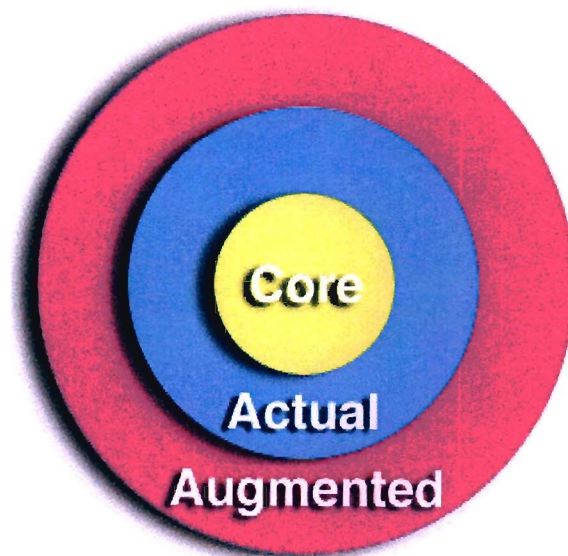


Figure 2.13. The three (3) levels of a product

These three levels include:

The core benefit the consumer is actually purchasing when they buy a product.

The actual product relates to the components of a product such as its features, brand name, packaging, styling and quality.

The augmented product is the additional consumer services and benefits built around the core and actual product such as take away, home delivery service, after sales service, warranty, and credit.

If organisations view their products on all three levels, they may identify areas for improvement and possible competitive advantage.

2.11.1.1 Product Classifications

Several product classification schemes have been developed based on product characteristics to assist in developing general marketing strategies for groups of products. Consumer products can be classified according to their durability or tangibility or the consumers shopping habits. Consumer goods include convenience, shopping, specialty and unsought goods. Industrial products are classified based on the practical purpose for which they are used and can be classified as materials and parts, capital items and supplies and services.

The benefits a product will offer are communicated to the consumer through tangible product attributes such as quality, features and design. These are the attributes which consumers will largely use as the basis to their purchase decision. Marketers use these features to position a product in the mind of the target customer.

2.11.1.2. Branding

Brand names, although intangible, can provide information to consumers, encourage brand loyalty and add value to the product. They often convey the product quality, an indication of price and tell you where you are likely to be able to buy the product. Brand names make the comparison of different products easier and, where the same brand is used across a wide range of goods, consumers believe that there will be consistency of quality across the different products. Hence, brand names reduce the risk of new product failure if the brand has previously been a successful one.

There are a number of decisions involved in branding including:

- ❖ whether or not to brand a product,
- ❖ the type of brand sponsor to use,
- ❖ whether to use a family brand,
- ❖ should brand extension be allowed,
- ❖ is multi branding a possibility and
- ❖ what should the brand name be.

Packaging does more than protect the product, many consumers notice the package design or label before they notice the more specific details of the product. In fact Keller says "packaging involves the activities of designing and producing containers or wrappers for a product" Kevin Lane Keller (1998;157). Therefore, these attributes of a product should be considered as effective promotional tools and marketing strategies should be developed to utilise them. The risk of new product failure can be reduced if the packaging and labelling is consistent across a number of different products carrying the same brand name. Consumers expect the same quality of product and therefore the risk of trying something new is reduced.

A product line is a group of products belonging to an organisation that are directly related because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets or fall within given price ranges. A product mix on the other hand, is the set of all product lines that an organisation has for sale. A product mix is discussed in relation to its breadth, (the total number of product lines the company sells), its length (the total number of products it carries in each product line) and its depth (the number of versions of each product).

In current markets, changes in consumer tastes and preferences, as well as technology developments and competition are rapidly changing. There is no

guarantee that a successful product will remain successful in the long term. Therefore, organisations cannot rely on their existing products and must have processes in place to develop new product opportunities and follow them through to commercialisation. With a high rate of new product failure this process needs to be stringent and well coordinated.

The *new* product development process for finding and growing new products consists of eight steps;

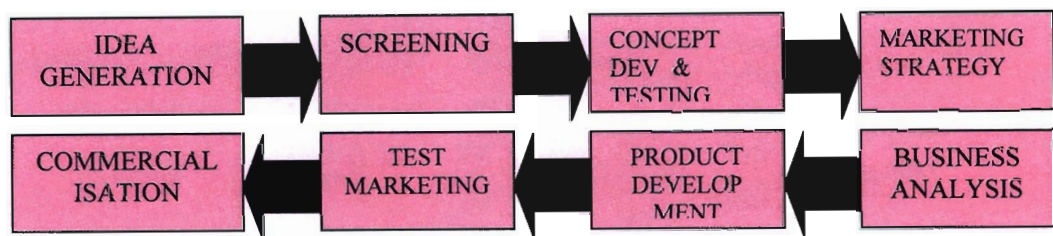


Figure 2.14: New Product Development Process

All products have a life cycle, although the exact shape and length of the product life cycle curve will vary for each product. This cycle might be spread over many years or might take place over a couple of months. Organisations need to develop new products so that they are able to maintain a constant level of sales across a range of products even though individual product sales may be moving into decline. Most products move through five distinct stages during their 'lifetime'.

The *product development stage* begins when an organisation identifies a new product idea and begins to develop that idea to commercialisation. The *introduction stage* sees the launch of the product and is characterised by slow sales growth and heavy expenditure. The *growth stage* is when sales growth accelerates and profits reach their peak. The *maturity stage* is a period of stabilised sales as most consumers have accepted the product. An increase in marketing competition will cause profits to begin to decline. The *decline stage* is when sales decline and profits drop.

Rogers claimed that "the following categories of adopters can be identified according to the speed of adoption of innovation: innovators, early adopters, early majority, late

majority and laggards.

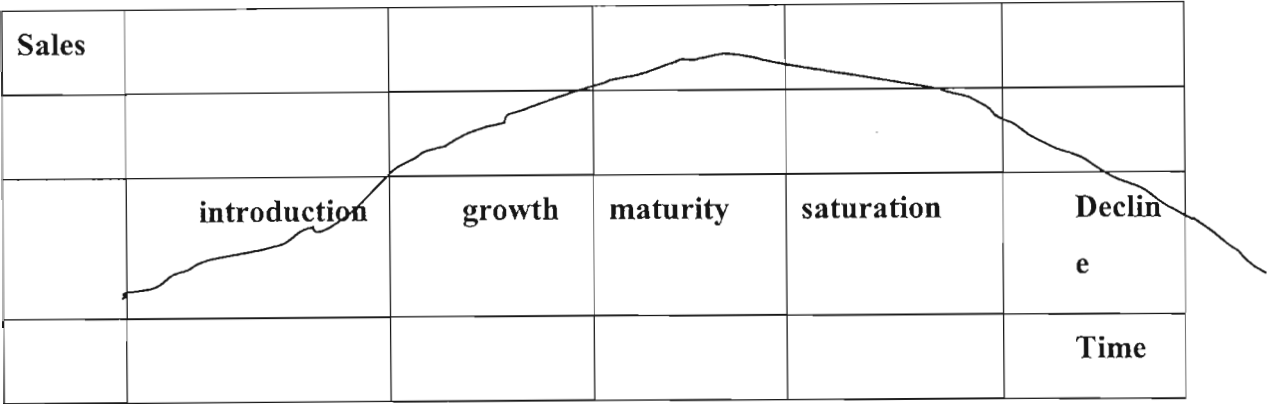


Figure 2.15 :Product Life Cycle

2.11.2 POSITIONING STRATEGY

One of the first problems that faces anyone who is trying to forecast the demand for a product is to work out what is meant by the term 'market'. "A market is the set of all actual and potential *buyers* of a product and sellers" Svend Hollensen (2001; 99). An industry, on the other hand, consists of all *sellers* of a product. A *potential* market is the set of consumers who have some sort of interest in the product. The term 'market' will have different meanings for an economist and the marketer. Marketers usually define a market as all the possible buyers of a product, but if you are planning the launch of a new product you may not necessarily wish to target 'all' the potential buyers. Many potential buyers do not in fact purchase the product for many years after the product is launched. Defining the market is one of the first steps a marketer will undertake in marketing a product. The marketer must first decide how they wish to define their market. A market can be defined narrowly, or broadly. For example, the market for Coca-Cola can be defined broadly as the beverage market, or narrowly as the cola market. There is no single way to define the market. By defining the market broadly, the business gains a larger group of actual and potential buyers of their product. However, this will lead to them having a larger number of competitors to contend with. And vice versa for defining a market narrowly. Hence, marketers need to take into account the company's resources as well as their strategies when making the decision on how to define the market for a product.

2.11.3 PRICING STRATEGY

Prices for products and services can be set in three main ways: pricing to the market, pricing to the business's costs, or break-even pricing. New business people with little experience may set an initial price based on the market, and then as experience grows, reset prices according to costs. These two aspects of price - what is acceptable to the market, and what costs are - must both be considered. The choices that a business makes about its target markets and sales make a big difference in pricing. For example, a business may make an early choice about which of these two market segments to target - the "good value" low end of the market or the "quality conscious" upscale market. In pricing, as with everything else in business, the customer is the reference point.

Price is a key part of marketing. Setting prices is called pricing and there are three (3) main cost areas that need to be considered namely supplies and materials, overheads and lastly labour/time. Supplies and materials include all money spent for supplies and materials to make a product or provide a service. This category is called a variable cost, because the amount one spends varies with how much one produces. Shipping and storage charges are often included as part of supplies and materials costs.

Overhead is a name for all fixed costs in a business - business expenses that must be paid, regardless of sales, such as office expenses, insurance and interest payments on loans. Another way of understanding the term "overheads" is to think of it as the cost category for all business expenses that are not supplies and materials or labour/time.

Labour/time needs to be assessed as a separate category when determining costs. Labour related charges should be calculated in two ways: labour/time required in producing the good or providing the service, as well as a salary in the fixed or operating cost (administration, clerical time, etc.) of your business. A selling price can be set in different ways, but all involve the same three categories of numbers.

- ❖ Total costs of production (including supplies and materials, overhead, and time/labour)
- ❖ Profit or return
- ❖ A final selling price

Although different methods treat pricing calculation in different ways, the three sets of figures combine as shown in this formula:

$\text{Total Costs of Production} + \text{Profit} = \text{Final Selling Price}$

Prices of competitors for similar products and services set the price range that customers will expect. One can use the market price range - what is acceptable to the market - as a guide to set prices. Businesses or people to whom one sells may also price to the market by telling the entrepreneur what they will pay for the product or service. Keeping records of actual costs will help the business manager to ensure that all his costs are covered, which may not be true in a market approach to pricing.

Pricing is an integral part of a marketing strategy as it generates revenue for the firm. Setting the price too high may cause an organisation to forgo potential sales, setting it too low may mean that they miss out on potential profits. Merely basing the price on the cost of the product's production may not be optimal. Price is commonly used as a strategic weapon between competitors and plays an important role in shaping customers perceptions of the product's value and quality. There are many different pricing strategies that an organisation may choose to adopt and none will be appropriate in all markets at all times.

2.11.3.1 Internal Factors affecting Price Setting

To determine an optimal price for their product, a company's pricing decisions are affected by many factors internal to the firm as well as the external environment.

Marketing Objectives- a company must take into consideration the 'positioning' it has selected for its product and ensure that the price set is consistent with this

image. Any corporate or marketing objectives must also be taken into consideration. These could include survival, current profit maximisation, and market share maximisation or product quality leadership.

Marketing Mix Strategy - all the marketing mix decisions must be consistent and co-ordinated to achieve the desired positioning of the product. Therefore, when determining the appropriate price, the product itself, its promotion and distribution must be considered.

Costs- a company wants to at least cover the cost of producing, promoting and distributing the product.

2.11.3.2 External Factors affecting Price Setting

❖ The Market and Demand

The market and demand will influence the maximum price that an organisation can charge for a product.

❖ Type of Market

The flexibility organisations can exert over their pricing strategies varies depending on the type of market they are competing in.

Pure Competition is such that all products are identical and no seller can exert much influence on the price set. If one seller were to charge above the 'market price' consumers would not purchase their product. If they charge below that price they will sell all they want but competitors would soon match their offering, hence reducing their overall profitability.

Monopolistic Competition occurs where sellers differentiate their products and compete on factors other than price.

Oligopolistic Competition consists of a few sellers who are highly sensitive to each other's pricing and other marketing strategies. In this situation, long-term price cuts are usually emulated but price increases are not necessarily so.

Pure monopoly is where the seller has the freedom to set a price that he deems appropriate, as there is an absence of competitive pressure. However,

governments often enforce a price ceiling or threaten deregulation to stop price levels rising too high.

❖ **Consumer Perceptions**

Consumers are prepared to pay what they perceive a product to be worth. If marketers set the price above this level, consumers will not purchase the product. If marketers set the price below this level, the consumers will purchase the product but would have been prepared to pay more, so the organisation has missed potential profit. As each consumer has their own value they attach to the product, it is the task of market researchers to determine an appropriate level for the target market.

❖ **Price-Demand Relationship**

Each price an organisation might charge for a product will lead to a different level of demand. For most goods the higher the price, the less demand there will be for the product. Using economic concepts such as price elasticity and demand curves gives marketers an insight into the most profitable level at which to set their price.

❖ **Competitors Prices and Offers**

Consumers evaluate the price of a product against competing products. Organisations therefore often use price to position their products against the competition. A price higher than the competition signals a product of higher quality. In setting prices, organisations must be aware of competitors likely reactions to their pricing strategy.

2.11.3.3 Other External Factors

Other external factors that may impact on the organisations pricing strategy must also be considered. These include economic conditions, governments, political and legal policies and the reactions of other members of the distribution channel to any price changes.

2.11.4 GENERAL PRICING APPROACHES

2.11.4.1 Cost-based Pricing

Cost plus pricing involves adding a standard mark-up (either a rand figure or percentage) to the cost of the product. It is the simplest of the pricing methods but ignores current demand for the product and competitive forces and is therefore not necessarily optimal.

Break even analysis and target profit pricing - target profit pricing requires a firm to determine the target profit that they wish to achieve and then set a price that should enable them to achieve this level. An insight into the appropriate level of this price can be determined by using a 'break even analysis'.

2.11.4 .2 Buyer-based Pricing

Perceived Value pricing is based on buyer's perceptions of value rather than the seller's costs. The marketer must use non-price variables (promotion, distribution, product features, brand name etc.) to increase the perceived value of the product and then set a price to match this perceived value. Difficulty often arises in determining what consumers perceived value of the product truly is.

2.11.4.3 Competition-based Pricing

Going rate pricing requires prices to be set by following the prices of the competitors in the market. An organisation may charge exactly the same, slightly higher or slightly lower than their competitors. As the competitors make changes to their pricing, the organisation will mimic the changes. This method of pricing is popular especially when demand elasticity is difficult to measure.

Sealed pricing is used when firms 'bid' for jobs they often use a form of competition based pricing. In this situation firms are not certain of their competitors price, however they base their price on what they believe their competitors price will be.

2.11.5 NEW PRODUCT PRICING STRATEGIES

In the introductory stage of a product life cycle there are fewer competitors and therefore there is more flexibility in price setting. This poses the challenge to marketers to determine an appropriate pricing strategy.

Market skimming policy involves setting a price high to skim the maximum profit from the segments willing to pay the high price. A company will make fewer sales each will be but more profitable. This policy is most effective if the product has a product quality and image consistent with the higher price.

Market penetration policy involves setting a low initial price to penetrate the market quickly and build market share and brand loyalty before competitors enter onto the market. Although receiving smaller profit margins, the volume of sales will be larger than under a price skimming policy. The policy is particularly attractive if the organisation receives economies of scale (lower cost per unit at high volumes) by producing in larger quantities. This policy is more successful for products of a low involvement and repeat purchase nature.

2.11.6 PRODUCT MIX PRICING STRATEGIES

If a product is part of a product mix, the pricing strategy will need to account for this. The organisation looks to maximise its profits over the whole product line rather than on individual items. Pricing can be difficult as many of the products have varying levels of demand and competition.

2.11.7 PRICING STRATEGIES

Companies often adjust their prices after the initial price has been determined. These price changes account for various customer differences and changing environmental situations.

2.11.8 DISCOUNT PRICING AND ALLOWANCES

Discounts and allowances are introduced to reward customers for certain responses.

- ❖ Cash Discounts reward customers who pay their bills early, with the purpose of improving the sellers cash flow.
- ❖ Quantity Discounts reward customers who purchase in large volumes.
- ❖ Functional Discounts rewards trade channel members for performing particular tasks such as storing, transporting etc.
- ❖ Seasonal Discounts are designed to stimulate demand in off-peak periods and reward customers who purchase during this time.
- ❖ Promotional Allowance reward dealers for participating in advertising and sales support programs.

2.11.9 DISCRIMINATORY PRICING

Discriminatory pricing involves selling a product at two or more prices when the difference in price is not based on the cost of producing the good. For this to be effective the market must be segmentable and the different segments must have different levels of demand. This can take the form of:

- ❖ customer segment pricing,
- ❖ product form pricing,
- ❖ location pricing

2.11.10 PSYCHOLOGICAL PRICING

In using psychological pricing, sellers consider the psychological impact the price will have on the consumers. Consumers often associate higher priced products with higher quality. Also buyers carry prices in their mind that they compare when looking at the price of a product. Marketers can use this knowledge to their advantage also. This theory may explain why a number of products are priced at R9.99 etc.

2.11.11 PROMOTIONAL PRICING

With promotional pricing, companies temporarily reduce their prices to encourage short-term sales. This can take several forms including loss leaders, special event pricing and cash rebates.

2.11.12 GEOGRAPHICAL PRICING

A company has to decide how to price their product to various geographic locations. To cover the extra cost of shipping, companies can use FOB-origin pricing, uniform delivered pricing, zone pricing, basing point pricing and freight absorption pricing

2.11.13 PRICE CHANGES

Firms may wish to cut their prices in several situations. If they are faced with excess capacity, falling market share or wish to dominate the market through lower costs they may consider price cuts. Price cutting will influence consumer's reactions to the product and can often lead to 'price wars' within an industry. Customers and the sales force often resent price increases. However, companies are often forced to raise their costs due to rising inflation and the necessity of keeping pace with rising costs.

2.12 PROMOTION STRATEGY

In the simplest terms, promotion or marketing communication is the way in which organisations communicate with their customers. Advertising, promotion and publicity are often treated as one area of activity for a business. All three activities play a critical role in the success of any business. The selection and the mix of these activities require ongoing evaluation, and a thorough tracking of what works and what doesn't work. The customers may be intermediaries (such as advertising agencies, retailers or sales people) or the end user of the product. End users may continue the communication chain by influencing the decision making of their friends and acquaintances. Each of these different communication processes may be influenced by a variety of factors.

There are nine elements in the communication process: sender, encoding, message, media, decoding, receiver, response, feedback and noise.

The communication process begins with the *sender* or originator of the message; this message is then *encoded* or transformed into words or pictures that convey the intended *message*. Marketers need to remember that these symbols are not universal and that cultural implications are always important, particularly in

countries like Australia or Africa where there is a high migrant population. For example using 'white' as a colour may denote purity and virginity to those members of the population with Anglo-Saxon backgrounds and death and mourning to those Australians with Asian backgrounds.

The *media* that is used to communicate the message will also have a major affect on the perception of the message. For example a television advertisement may be affected by the program that is being shown around the advertisement, the other advertisements that are shown in the same advertising slot, the time of night or day it is shown, and even the time of year. Some organisations use more than one form of media because they are attempting to portray different product attributes through different media channels.

The receiver of the communication then *decodes* the information to 'make sense of' the message. Consumers may have different physical abilities (such as hearing or eyesight), they may or may not be interested in the organisation's message, and they may interpret the information contained in the message to have different meanings depending on their past experience and frame of reference. The receiver will then *respond* to the communication based on the information that he or she has decoded. In marketing terms, the response may be to 'buy the product', and this will provide valuable *feedback* to the organisation about the effectiveness of the promotional activity. The organisation may also undertake research designed to assess whether consumers recall or recognise the promotions, and whether they 'like' these promotions. Throughout the communication process, there may be *noise*, or distortions which may result in the receiver getting a different message from which was sent by the sender.

2.12.1 Types of Appeals in Message Content

There are three types of appeal:

Rational Appeal shows the product's desired benefits, it relates to audience members' self-interest, Emotional appeal evokes negative or positive emotions in order to create a purchase and Moral appeal is directed at the audience's sense of what is right and wrong.

2.12.2 CHANNELS OF COMMUNICTAION

2.12.2.1 Personal communication channels

These are channels through which two or more people have direct communication, and there is allowance for feedback and personal interaction. Examples of personal communication channels include experts making statements to buyers (e.g. consumer advocates) or simply friends and relatives. The latter constitutes an important form of personal communication - *word of mouth* - as it is perceived to be more trustworthy and credible. Companies can put personal communication channels to work by: creating opinion leaders who may influence others to buy. They also use endorsements from influential people, and manage word of mouth by determining what buyers are communicating amongst them. They provide customer satisfaction and assisting customers in searching for information on the company and products.

2.12.2.2 Non-personal Communication Channels

These are channels where media carry messages without any direct personal contact or feedback. Examples include TV advertising and billboards. Major media include print, broadcast and display media. This form of communication has a direct effect on buyers. It can also affect buyers indirectly by creating more personal communication (e.g. word of mouth may increase when there is an interesting advertisement on television).

2.12.3 SETTING THE PROMOTION BUDGET

Different organisations use different methods to decide on the amount of money to allocate to promotion, but the four described below are the most common:

- ❖ *The Affordable Method.* This method uses money which the company can afford, so the budget is likely to fluctuate from year to year.
- ❖ *The Percentage of Sales Method.* This method estimates sales for the following year and then allocates a percentage of this amount to promotion. The danger of

this method is that if sales are predicted to fall, and the promotional budget is reduced, then sales are even more likely to decline.

- ❖ *The Competitive Parity Method.* An organisation that uses this method assumes that competitors know better and copies their budget allocations. Clearly, this may not be true.
- ❖ *The Objective and Task Method.* Organisations that use this method consider the aims of the promotional activities and cost the tasks needed to achieve these aims. This method has the advantage of clearly spelling out the expected results of promotional activities and how these results will be achieved

2.12.4 SETTING THE PROMOTION MIX

The marketer needs to consider the type of market, the buyers readiness as well as the product life cycle.

2.12.4.1 Type of Product and Market

Different promotion tools are more appropriate for consumer and industrial markets. For example, personal selling would be more important in industrial markets as products are usually more expensive, complex and risky. Whereas, advertising would be more important in consumer markets where product awareness and knowledge is imperative.

2.12.4.2 Push versus Pull Strategy

A *push* strategy involves promoting the product through the channel, from producer to wholesaler to retailer to consumers, primarily by personal selling and trade promotion. This strategy is more common in industrial markets. A *pull* strategy involves promoting heavily towards final consumers to induce them to ask retailers for the product, primarily by advertising, consumer sales promotion, and direct marketing. This strategy is more common in consumer markets.

2.12.4.3 Buyer Readiness Stage

The promotional tools vary in importance at different stages of buyer readiness. Promotional tools aim firstly to make the consumer aware that the product exists and provide them information and knowledge about the product

(e.g. advertising and PR). Then, promotional activities aim to encourage consumers to form favourable attitudes towards products so that they will prefer them to other alternatives (e.g. personal selling and advertising). The final stage of 'buyer readiness' is the decision to purchase the product and the act of purchase (e.g. direct marketing, personal selling and sales promotion).

2.12.4.4 Product Life Cycle Stage

Different promotion tools will have a more pronounced effect in different PLC stages. For instance, advertising, direct marketing and PR are good in the introduction stage for producing high awareness of a new product. They are also effective in the growth stage of the PLC. Whereas sales promotion effects would be more pronounced in the introduction stage, and less so in the growth. In maturity, sales promotion is more important than advertising and in decline, advertising is mainly for reminding customers of the product, and sales promotion might still be strong.

2.12.5 ADVERTISING

Advertising is "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor" (Kotler et al, 1994).

2.12.5.1 Setting objectives

Advertising objectives should be developed based on: the target market, positioning and the marketing mix. There are three types of objectives, classified by purpose:

Inform: Informative advertising is used to inform buyers of new products, or features. Its main aim is to build primary demand (ie. demand for a particular product category).

Persuade: Persuasive advertising is used to persuade buyers that a particular brand provides the best product offering. It's main aim is to build selective demand (i.e. demand for a particular brand).

Remind: Reminder advertising is used to remind buyers about a product's existence.

2.12.5.2. Selecting advertising media

The three major steps to consider are:

- ❖ Reach, frequency and impact.
- ❖ Choosing among major media types. Factors to consider include media habits of target consumers, nature of the product, types of messages and cost.
- ❖ Selecting the best media vehicles.

2.12.6. Public Relations

This promotional tool aims at building good relations between the company and its various publics through favourable publicity, building corporate image and handling unfavourable events. The public relations department achieves this through press relations, product publicity, corporate communications, lobbying and counseling.

Public relations can be used to promote products, people, places, ideas, activities, companies and countries. However, despite its strengths, public relations is often the least used of all promotional tools, in both consumer and industrial markets. It is often thought of as a 'marketing stepchild' because of its limited and scattered use.

2.12.7 DIRECT MARKETING

Direct marketing consists of the group of promotional activities with the aim of creating an immediate sale, or creating interaction with potential customers so as to bring about an earlier sale. It is an interactive system of marketing, which uses one or more forms of advertising media to create a transaction.

Direct marketing includes the following activities:

- ❖ **Sales promotion** is the most commonly used tool of direct marketing. In fact, it is often seen, as a separate promotional tool on its own.

- ❖ **Direct mail and catalogue marketing.** One shot' mail outs to a customer base conveying the company's offer to consumers. Catalogues in the mail out could include full-line merchandise catalogues, retail catalogues, business-to-business catalogues, and specialty consumer catalogues.
- ❖ **Integrated database marketing** is a form of direct marketing uses a coordinated number of communications with potential customers, e.g. a company could maintain a database of past or and potential customers, and regularly mail them with product and service updates.
- ❖ **Direct-response television, radio and print marketing.** This sort of marketing usually utilises some form of media advertising (e.g. TV, radio, magazine) accompanied with a toll-free number, where a product's benefits are demonstrated, a price is shown, and a toll-free number is provided to place your order.
- ❖ **Telemarketing** is when telephone personnel attempt to attract new customers, or contact existing customers in order to determine customer satisfaction or increase sales. It has many purposes, ranging from increasing sales, to building a database.
- ❖ **Telesales** involves telephone personnel conducting routine order taking. For example, a salesperson might find it more effective to contact some customers by phone for order taking, rather than by personal visit.
- ❖ **Automatic vending and teller machines** are machines that dispense goods
- ❖ **Direct selling** entails selling directly to customers (either consumers or businesses) rather than going through an intermediary (e.g. wholesaler, retailer, and agent)
- ❖ **Electronic shopping** is purchasing through electronic media (e.g. Internet, cable television, electronic bulletin board, etc.).

2.12.8 SALES PROMOTION

Sales promotion involves short-term incentives to encourage buyers to purchase a product. Its aim is to encourage immediate purchase of a product. If used too often however, sales promotion can create a situation where consumers will not buy unless there is a bonus offer. This will result in loss of profit for the company. The three main types of sales promotion are consumer, trade and sales force promotions.

Many things can affect the type of business image that an entrepreneur intends to market. Some key issues that need consideration are the personal style of the owner/operator as well as other key contact people within the business. The business graphics in terms of logo design, business card, letterhead, packaging, signs, the style of advertising and promotion are also important. The method of sales as well as telephone use (in terms of how calls are answered and messages are followed up) can also affect the business image. Other factors include the manner in which people are greeted and served, and how well informed sales staff is.

If a business is targeting two (2) different market segments with two (2) different images, it should seriously consider using two different product or service names. Even if it costs more in terms of name, packaging, pricing, etc., it is essential to keep the market segments separate and not confuse the clients who are looking for different benefits in each segment.

Quality control is linked to image. Setting and keeping standards of high quality in your business are essential to success. People appreciate getting value for their money. The business manager needs to be aware of consumer trends. In the 1980s, the market was concerned about quality; in the 1990s, the trend was for fair price for quality, and the millennium has even greater demands. Shoddy goods, poor service, rudeness, poor customer support, low quality raw materials, letting something slip by "just this once" - these may seem necessary at a particular time, or, in the anxiety of starting a new business, may slide away from the managers attention. Each slip in quality control has an effect on the business's long-term chances for success. "Just this once" may be exactly that, but not by

choice if the business gets a reputation for poor standards. Negative advertising is very hard to undo.

2.13 DISTRIBUTION STRATEGY

Distribution channels consist of the individual organisations involved in making the product available to the end consumer. Manufacturers will often give up some control of their product before it reaches the consumer. They may do this for many reasons, but in general they all relate to the greater efficiency middlemen can achieve in making goods available to the target market.

2.13.1. The Nature of Distribution Channels

Members of a distribution channel provide many functions including gathering and distributing information, promoting products, providing contacts between potential buyers and sellers, negotiating, transporting and storing physical goods, financing channel work and assuming the risks associated with channel work.

Distribution channels vary in length from direct distribution between the manufacturer and consumer, to much longer channels that include wholesalers, retailers and others. Direct distribution channels are the easiest to control but are often the most inefficient. Some companies, particularly direct marketing firms, specialise in direct distribution and consider it their competitive advantage.

2.13.2 SALES STRATEGY IN TERMS OF CUSTOMER SERVICE

Customer service is an important component of any product strategy as most product offerings will require some level of accompanying service. These services can take many forms including such things as prompt delivery, warranties, instructions and return policies. Customer service policies of competing firms are difficult to emulate and consequently customer service has been used as a popular tool for gaining a competitive advantage. It costs an organisation less to maintain the goodwill of an existing customer and for that customer to repeat purchase than it does for them to attract a new customer. It is important for a customer service department to be pro-active, identifying the needs of customers through market research and developing a product strategy to

meet those needs, rather than merely dealing with customer complaints as they may have in the past.

2.13.3 CHARACTERISTICS OF SERVICES

Developing marketing strategies for services requires an understanding of the differences between predominantly tangible and intangible goods. Services have a number of unique characteristics that impact on the design of appropriate marketing programs.

- ❖ **Intangibility** - services cannot be seen, tasted, felt, heard or smelled. This makes evaluating service quality very difficult and potential consumers look for other visible indicators of quality.
- ❖ **Inseparability** - services are produced and consumed at the same time and cannot be separated from their providers. The provider and client must interact for the service to occur and therefore both parties become part of the service provided.
- ❖ **Variability** - as the consumer and producer are both part of the service, the quality of services may vary greatly depending on who provides them and when, where and how they are provided. Marketers must therefore take steps towards achieving quality control amongst their service providers.
- ❖ **Perishability** - services must be consumed as they are provided and cannot be stored for later use. This becomes a problem if demand fluctuates and service opportunities are missed. Marketers must develop strategies to either keep demand constant or provide the equivalent supply of the service to match the fluctuating demand.
- ❖ **No transfer of ownership**- services cannot be owned by the user. After a holiday, you cannot keep the hotel, nor the people you meet or the things you see. Marketers therefore should develop strategies to enable consumers to recall the good service they received.

2.13.4 MARKETING STRATEGY FOR SERVICES ("7P's")

Services often require a different marketing strategy because of the characteristics, which make them distinct from products. In order to manage these characteristics, service marketers developed the 7P framework. As well as the original four P's, product, promotion, price and place, which still apply to services, the extra 3P's, are *people*, *process management* and *physical evidence* have been added to the marketing strategy.

People are customers of the organisation as well as the service personnel and other customers. These 3 groups need to be managed in order to deliver a quality service that will satisfy customer needs. For example, if you were in a night club, you would not be planning to spend the evening on your own. You would be there for the other people who were there (other customers) and would also not like it if every one who was assisting in the club were rude and unwilling to help (service personnel).

Process Management is *how* the service is delivered to the customer. For example, consider a first class restaurant: to deliver first class service, they need to make sure they have first class fresh food, make sure they have a first class chef, a first class location, first class furniture and fittings, first class staff to serve the guests, and so on. Process management is making sure that all this happens effectively and efficiently.

Physical Evidence is what the customer can sense physically that contributes to their perception of the service. Physical evidence comes in two kinds, essential and peripheral. *Essential* is the evidence that you cannot do without for the service to take place and *peripheral* evidence refers to anything else consumers will view and evaluate as part of the service quality.

For example, in an airline or any other form of travel; the physical evidence ranges from the ticket you receive, to the lounge you sit in while waiting to leave, the food on the airline and so on. Essential evidence would include the plane without which you could not travel. However, you could travel without the peripheral evidence - the food, the waiting lounge or the ticket.

2.14 SALES FORECAST

Forecasting the demand for a product or service is not a simple task. If the product is to be launched into an established market it is necessary to consider how the already established competitors might react. Another factor that always provides difficulties for the launch of a new product is that markets are rarely stable. Consumer preferences change. Technological advances and economic variables may intervene.

The most difficult markets in which to forecast demand are those in which the product is entirely unknown to the consumer. For example, when the microwave oven was first launched, everyone already had an oven of some sort. There were various health risks suggested, and consumers needed to learn to cook in a different way. How would one predict this type of market? Who would one target the product to? These problems seem easy in retrospect, but at that time, they would have been quite difficult to overcome.

One of the initial decisions that needs to be made in terms of forecasting is the time period over which you are attempting to forecast. Sometimes it is important to have long-range forecasts so that one can set up factories; in other cases production amounts may be able to be altered at relatively small cost and little inconvenience. When a manager considers predicting demand, he also needs to think about whether the demand will be the same all through the year or will there be seasonal variations? If a new ice-cream was launched, the prediction would probably be that demand would be highest when the weather was hottest. Estimating the future demand for a product may involve also estimating what the likelihood of competitors entering the market will be, or what the reactions of current competitors is likely to be.

2.15 DESCRIPTION OF A VENTURE

This section should cover all areas of the product, services, size of the business, any office equipment and personnel as well as the entrepreneur's background. The business can be a manufacturing, merchandising or service concern and this will effect and impact on the rest of the marketing and business plan. Depending on the type of business, the management need to assess it in terms of whether it is a new business, a takeover, an expansion or a franchise. Trademarks, patents or

copyrights with regard to products or services should be detailed in this chapter. The location of the new business as well as any renovations and costs that might be incurred whilst relocating. Other items that need consideration are any additional skills or personnel that may be required for the smooth running of the business as well as equipment. The legal implications that may be incurred depending on the type of business form should be considered. The business can take on different forms such as a sole proprietorship, a partnership or even a closed corporation. The management need to consider the various implications that each type of business may attract such as licenses or permits. Tax regulations are also important. Trading patterns and hours should be carefully considered and weighed up when examining the above as well as any growth opportunities that may be available to the business.

2.16 PRODUCTION PLAN

The actual plant as well as any machinery and equipment would be detailed here.

2.17 MANAGEMENT SUMMARY

The entrepreneur could detail his experience, abilities and other data such as his age, educational qualifications and special abilities in this section. Details of other members of the management team should be included as well. The organisational structure as well as budget controls and personnel management should also be explained. Any strategic planning or public relations initiatives could also be explained

2.18 ORGANISATIONAL STRUCTURE

One basic question facing all new business owners is "What business structure is best for me?" The business form or structure allows and requires different things. There are four main types of business structure namely sole proprietorship, partnership, closed corporation, or a company. People new to business may think that it doesn't matter how a business is organised or structured but it can make a big difference. The correct structure can help a business to reduce costs whilst maximising profits. On the other hand some investors or partners may only be interested in certain business structures and by the same token banks and other

sources of money may be more willing to lend to certain business structures as opposed to others. Taxation and tax planning are different in different business structures and the type of business structure that one chooses can affect how that business grows.

2.18.1Sole Proprietor

This structure is the simplest of the four business structures. A sole proprietorship is a business that is owned and operated by one person. Most self-employed people operate as a proprietorship. As sole owner of the business, the proprietor is personally liable for business contracts and is responsible for any wrongs committed by their employees.

Advantages	Disadvantages
❖ Easy and inexpensive to set up	❖ Unlimited personal liability (which means all personal and business assets of an owner can be taken to fulfill business obligations)
❖ Directly controlled by the owner/operator	❖ No opportunity for continuity: the sole proprietorship dies when the sole proprietor goes out of business or dies
❖ Business losses can be deducted from other income	❖ Narrow management base
❖ Wages paid to a spouse are deductible from the income of the business	❖ Difficulty in raising capital
❖ Silent investors are acceptable, by written agreement, instead of issuing a share or stock certificate (which is how an incorporated business raises money)	❖ Difficult to sell business

Table 2.1: Sole Proprietor

2.18.2 Partnership

A partnership is also easy to set up. A partnership is created even if the partners don't sign any agreements or contracts. Formal or informal, a partnership is a legally binding business relationship in which each partner takes responsibility and becomes liable for the actions of the other partners. This includes actions that may be taken without a partner's knowledge. This risk is part of the business structure.

A partnership must legally register its name and give information about the partners, so the public has a way of finding out who it is dealing with. Selecting, checking, and filing the business name of a partnership requires the same steps as for a sole proprietorship.

Business planning for a partnership involves discussing all aspects of the business and how it will function. This is particularly important if prospective partners are friends or relatives. Some important areas of discussion should include the goals of the partnership - both short-term and long-term goals - and how these goals will be reached. The question of how profits will be used is also important. The two main options with regards to profits are whether they are taken out of the business to be divided among partners or turned back into the business. Partners may want the portion or percentage that they receive to change when the profits reach a certain point, or when the business reaches a certain size.

Written agreements among partners generally include the following kinds of information:

- ❖ Name of the partnership business
- ❖ Names and addresses of the partners
- ❖ Business to be done by the partnership
- ❖ Capital to be contributed by each partner
- ❖ Procedure for adding new partners
- ❖ Procedure for a partner to leave

- ❖ Procedure for the death, bankruptcy, or retirement of a partner
- ❖ Procedure for making decisions
- ❖ Procedure for handling disputes
- ❖ Responsibilities of partnership
- ❖ How profits and losses are to be shared
- ❖ Terms for ending the partnership
- ❖ Name of who will keep the partnership's financial records
- ❖ Methods that will be used to keep financial and other business records
- ❖ Any limitations upon the authority of a partner to act as an agent for the partnership.

Advantages	Disadvantages
<ul style="list-style-type: none"> ❖ Easy to set up ❖ New partners can be added easily (so this structure is more flexible and has a greater chance of continuity than a sole proprietorship) ❖ Few formal legal requirements ❖ Risk is generally shared equally among partners ❖ Partners can provide mutual support and different skills ❖ More sources of capital ❖ Broader management base ❖ Easy to change legal structure 	<ul style="list-style-type: none"> ❖ Tax and estate planning options are limited ❖ Partners and all their assets (personal and business) are at risk for any losses suffered ❖ Sometimes business and personal liabilities of a partner aren't kept separate (with potentially disastrous consequences to other partners whose shared business liability could result in unexpected personal losses) ❖ Decision making may be difficult (because each partner has equal rights to be part of that process)

Table 2.2: Partnerships

2.18.3 Close Corporations

Close corporations are established when a founding statement is registered with the Registrar of close corporations. A founding statement should contain the following:

- ❖ A registration number
- ❖ The full name of the corporation
- ❖ Description of the principal business that the corporation will be conducting
- ❖ Date of the end of the corporations financial year end
- ❖ The full name, identity numbers and residential and postal address of each member
- ❖ The percentage size of each members interest
- ❖ The corporation must use its registered full name and the letters CC on all its business dealings.

Advantages	Disadvantages
<ul style="list-style-type: none">❖ Limits the liability of owners: personal property cannot be taken for business debts. However, for new business starts, financing will probably require personal guarantees anyway so the limited liability protection may not matter❖ Readily recognized and understood by lending agencies❖ The enterprise has a continuous existence	<ul style="list-style-type: none">❖ Requires a lot of paperwork and regular reporting to the government❖ Expensive to set up compared to other business forms, sometimes involving lawyer's costs and incorporation fees❖ Less privacy regarding financial and other affairs

Table 2.3. Close Corporations

2.19 MANAGEMENT TEAM

To manage a business means more than just to run it as not everything is predictable. Unexpected changes happen often. The best plans are unable to anticipate the future. This is where a manager comes in. To manage a business means to direct or to control it. An entrepreneur is a person who uses good information and business understanding to direct and control an operation

A problem with managing a business instead of running it (or letting it run you) is that much of what is involved in good management is invisible. It's easier to work with tangible things, things you can get your hands on, or to talk with someone about daily operations, than it is to do the dogged brain work of managing a business. Much of that brain work involves looking into the future, as with a financial plan, which is based on projections. The four key projections needed for regular business management are:

- ❖ All the costs of producing an item or providing a service, and making the business concept available in the market supplies and materials, time/labour and overhead
- ❖ Marketing and distribution costs of getting it into the hands of customers
- ❖ The operating procedures and expenses that one should always be looking to improve efficiency because this is one way to keep costs low and be competitive
- ❖ The money situation coming in and going out of the business, daily and on a cumulative basis over weeks and months

These four areas translate into the four main questions that a business plan originally set out to answer:

Business Concept - *What is the business selling?*

Marketing - *How will you get it to buyers?*

Operations - *How will management run the business?*

Finances - *Will the business make money?*

Future-gazing can never be accurate, but managers get better at predicting costs, trends and market demand as the business experience grows. Business records give a running record of estimates and reality. The adjustments needed

between the two will lessen with time and experience. Factors not anticipated can be added to plans, steadily reducing risk and unpleasant surprises.

Keeping track of costs is one of the first essential steps in the process of controlling them. Both of these are business management skills that transfer from start-up to managing and which continue to be important throughout business life.

Business cycles in our economy follow a predictable pattern. Having a thorough understanding and working knowledge of these business cycles can prevent a manager from making costly mistakes. If a manager ignores or does not understand how business cycles affect the overall economy, this may result in him making the right business decision but at the wrong time. The particular form that these business cycles take in a specific trading area and industry can be better understood by talking with local people and industry contacts and by steadily adding to one's knowledge of current business affairs.

2.19.1 MANAGEMENT SKILLS AND PERSONALITY

Personal style is the name given to the general way that a person approaches things. Certain personal styles make managing seem easy, and others make it seem impossible. Management skills can be learned and strengthened, usually most effectively from an honest assessment of strengths and weaknesses.

The relationships that connects a manager with his banker, suppliers, clients or customers, service providers, bookkeeper and other professionals are the lifeblood of the business. Certain relationships have particularly important effects on business success.

2.19.2 FAMILY

Finding and keeping a balance between work and home life can be difficult in certain businesses. It's just as important to keep the potential effects in mind as a business gets established. A major opportunity in some businesses is also a major risk - drawing on the energy and time of other people in the household to get the business established carries the risk of undervaluing them, or taking contributions for granted. This can result in resentment against the business. This is one of the

reasons that, even for family members who volunteer their time, good work schedules and clearly laid out tasks are so important in delegating work.

2.19.3.BANKER

It is important to develop a good working relationship with your banker or lender and to keep backers informed about good and bad business developments.

2.19.4.SUPPLIERS

A solid relationship with suppliers can be built over time, especially if one lives up to their end of agreements and ensure that payment is made timeously.

Customers

Even if you never see them, your relationship with people who buy your product or service is, in the end, the most important one for you and your business. High quality products or services provided at a fair price are the foundation for the best business relationship. Keys to managing these relationships include delegating responsibly and giving credit so that helpers/family/workers feel recognized and worthwhile.

2.19.5.MANAGING YOUR TIME

The way that one manages oneself and their business in relation to available time may make the difference between them and their competition. Learning to manage time is continuous, ongoing and difficult work. But the rewards can be great - reduced stress and pressure, increased productivity, a sense of security and accomplishment and real management.

Learning to treat time as a resource may mean more delegation. For example, a business owner's time spent on clerical details may not be well spent. Subcontract out low profit jobs - bookkeeping, cleaning the store, organising the files, producing an item, making the sales call or delivering the merchandise - so you can manage.

2.20 BUSINESS NEEDS ASSESSMENT AND CONSULTATION

"Business operations" refers to the many aspects of running a business. These are summarized in the operations section of a business plan, which covers:

- ❖ Location (aspects not directly related to marketing)
- ❖ Premises and facilities
- ❖ Equipment and methods
- ❖ Materials, supplies and sources
- ❖ Insurance
- ❖ Key personnel, staff
- ❖ Professional services and resources
- ❖ Management and training
- ❖ Short and long-range plans

2.21.LOCATION

This is the all important factor when choosing a business or premises.

2.21.1. ZONING BY-LAWS

Zoning by-laws outline what is legal within a city or municipality or regional district. Three main categories of zones are residential, commercial and industrial. Zoning by-laws restrict what can happen in each zone with such things as type of activity, size of building, how close a building can be to the street, parking, the number of employees, amount of traffic and size and type of outdoor sign.

2.21.2.OTHER BY-LAWS

The municipal government office is a useful place for business entrepreneurs to get information about other by-laws that could affect a business on things like parking, signage, noise and building codes.

2.21.3.BUILDING REGULATIONS AND CODES

Buildings regulations are important to research if any building has to be done or any changes made to your existing buildings. Plumbing and electrical work may require upgrading. The provincial building code applies across certain provinces. Permits are also needed in different areas for certain kinds of work. It is

important that an entrepreneur is aware of the basic zoning approval before undertaking any renovation.

2.21.4.AGREEMENTS WITH OWNERS

Whether a business premises is rented or on lease, there are certain agreements may be needed between the tenant and landlord.

2.22.LICENSES AND PERMITS

Depending on the type of business, various permits and licenses may be required.

2.22.1.HEALTH INSPECTION AND PERMITS

Certain businesses, particularly those involving food, require a health inspection and permit. The Health Inspector, an employee of the provincial government, usually works closely with local officials.

2.23 PREMISES AND FACILITIES

Premises means real estate. Facilities are buildings.

2.23.1 Physical Space

A business needs an appropriate place to work. It is important to assess the space that one has available as opposed to the space that one would need. Some businesses would need one to consider space for delivery of goods and materials. Customer's ease of entrance and exit should also be given consideration. Certain smells, activities and noise could pose a problem, which may not be in line with the image the business is trying to create.

2.23.2 Planning a workspace

When planning a work space one should sit with pen or pencil and graph paper in the physical space that has been identified for the business. The area should be sketched, showing furniture and equipment. These areas need to be connected with lines or arrows showing the lines of production, and how work would flow in the proposed business site.

This diagram can be used to decide on telephone lines, electrical service and plug-ins, lighting and fireproofing points.

Supplies and materials refer to all the things that one would use to make their product or provide their service. They are one of three main categories of costs, the others being labour/time and overhead.

Other important aspects of business operations are sources, usually called suppliers, and terms of sale. Suppliers do extend credit to their customers, but some do not for at least six months or long enough for a positive relationship to develop. This will be based on the business's sales volume and payment record. Supplier credit is not a dependable source of financing for new business starts, although terms of sale may work in their favour as suppliers get to know them and then offer bulk buying discounts or payment periods of 30 days instead of COD.

Some insurance is a necessity in most businesses. Insurance is often required as a condition of a loan from a bank. In a sole proprietorship, having enough insurance is particularly essential because the business owner will be personally liable for all debts. Without insurance, a situation could occur where personal possessions and assets have to cover an unexpected business debt or accident. Having adequate insurance is one way that a business will manage possible risks. Standard advice is to only insure against what one can't afford to lose. One shouldn't have to pay for insuring what one can afford to risk.

Commercial insurance package provide the entrepreneur and his business with necessary protection for a variety of factors such as:

- ❖ House/business premises
- ❖ Disability
- ❖ Vehicle
- ❖ Partnership
- ❖ Liability
- ❖ Product or service

❖ Business interruption

2.24 Personnel Plan

Key personnel in a business are generally the owner/operator, partners, main shareholders and main management level employees. A potential lender reading a business plan will pay special attention to this section. The lender will consider whether the key personnel have the skills, experience and capacity to make the business a success. He will also examine whether the staffing plan is realistic or not. Therefore it is important to provide an outline of who will take care of essential management and production tasks in the business. The entrepreneur needs to be realistic regarding his capabilities, skills and time in terms of production jobs and consider the options of outsourcing these functions if necessary. This can include getting the needed expertise or skills that are required in hiring people, or just obtaining professional advice on an as needed basis.

A staffing plan will help the business manager to organise related information to ensure the smooth operation of the business. The staffing plan should consider the number of employees, the times of work/days of the week and periods of planned employment, wage rates, total monthly costs to the business for salaries and benefits, specifically what tasks staff will do, experience, skills, training or other requirements necessary to do those tasks as well as the supervisory responsibilities and who will fulfill them when drawing up a staffing plan.

Subcontracting blocks of work or certain tasks has proven more realistic than hiring for many businesses. Generally, the person with whom a business subcontracts will take responsibility for him or herself. While it may seem on an hourly rate comparison that the business is paying more for subcontracting than for hiring, comparing real and total costs of the two options can and may change that impression. If a business does decide to subcontract, then a plan that is similar to the staffing plan needs to be drawn up to help the manager keep track and assess the costs and benefits of subcontracting.

2.25 KEY FINANCIAL INDICATORS

Financial statements give information of two main kinds. One kind is figures about your business and situation as it stands now. An example of this kind of financial statement is the balance sheet. The second kind of financial statement is one that looks into the future and makes a "best guess" about some part of the business's finances - sales, expenses, revenue. These are called "projections," "forecasts" and "estimates." Most of the financial statements supporting a business plan are of this type, "best guesses" or informed "guesstimates" - for example, cash flow projections, projected income and expense forecasts and estimated market share.

2.25.1 ESTIMATING MARKET SHARE

Market share is the portion of total sales in an area that each competitor holds. The financial section uses these figures:

- ❖ Total sales, the number made and the dollar value, in the trading or market area, for similar products or services.
- ❖ Estimate of market share of main competitors (this can be given as a percentage of total market share).
- ❖ Estimate of market share projected for the business, for each of four quarters (every three months) in the first year of operation include two figures, the number of items and the rand value.

2.25.2 MANAGING THE BUSINESS FINANCES

At different times and for different reasons, many businesses need to find an infusion of working capital, due to a boom, a rush of orders, an expansion, a move to another business location or to tide the business over a period of unexpectedly low sales.

Sources for start-up capital may also be sources of operating capital - friends, family and lending institutions. Stagger product deliveries to match sales so the business isn't stuck with a large inventory.

- ❖ Take goods on consignment, which means you don't pay until an item sells

- ❖ Obtain supplier credit
- ❖ Take the full time allowed to pay your bills in a cash flow crunch, the hope is you will have turned your inventory (sold the products) when your suppliers' bills come due
- ❖ Consider sharing the work with a partner
- ❖ Ask friends to invest in your business
- ❖ Sell overdue accounts to a collection agency
- ❖ Merge with another company
- ❖ Seek venture capital

A reasonable portion of vehicle expenses, office equipment, furniture and suppliers, business stationery and relevant books can also be deducted. If an individual already owns these, they can transfer them to the business at "fair market value" and still use the tax deduction.

The Receiver of Revenue sets depreciation rates on equipment as part of the taxation laws. These rates are different for different categories of equipment.

2.25.3 REGISTERING THE BUSINESS

The Receiver of Revenue will assign new businesses with a registered tax number for:

1. Payroll deductions (Income tax, Pension Plan and Unemployment Insurance fund)
2. Goods and Services Tax (VAT)
3. Corporate income tax
4. Import/export accounts for customs purposes

For further information regarding registering a business, one should contact the local receiver of revenue or a registered accountant.

2.25.4 BREAK EVEN ANALYSIS

The break-even sales point for a business is when the selling price covers all costs of producing an item or providing a service - with no profit. This approach to pricing uses a formula - a mathematical recipe - to calculate a selling price. The three numbers needed in the break-even pricing formula are variable cost per unit, fixed costs, and volume. It is important to remember that variable cost is another name for supplies and materials costs.

Variable

Cost

Per

Unit

x

Volume)

+

Fixed

Costs

Volume

2.25.5 PROJECTED PROFIT AND LOSS/ INCOME STATEMENT

The income statement is a way to figure out profit or loss, before income tax, for each month and for each year of operation. Projected income statements are usually done by month for the first year of operation, and by quarters (three-month blocks) for Years Two and Three. To forecast business income, one would need these projections, covered above, for each month: sales, costs of production, operating expenses (labour and non-labour/overhead) and depreciation on capital equipment.

Costs of Production + Operating Expenses + Depreciation = Total Operating Expenses

For complete financial projections, one would also need to work out a figure called gross margin. Gross margin is the cost of production subtracted from sales.

Sales - Cost of Production = Gross Margin

To find net profit or net loss (before income taxes) for each month, subtract total operating expenses from gross margin.

Gross Margin - Total Operating Expenses = Net Profit (Net Loss) Before Taxes

2.25.6 PROJECTED CASH FLOW

A cash flow forecast or projection shows how money will come in and go out each month over a period of time, typically a year. Just as with sales forecasts, cash flow forecasts are usually done for Years Two and Three by quarters.

Cash coming in is called cash receipts. Cash going out is cash disbursements. For cash flow, these are estimated and monitored on a monthly basis. If cash receipts are greater than cash disbursements, the business has a positive cash flow. If the flow goes the other way, with more money disbursed than received, the business has a negative cash flow. Negative cash flows are shown in brackets like this (R2,315). Cash flow projections total the value of all cash receipts and all cash disbursements for each month in a twelve (12) month period.

2.25.6.1.Cash Receipts

Money In - cash sales, collection of accounts receivable, loan proceeds. For the cash flow statement, you need total cash receipts.

2.25.6.2.Cash Disbursements

Money Out - purchases, salaries, payroll taxes/benefits, rent, utilities, capital equipment purchases, payment of accounts payable, loan payments (interest/principal), owner's withdrawals or dividends. For cash flow statements, you need total cash disbursements.

One can drop and add categories of cash receipts and disbursements (for the cash flow statement) so the format fits your business.

To prepare cash flow projections for the first year of operation, consider how much the business is probably going to spend in each category and pencil it in. A cash flow statement for a year is a table with a column for each month and a row for each cash category, in and out. Use of a pencil is recommended because using cash flow statements to manage involves comparing these estimates with actual cash flow.

Actual cash flow statements (i.e., not a projection, but a record of actual business finances) are prepared at the end of each month of operation. The figure to begin with in an actual cash flow statement is the "beginning cash balance" - the

amount the business starts with at the beginning of the year being projected. A monthly beginning cash balance is the starting point for each month's cash flow figures. After the first month, this figure is brought forward from the previous month as the cash balance.

$\text{Total Cash Receipts} - \text{Total Cash Disbursements} = \text{Cash Balance}$
--

2.25.7 PROJECTED BALANCE SHEET

The balance sheet shows the balance between business assets and liabilities, plus the business' net worth - what owner/s have invested. A bank requires a balance sheet to evaluate what the business owns, outstanding loans and the capital that has been invested in the business. The balance sheet consists of a list of your assets at cost, the liabilities or debts and the equity or ownership in the assets. It is a snapshot of the business frozen at a point in time, one of the reasons that the date is usually included in the heading on a balance sheet.

2.25.7.1 Assets: things of value that the owner or the business owns.

- ❖ Current assets - these include cash, inventory, prepaid expenses, and accounts receivable money the business is owed.
- ❖ Fixed assets - items with a useful life over one year. In accounting terms, these are investments, not expenses, which is why they appear in the balance sheet and not the income statement. The fixed assets category on the balance sheet also includes the depreciation allowance, worked out as part of a capital equipment deduction.

2.25.7.2 Liabilities: debts - money the business owes

- ❖ Current liabilities are financial obligations that the entrepreneur must meet in a year, such as government and provincial taxes owed, or outstanding unpaid bills.
- ❖ Long-term liabilities - mortgages, bank loans, equipment leases, any liability for which payment continues longer than a year.

- ❖ Net Worth: the balancing mechanism between assets and liabilities, hence the name balance sheet.

$$\text{Assets} - \text{Liabilities} = \text{Net Worth}$$

- ❖ Net worth is the owner's equity, money that he has invested in the business.

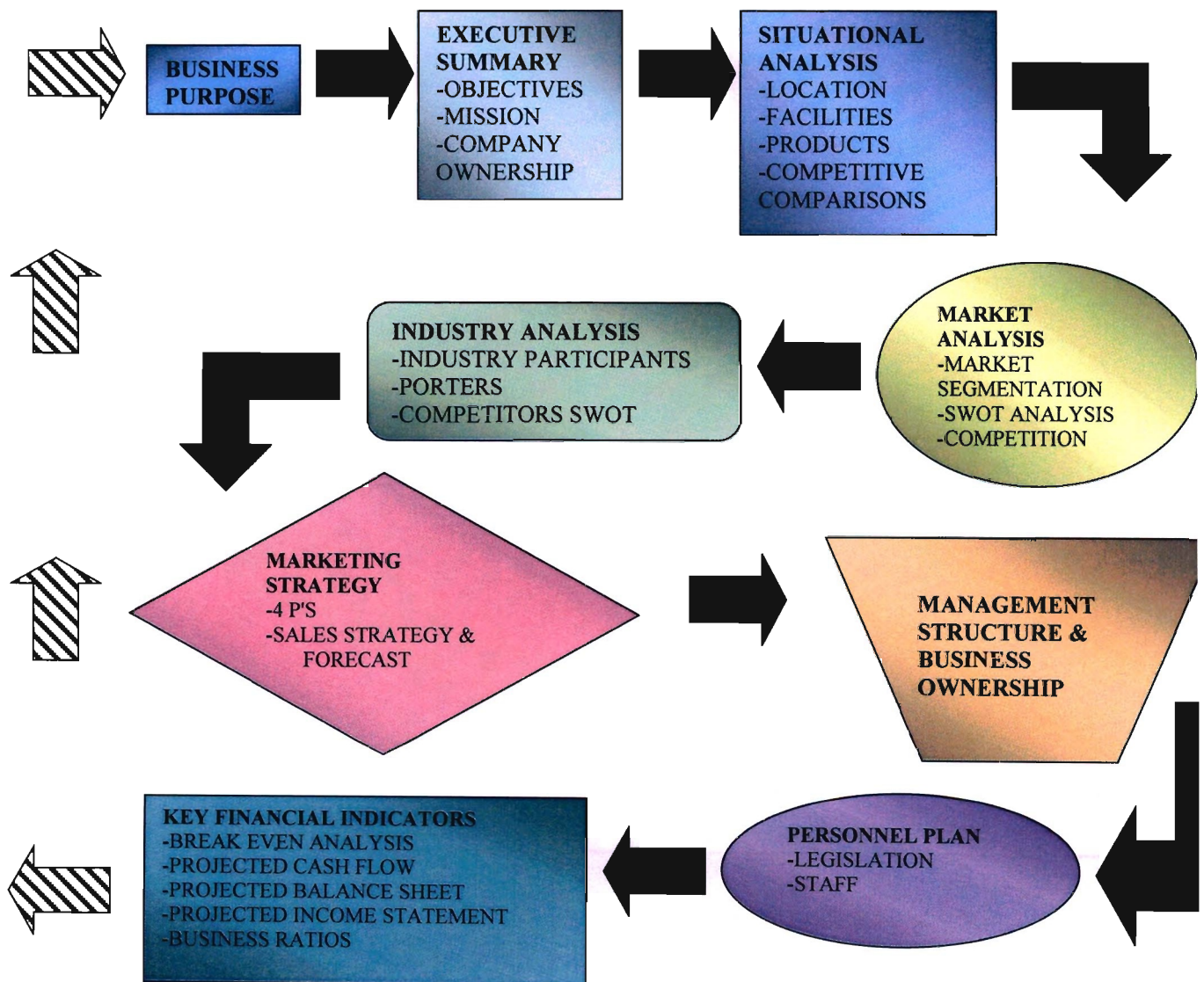


Figure 2.16: Flow Diagram of a Business Plan Model

	DIY Business Plan
	2.26.1 MISSION STATEMENT
	Define core business
	What does organisation want to achieve in the market place?

	2.26.2 INDUSTRY SYNOPSIS
	2.26.2.1 Market size
	The market is small/large with retail/wholesale sales in _____country
	Worldwide sales wholesale/retail = R _____
	Number of customers/users: Local _____ National _____ Global _____
	Growth Rate: Slow/ mature/ rapid

	2.26.2.2 Scope of Rivalry
	Local/ National/International
	Scope of Rivalry is likely to stay that way/ rapidly changing
	How active or aggressive are competing sellers of this product or service in jockeying for sales and market position? Very Active/ Fairly Active/ Very Passive
	Primary Competitive Weapons that the competition use to get sales and market position include:
	- price
	- product innovation
	- advertising
	- product quality
	- breadth of product line
	- gaining display space in relevant stores
	- any others

	2.26.2.3 Factors influencing the intensity of rivalry:
	Globalisation of competition (intensifies competition)
	Growing customer sensitivity to the price of product (intensifies price competition)
	Low switching costs on part of retailers (tends to intensify rivalry)
	Low switching costs on part of customers (tends to intensify rivalry)
	Pace of product innovation is quickening (tend to intensify rivalry)
	Product differentiation becoming more pronounced (tends to weaken rivalry)
	Barriers to entry (high or low)

	2.26.2.4 Overall assessment of the strength of rivalry amongst competing product makers:
	Fierce now, likely to become fiercer
	Strong and likely to grow stronger
	Moderate or normal (what is expected in that type of industry)
	Friendly, not much head to head competition

	2.26.2.5 Presence of any forward or backward integration
	2.26.2.6 New technology or innovation in this or affiliated industries

2.26.3 SWOT ANALYSIS

CHARACTERISTICS	INTERNAL ENVIRONMENT	
	STRENGTHS	WEAKNESSES
Market share	Market leader / dominance	Weak management position
Leadership	Good leadership & management skills	Lacking good management or leadership skills
Equipment	Age of equipment and manufacturing ability	Old equipment or plant with higher costs than competition
Finance	Good cash reserves & resources	Weak finances & poor cash flow
Innovation	Innovation orientated & outward looking, Market leader with new products	Not keeping up with the competition. Poor record for innovation & ideas
Reputation	Known for quality, service & product	Known for poor quality, service & product
Networks	Established networks, infrastructure & relationships	No established links, infrastructure or networks
Core strengths	Many or high on key skills	Few & low on key skills
Brand	Established with good brand equity & loyalty	Weak or lacking
Products	Differentiated Has range of products	Not differentiated Reliant on a few products
Economies of scale & scope	Achieving economies of scale & scope	Not achieving economies of scale & scope
Strategy	Low cost position	Costs too high
Integration	Backward or forward integration	Inability to integrate

CHARACTERISTICS	EXTERNAL ENVIRONMENT	
	OPPORTUNITIES	THREATS
Markets	New market opportunities, segments, Market growth (PLC)	Slow market growth PLC Mature or in decline
Products	New uses for products/ differentiation	Substitutes
Competitors	Competitor weakness	Increased competition, New market entrant
PESTEL	Change in PESTEL Demographics - new market	Change in PESTEL Demographics - new market Technological threat-look outside
Economy	Economic upturn/boom	Recession
External	New takeovers & partnership opportunities	Increased pressure from customers & suppliers - bargaining power
Tariffs	International growth / subsidies	Trade barriers & tariffs
Strategy	Diversification opportunities	

	2.26.3.1 Is this company attractively positioned to continue as the market leader based on:
	Its resource strengths and weaknesses
	Market opportunities
	External threats to its well being

	2.26.3.2 Assessment of whether the company is enjoying a competitive advantage (CA)?
	Has sizable and sustainable CA (sustainable CA appeal means that it is not easy to copy)
	Has a small CA (from a previous product) but this advantage is eroding
	Has no meaningful CA over its closest rivals

2.26.4 PESTEL ANALYSIS

POLITICAL	ECONOMICAL	SOCIAL / CULTURAL
Social unrest	Level of economic development	Customs
Political strife	Population	Norms
Govt attitude to foreign firms	GDP / per capita income	Values & beliefs
Foreign policy in terms of trade barriers and tariffs	Member of regional economic blocs (EU, NEPAD, NAFTA, MERCUSUR)	Language
Form of government	Literacy levels	Traditions
Government stability	Social infrastructure	Motivations
Political ideology	Natural resources & Climate	Status symbols
	Monetary & fiscal Policies	Religious beliefs
	Wage and salary levels	Social institutions
	Inflation & taxation	
	Nature of competition	
	Interest rates & taxation system	

TECHNOLOGICAL	ENVIRONMENTAL	LEGISLATIVE / LEGAL
Infrastructure		Legal traditions
		Effectiveness of the legal system
		Patent and trade mark laws
		Laws affecting business firms

2.26.5 PORTERS 5 FORCES

	2.26.5.1 RIVALRY AMONGST INDUSTRY PLAYERS
	❖ How active and aggressive are competing sellers of this product in jockeying for sales and market position?
	very active
	fairly active
	fairly passive
	❖ Rivalry amongst the various players in this industry is:
	a very strong competitive force
	a strong competitive force
	a moderate competitive force
	a weak competitive force
	❖ Reasons/ factors that account for the strength of rivalry amongst competing retailers:
	Industry is growing (rapidly/slowly) which (enhances/weakens) rivalry
	Buyer switching costs are (high/low) which (enhances/weakens) rivalry
	Retailers are (very/ moderately/not very) active in trying to attract this category of shopper and draw sales away from rival retailers which (enhances/has little effect/weakens) rivalry and competition.
	Recent emergence of specific types of retailers (dot com, home business) or manufacturers have enhanced/weakened rivalry amongst these retailers.
	Growing use of technology (Internet) or substitutes has enhanced/weakened

	rivalry amongst these retailers.
	❖ Primary competitive weapons that companies use to get sales and market position include:
	price
	product innovation
	advertising
	product quality
	breadth of product line
	gaining display space in relevant stores

2.26.5.2 SUMMARY

Industry growth	(high growth=low rivalry)
Fixed storage costs	(high=increased rivalry)
Intermittent over capacity	(high=increased rivalry)
Product switching costs	(high=lower rivalry)
No. of firms and size	(small=less rivalry)
Diversity of competitors	(high diversity=high competition)
Corporate stakes	(high rivalry if large)
Exit barriers	(high rivalry if large)

2.26.6 COMPETITION FROM SUBSTITUTES

	2.26.6.1 What are the substitute products that this company faces?
	❖ Competitive pressures coming from sellers of substitute products
	a relatively strong competitive force
	a relatively weak competitive force
	a moderate competitive force
	not a factor
	2.26.6.2 Reasons
	There are many effective substitutes for the product The only effective substitutes available are _____ & they are used _____
	The product does not lend itself to substitutes and thus substitutes are not a factor in the overall picture of this business
	Price performance of the substitute

	Switching costs of customer
	Buyers responsibility to substitute (buyer/customer seeks substitute)

	2.26.7 THREAT OF NEW ENTRANTS
	2.26.7.1.Competitive threat posed by potential new entrants into this product category or business.
	Strong competitive force because many companies are likely to enter this market and compete aggressively for market share, barriers to entry are low
	Moderate competitive force as industry and competitive conditions may make this an attractive industry for outsiders to enter.
	A weak competitive force as industry and competitive conditions do not make this an attractive industry for outsiders
	The most likely entrants in this product segment are manufacturers of other types of this product (accessories or product line extensions) who are looking to grow their revenue by expanding their product line. It is likely that some such manufacturers will enter this product segment.

	2.26.7.2 The most important barriers to entry are:
	Reasons:
	Entry barriers are low
	The existing retailers /producers etc. have little power to prevent entry and no effective ways to make it hard for anew comer to succeed.
	Industry profits are attractively high, making it worth a new comers tome and energy to try and hurdle the various entry barriers
	The economies of scale enjoyed by the existing players are virtually impossible for a new comer to match.

2.26.7.3 SUMMARY	
Economies of scale	(EOS high - threat of entry low)
Product differentiation and brand loyalty	(high - threat of entry low)
Capital requirements	(high - threat of entry low)
Switching costs of buyers/customers	(high-threat of entry low)
Absolute Cost Advantage (proprietary knowledge, technology, location, access to inputs)	(high - threat of entry low)
Expected retaliation	(high-threat of entry low)
Government policy	(restrictive-threat of entry low)

	2.26.8 Bargaining Power of Suppliers
	Suppliers have strong bargaining power and exert strong competitive pressures
	Supplies have moderate bargaining power
	Suppliers have weak bargaining power and are not a source of much competitive pressure
	A mixed picture, some suppliers have strong bargaining power whilst others are weak
	Seller supplier collaboration is an important element of competition
	Seller supplier collaboration is not really a factor here

	2.26.8.1 Reasons
	Manufacturer may be sole supplier may dictate terms and conditions
	Low switching costs - easy to switch purchase form one manufacturer to another
	Belong to collective bargaining groups

2.26.8.2 SUMMARY	
Differentiation of inputs	(unique product - high supplier price bargaining power <SPBP>)
Switching costs (SC) of transferring to alternative products	(high SC = high SPBP)
Availability of substitute inputs	(high availability = low SPBP)
Supplier concentration (SPC)	(high SPC = high SPBP)
Importance of volume to suppliers	(supplier dependent on sales of high volumes = low SPBP)
Costs relative to purchasing industries total costs	(supplier forms small portion to buyers total purchases = high SPBP)
The impact of inputs on costs or differentiation	(quality or costs of inputs important to buyer = high SPBP)

	2.26.9 BARGAINING POWER OF CONSUMERS / BUYERS
	A very strong competitive force
	A relatively strong competitive force
	A relatively weak competitive force
	A moderate competitive force
	Not a factor

	2.26.9.2 REASONS
	Buyer switching costs are relatively low
	Most dealers want to make a sale and will agree to almost any reasonable offer
	Technology advancements (Internet) allows buyers to have greater buyer bargaining power assuming the customer has good negotiating skills

2.26.9.3 SUMMARY	
Price sensitivity (elasticity of Demand-EOD)	
Purchases from industry small portion of total purchases	(demand inelastic = won't search for substitutes)
Product differences and brand identity	(high = low price sensitivity (PS))
Impact on industries product on quality of customers product or service	(high = low PS)
Customers own profitability	(high profit = low PS)
Decision makers incentive	(incentive - high PS)
Bargaining leverage buyer concentration / buyer volume	(high = high Bargaining power)
Buyer switching costs	(high = low BP)
Buyer information	(high = high BP)
Threat of backward vertical integration of buyers	(high = high BP)
Existence of substitutes	(high = high BP)

	2.26.10 OVERALL CONCLUSIONS : 5 FORCES
	Rank the five competitive forces from strongest to weakest
	rivalry amongst industry players
	Competition from substitutes
	The threat of new entrants or further entry
	Bargaining power of suppliers
	Bargaining power of buyers

	2.26.10.1 Therefore it can be concluded that the competition in this industry can be considered
	fierce but likely to get fiercer
	strong and likely to get stronger
	moderate but with potential to get stronger
	weak
	strong now but likely to become more moderate

2.26.11 DRIVING FORCES AT WORK IN THIS INDUSTRY		
Driving Force	Intensify competition (make it hard for retailers to earn attractive profits)	Weaken competition (boost retail economy)
Product innovation		
Process innovation		
Increasing tempo of market innovations		
Changes in business risk and uncertainty		
Change in long term rate of market growth		
Change in customer / who buys the product		
Increase in globalisation		
Change in costs and production efficiency		
Growing buyer interest on performance features		
Growing buyer interest in standardised product		
Increasing vertical integration		
Entry/exit of major firms		
Faster diffusion of technological know how		

2.26.12 OVERALL THESE DRIVING FORCES
will tend to intensify competition
will tend to weaken competition
will increase downward pressure on profit margins and company profitability
will allow for increased profit margins and company profitability
a mixed bag, hard to assess what differences these driving forces will make

2.26.13 KEY SUCCESS FACTORS

Usually a business does not have more than five (5) key success factors (KSF).

The entrepreneur should look at this in terms of marketing, financial, quality management, production and operations. These are value chain functions where a customer demands or expects the supplier (firm X) to have a strong competence.

2.26.14 BUSINESS OBJECTIVES

❖ Profitability

Earning per share or return on investment

❖ Productivity

Number of items produced for amount of output

❖ Competitive positioning

Beware not to be too outward looking

Compared with competitor

Becareful not to forego growth opportunities by pegging against competitors as this could lead to an eventual decline in profits

❖ Employee development

Growth and career opportunities increases productivity and decreases turnover

❖ Employee Relations

Objectives to improve employee relations

Safety options, employee stock options

❖ Technological Leadership

Decide whether to lead or follow

Technological leadership or innovation

❖ Public responsibilities

Responsibilities to customers and society at large

	2.26.15 STRATEGY ANALYSIS
	What is this company's strategy?
	Low cost leadership
	Broad differentiation
	Best cost provider
	Focused low cost
	Focused differentiation

	2.26.16 SUMMARY
	Has this strategy resulted in a competitive advantage?
	What kind of advantage does this company enjoy?
	Has this strategy produced good financial results from a shareholders perspective?

2.26.17 CRITERIA FOR BUSINESS ANALYSIS	Business Analysis
❖ SUITABILITY	
1. Does it fit the life cycle stage?	
2. How well does this strategy exploit the businesses core competencies?	
3. How well does it exploit the opportunities and avoid the threats	
4. To what extent does the strategy fit with future trends and changes in the environment?	
❖ ACCEPTABILITY	
1. What are the expected performance outcomes (return/risk)	
2. Are these in line with stakeholder expectations?	
3. Analyse the risk	

❖ FEASIBILITY	
1. Does the organisation have the resources / competencies to deliver the strategy?	
2. Break even analysis	
3. Fund Flow analysis	

	2.26.18 FACTORS THAT MAKE THE INDUSTRY ATTRACTIVE
	Good profit margins
	Growth potential
	Protection afforded by state laws e.g. tariffs
	Lack of strong competition

	2.26.19 FACTORS THAT MAKE THE INDUSTRY UNATTRACTIVE
	Growing bargaining power on buyers part due to more informed choices via Internet
	Mounting competition
	Skimpy profits
	High set up costs
	High maintenance costs
	High inventory carrying costs
	State laws
	High entry barriers

2.26.20 HOW WELL IS STRATEGY WORKING?	
WORKING WELL IN TERMS OF:	NOT WORKING WELL IN TERMS OF:

	2.26.21 EVALUATION OF FINANCIAL POSITION
	What problems do you foresee financially?
	Financial Strengths
	Financial Weaknesses

2.26.22 LEADERSHIP CAPABILITIES (linked to product life cycle)

Birth/ childhood embryonic	Adult Rapid growth	Maturity Slow growth	Death Decline
Risk taker	Care taker	Surgeon	Undertaker
Has vision	Builds on strengths	Is selective	Selects the best
Aggressive	Creates gradual changes	Knows what is attractive	Liquidates
Highly intuitive	Willing to commit to longer term	Makes tough decisions	Is compassionate
Creates dynamic change		Holds nothing sacred	
Has killer instinct			

2.26.23 COMPETITIV GENERIC STRATEGIES

COST LEADERSHIP	DIFFERENTIATION	FOCUS
Capacity to achieve economies of scale	This strategy aims to build customer loyalty	Target market becomes very narrowly defined
Technology up to date/ better than competitors	Differentiation occurs at tangible & augmented levels	Within a narrow target market, the firm will pursue cost focus or differentiation focus

Productivity objectives	Relies on unique selling points and requires constant innovation in order to maintain this strategy	Ensure target market is large enough to provide adequate market share to sustain profitability
Overhead costs must be thin	Advantage gained through exploitation of product or service characteristics	Main disadvantage is that it is prone to entry by competitors
Favourable & stable sources of supply		
Early entrance into the market allows for opportunity for cost advantage		
Capital expenditure will be high		
Price war losses may be necessary in order to maintain cost leadership strategy		

	2.26.24 WHAT PROBLEMS DO YOU THINK THAT MANAGEMENT NEEDS TO ADDRESS?
	Acquire another business
	Keep abreast of technology and competition in terms of innovation
	Merchandising and marketing (weak or strong) and whether to invest more in this area
	Whether to diversify into other areas of the product e.g. design, construction, operation of outlet for product use

2.27 SUMMARY

For a business plan to be really effective and user friendly, it should be visionary rather than prescriptive in its outlook. The fickleness of the food industry makes it difficult to project finances over a long period of time, hence the two year span. This should be revised during that time only if market pressures signal a need to do so.

PRESENTING THE ORGANISATION IN TERMS OF THE BUSINESS PLAN

3.1 INTRODUCTION

Thai Land Restaurant and bar plans to be a medium sized restaurant located in the trendy neighbourhood of Morningside, Durban. Thai Land's main emphasis will be on authentic yet creative ethnic Thai food. An emphasis will be placed on the sourcing of both local and imported ingredients as this is based on the management's dedication to supporting the local economy and achieving sustainable development. The restaurant will procure local foods where and when possible.

3.1.1. SERVICES

Thai Land Restaurant plans to offer Durbanites a trendy, fun place to have great food in a social environment. Authentic Thai chefs will have a large repertoire of ethnic ingredients and recipes at their disposal. The management forecast that the majority of purchases would be from the chef's recommendations. Ethnic recipes will be used to provide the customers with a diverse, unusual menu and subsequent dining experience. Management has recognised the trend within the restaurant industry with a demand for healthy cuisine and hence the chefs will emphasise this by providing healthy yet tasty dishes.

3.1.2 CUSTOMERS

Thai Land Restaurant and Bar believe that the market can be segmented into five (5) distinct groups that it aims to target. The first group is the lonely rich. The second group that would be targeted is the businessman. Happy young customers make up the third group. The penultimate group is couples and families who desire authentic food. The last group, which is particularly interested in the menus healthy offerings, is dieting women and health conscious individuals.

3.1.3 MANAGEMENT

Thai Land Restaurant and Bar has assembled a strong management team. Vanessa de Beer will be the general manager. She has extensive management experience with a host of organisations ranging from six (6) to forty-five (45) people. Garth Stewart will be responsible for all the finance and accounting functions. Garth has seven (7) years experience as an Arthur Andersen CPA. Garth's financial control skills will be invaluable in keeping Thai Land Restaurant on track and profitable. Lastly, The restaurant will have Chef Banphot Hongthong, who will be responsible for the back-end production of this venture. He has over 15 years experience and is a published visible fixture in the Thai community.

Most important to this restaurant is their financial success, which will be achieved through strict financial controls. Additional success will be ensured by offering a high-quality service and extremely clean, non-greasy food with an interesting twist. Management plan to raise the menu rates as the restaurant gets more and more crowded, and to make sure that they are charging a premium for the feeling of being in the "in crowd." Thai Land's business purpose is to achieve sustainable profits that reflect a premium return on their investment for shareholders. They seek to do this through the creation of a relationship with their customer that gives them value and enjoyment, now and over time. This relationship will be of such quality that it will provide Thai Land Restaurant and Bar with a real and defensible competitive advantage in the markets in which they operate.

The market and financial analyses indicate that with start-up expenditure of one million rand (R 1 000 000)

Thai Land can generate two million five hundred thousand rand (R2500 000) in sales in year one, three million rand (R 3 000 000) in sales by the end of year two (2) and produce net profits of 3,6% and 9,75% on sales by the end of year one (1) and two (2) respectively. Profitability will be attained by the end of year one (1).

3.2. EXECUTIVE SUMMARY

Thai or Siamese cuisine was virtually unknown outside of Thailand until the middle of this century. Like most other aspects of Thai culture, Thai cooking owes much to its friends and neighbours from China, India and even as far afield as Europe. Thailand has however still managed to retain/maintain the essential Thai-ness of native food and it should be stated that Thai cuisine is unique and not merely a regional adaptation of either Chinese or Indian cooking.

Traditional Thai cooking methods included stewing, baking or grilling. Chinese influences saw the introduction of frying, stir frying and deep-frying. Portuguese, Dutch, French and Japanese culinary influences from the 17th (seventeenth) century impacted on their cooking methods. The late 1600s saw Portuguese missionaries introduce Chillies to Thai cooking. They had acquired a taste for it whilst they served time in South America. The Thai's became very adept at "siamese-ising" foreign cooking methods and substituting ingredients.

The basic characteristic taste of Thai food can be derived from the mixture of salt and pepper, and, garlic and coriander root that is pounded together. It is simply this combination of base spices that would turn fried chicken into Thai fried chicken and not American or African fried chicken. There actually is no single adjective that one can use to describe Thai cooking. A large number of herbs, spices, leaves, roots and even flowers are widely used in Thai cooking for their aromatic qualities. Examples of these would include lemon grass, kaffir lime leaves, galangal and chillies to name but a few. Spicy dishes are balanced by bland dishes to avoid any discomfort for the diner. An ideal Thai meal should be a harmonious blend of the spicy, the subtle, the sweet and the sour whilst still being equally appealing to the eyes, nose and palate.

Coconut milk or cream is another essential ingredient that is used in Thai cooking. This is blended together with other ingredients to give the Thai dishes their smooth, creamy base. Coconut oil and later coconut milk replaced the ghee (clarified butter) that is used in Indian cooking.

It can be said that Thai cuisine is essentially a marriage of centuries old Eastern and Western influences harmoniously combined into something uniquely Thai. Thai cooking is reflected in the characteristics of a waterborne lifestyle and this was obvious as their major ingredients included aquatic animals, plants and herbs. Initially large chunks of meat were not used and subsequent influences saw the introduction of sizable chunks. The Buddhist religion also played a part here and Thai's shunned the use of large animals in big chunks.

A typical Thai meal would consist of steamed fragrant rice, which is served with many different dishes. It is important to note that authentic Thai cuisine does not have courses, so these dishes would be served simultaneously. Eating Thai food is a communal affair, in fact it is customary to share all the dishes amongst the whole party. The general rule in Thai dining is that the greater the number of diners, the greater the number of dishes that one orders. Generally speaking, two (2) diners order three (3) dishes in addition to their own plates of steamed rice, three (3) diners would order four (4) dishes and so on. Each person would take a spoonful of one dish with some rice and then a spoonful of another dish with some rice and enjoy the different tastes, textures and flavours of each dish. In this way, different dishes are enjoyed concurrently with other dishes and not independently.

Thai food is eaten with a fork and spoon. All ingredients are served in bite size chunks obviating the need for a knife. The spoon is used to convey food into the mouth.

Thai Land plans to be the leading gourmet Thai restaurant in Durban. Aims include having a rapidly developing consumer brand and growing customer base. Their signature line will centre around innovative, premium, value for money Thai dishes. These will include items such as Tom Yam Kung (spicy prawn soup) Prieo Wan (sweet and sour prawns, chicken or beef) and Kaeng Khieo Wan Kai (green Thai curry). Thai Land will also serve distinct yet authentic salads, desserts, and beverages. The main rule of thumb would be that all dishes that are offered should be authentic and not compromised in any way by becoming a Westernised version of the real thing.

The main focus of the Thai Land Restaurant and Bar is Thai-centricity and the management hope to bring this over to the Durban area through the spices, nectar and sounds, thereby giving the patron a taste of what the other side of Thai is all about. Thai Land's mission is to give anyone that is curious a sense of the Bangkok atmosphere whilst being able to order authentic dishes that are freshly and exquisitely prepared by experienced Thai chefs. All these meals are in turn served by a team of friendly, attentive and knowledgeable staff. Since meals are freshly prepared, they can be modified and cooked to suit an individual's requirements ensuring that the correct blend of exotic herbs and spices tantalise the patron's taste buds. This principle is reinforced by the management's goal as restaurateurs - meals are cooked individually as patrons are individuals and not just money sitting on seats.

Thai Land Restaurant and Bar will also be the only Thai or Asian restaurant to cater for true vegetarians. Most of these restaurants use meat stock, fish sauce, shrimp paste or even oyster sauce in what they may term a vegetarian dish. This restaurant will ensure that they do not compromise their standards and have found wonderful alternatives that do not distort the flavour of the original dish.

Thai Land Restaurant and Bar is the only truly authentic Thai food restaurant in Durban, that uses skilled chefs to create delightful flavours of classical Thai cooking with their extensive knowledge of tradition and an exotic palette of spices. It is truly an affordable luxury - a special treat for anyone that loves good living and wonderful food.

The restaurants logo would be Thai Land Restaurant and Bar - we're innovative, we've very Thai and We're here.

Thai Land plans to reinvent the Thai dining experience for individuals, families, and take out customers with discretionary income by selling high quality, innovative food and beverage products at reasonable prices. Long term plans are designed around having

tasteful, convenient locations, whilst providing industry benchmark customer service levels and standards.

3.3 OBJECTIVES

- ❖ Offer patrons a truly unique yet authentic Thai dining experience.
- ❖ Sales of two million five hundred thousand rands (R2500 000) in the first year
- ❖ and three million rands (R3 000 000) in the second year.
- ❖ Personnel costs to be less than four hundred and thirty thousand rands (R430 000) for the first year and less than four hundred and fifty thousand rands (R450 000) for the second year.
- ❖ Profitable in year one (1), and achieving better than 9,75% profits on sales in year two (2) and 8,74% in year three (3).

3.4 MISSION

Thai Land hopes that customers will view it as a great place to eat, combined with an intriguing atmosphere that offers excellent, interesting authentic Thai food. Management also wants to derive fair profit for all shareholders and at the same time ensure that it is a rewarding place for employees to work in.

3.5 COMPANY SUMMARY

Thai Land Restaurant and bar will be a single unit medium sized restaurant that focuses on organic and creative food. The restaurant will be located in the prime area of Morningside on Durban's Berea. Patrons can visit this restaurant for a truly Thai experience.

3.6 COMPANY OWNERSHIP

The restaurant will start out as a simple sole proprietorship, owned by its founders.

3.7 START-UP SUMMARY

The founders of the restaurant are Garth Stewart and his companion Vanessa de Beer. Garth focuses on the financial issues and Vanessa on the personnel issues. Vanessa

earned her hotel and catering degree from the Natal Technikon whilst Garth qualified as a MBA graduate from the University of Wales. A location has been found and secured in the form of a monthly lease of thirty thousand rand (R30 000). Management believe that they will be able to set up shop in time to begin turning back a profit by the end of month eleven (11) as well as be profitable in the first (1st) year. The place is not equipped as a restaurant so management believe that they would need a total of one million rands (R 1 000 000) in capital.

Start up expenses	
Legal	R2 500
Stationary etc	R1 000
Other – Advertising	R20 000
- Uniforms	<u>R8 500</u>
Total Start Up Expenses	<u>R32 000</u>
Start up Assets Needed	R 845 000
Cash balance on Starting date	R73 000
Other Current Assets- Inventory	<u>R50 000</u>
Total Current Assets	<u>R123 000</u>
Long-Term Assets	
Total Assets	R1000 000
Total Requirements	R1000 000
<u>Investment</u>	
Investor 1	<u>R500 000</u>
Investor 2	<u>R500 000</u>
Total Investment	R1000 000

Current Liabilities	
Accounts Payable	
Current Liabilities	
Long-term Liabilities	
Total Liabilities	
Loss at start-up	
Total Capital	R1000 000
Total Capital and Liabilities	R1000 000

3.8 SERVICES

3.8.1 The Menu

The menu is going to be extremely simple but changing on a monthly basis. The management has decided to keep a small group of constants on the menu and also feature a chef's recommendation. This has been decided to help cut cost and reduce waste. It will also help in the planning of ingredients, purchasing and work schedules.

3.8.2 Authentic Ingredients

The authentic ingredient element will allow Thai Land Restaurant to target the connoisseur diner as well as the rich person that wants to spend an exorbitant amount of money on their dining experience. Dining at this restaurant will afford the diner a complete Thai experience as management plans to be very culturally aware and conscious in their décor, food and staff.

3.8.3 Ethnic Ingredients and Recipes

The chef will be granted a great amount of latitude in designing and producing menu offerings from the many different parts of Thailand. The management will endeavour to procure all the traditional, authentic ingredients that are necessary to hold true to these varied and interesting cultural recipes.

3.8.4 Interior Accoutrements

People need to keep life interesting and the artwork that has been chosen for this restaurant will reflect the world influences that are core to the attitude of this establishment.

3.9 SITUATIONAL ANALYSIS

Thai Land's Gourmet Restaurant plans to start trading by mid 2003. The restaurant hopes to be well received, and marketing is now critical for its initial and continued success as this will impact on its future profitability. The restaurant hopes to offer an extensive offering of authentic gourmet Thai meals and beverages. The basic market need of individuals, families, and take out customers has been identified and hence Thai Lands proposed offering of fresh, creative, attractive, authentic Thai dishes, salads and desserts and beverages. Thai Land will only use authentic Thai ingredients together with a selection of premium meats and the freshest fruit and vegetables.

The restaurant measures two hundred and sixteen (216) square metres and can seat up to ninety (90) patrons. The restaurant consists of three (3) rooms, one of which is reserved for smoking patrons. All rooms are air-conditioned. Inside is reserved for non-smoking patrons and outside for smoking patrons. The outside garden area has a fish pond and waterfall feature. The garden area is enclosed and fully screened thereby creating a sub tropical atmosphere. The decorative theme in the restaurant will centre on a collection of photographs depicting life in Siam in the early part of the century. Thai Land Restaurant and Bar plans to offer diners a taste of Thai classical cuisine in an unparalleled setting of luxury.

3.10 MARKET ANALYSIS SUMMARY

Because of the founder's connections within the very trendy area of Morningside, they have an excellent feel for the area and its core group of customers. They will all share something alike, which is a feeling of being in the "in crowd" and having "had the full on Thai experience." Although different sets of diners will not be alike or connect with each other in each market segment, each market segment is complementary to the other.

Thai Land possesses a vast array of vital information about their target market and the market in which they hope to operate. Over and above this, they have also identified the common attributes of a prized and loyal customer. Thai Land Gourmet Restaurant will leverage this information to better understand whom their customer is, what their specific needs are and how Thai Land can better communicate with them.

The lonely rich - most of these people are technical or Internet workers. Their life has become their computers and the websites that they visit. They generally hang out with one another and have no problem spending the vast amounts of money that they earn. Because their wealth has been quite easily achieved, it isn't difficult to separate them from their money - they are known to spend the most on drinks, appetizers and tips.

Young happy couples are the second group of people that this restaurant hopes to attract. It hopes to create an atmosphere that would encourage people to bring dates as well as a socialising platform for young couples. This should be the networking playground for the young rich and famous.

The businessman is another group that management hopes to target. Prompt efficient service would be a draw card for this type of person.

The last group that this restaurant would be targeting is the dieting men and women. The menu will always have a line of extremely delicious very low-fat meals. Thai Land Restaurant envisions having tables of woman meeting to discuss various matters while feeling good about the food that they eat.

3.11. MARKET DEMOGRAPHICS

The customer profile for Thai Land's Gourmet Restaurant comprises of the following factors:

3.11.1 Geographic

The city of Durban has a total geographic population of 9 349 672. There are 6 880 652 Africans, 790 813 Indians, 117 951 Coloureds and 558 182 Whites. Kwa-Zulu Natal has the largest population of approximately 9 million people, which comprises of 20% of the

total population of the country. About 43% of Kwa Zulu Natal's population live in urban centres while the rest live in non-urban areas. The predominantly spoken languages in this province are IsiZulu, English and Afrikaans. Kwa-Zulu Natal occupies about 92000 square kilometres, or one tenth of South Africa's land surface. It is the country's third smallest province. The total targeted population is estimated at 46,000.

3.11.2 Demographics

Male and female patrons aged between 25 and 50 years will contribute to 92% of the Durban market according to the Durban Chamber of Commerce. This would include

- ❖ young professionals who work and live close to the restaurant's location,
- ❖ yuppies,
- ❖ consumers that have attended college and/or graduate school, people earning over R3 000,00.
- ❖ People that eat out several times a week
- ❖ Consumers that tend to patronize higher quality restaurants
- ❖ Patrons that are cognizant about their health

3.11.3 Behavioural Factors

Thai Land is aimed people who enjoy a high quality meal without the mess of making it themselves. Since consumers are becoming more health conscious nowadays, health concerns with regard to foods are taken into account when ordering, preparing and serving food. Since only the freshest and most authentic ingredients are used in the preparation of Thai Land's food, there is value attributed to the appearance and presentation of food.

3.12 MARKET NEEDS

Thai Lands Gourmet Restaurant plans to provide its customers with a wide selection of high-quality authentic Thai dishes and salads that are unique and pleasing in presentation, whilst still offering a wide selection of health conscious choices. All of this hopes to be achieved by using only "top-shelf ingredients".

Thai Land seeks to fulfill the following benefits that are important to their customers.

- ❖ Selection: A wide choice of Thai dishes and salad options.
- ❖ Accessibility: The patron can gain access to the restaurant with minimal waits and then have the option of dining in or take out.
- ❖ Customer service: All Thai Land staff will be highly trained and knowledgeable regarding all items on the menu and this should result in a satisfied and impressed patron.
- ❖ Competitive pricing: All products/services will be competitively priced relative and comparable to other high-end speciality restaurants. This will allow the consumer to feel that they are getting value for money for their purchase.

3.13 MARKET TRENDS

The market trend for restaurants seems to be heading more towards a more sophisticated consumer. The restaurant patron today, relative to yesterday, is more sophisticated in a number of different ways. These include:

- ❖ Food quality: The preference for high-quality ingredients is increasing as customers are learning to appreciate the qualitative differences.
- ❖ Presentation and appearance: Presentation, that is an element of the culinary experience, is becoming more pervasive, and patrons are learning to appreciate this aspect of the industry.
- ❖ Health consciousness: As South Africans in general are becoming more cognizant of their health, (and this is evidenced by the increase in individuals exercising and health club memberships), patrons are requesting more healthy alternatives when they eat out. Patrons now recognize that an entree can be quite tasty and nutritious, whilst still being reasonably good for you.
- ❖ Selection: Since the world is becoming more of a global village, patrons are now more exposed to different cultures and cuisine. They are therefore no longer satisfied with accepting a limited menu, instead they want a variety of different yet nutritious food. The reason for this trend is that within the last couple of years the restaurant offerings have increased, providing customers with new choices. Restaurant patrons

no longer need to accept a limited number of options. With more choices, patrons have become more sophisticated.

3.14 MARKET GROWTH

According to WEFA, Regional Economic Focus, the South African hotels and restaurant market reached 703 7555 million Rands in 2001. South African restaurant food sales are estimated to grow by at least 20% for the next few years. This growth can be attributed to several different factors. The first factor is an appreciation for health conscious food. While not all Thai food is "good for you," particularly the rich coconut milk based sauces and the luxurious desserts, Thai food can be very tasty yet health conscious at the same time. Thai food is seen as a healthy food alternative because of its low percentage of fat compared to other ingredients.

Another variable that is contributing to a substantial growth in market share, is an increase in the number of hours that the demographic population is working. Over the last few years, the number of hours spent at work of the archetype customer has significantly increased. There is a high correlation between the number of people that eat out at restaurants and the increase in their working hours. This is intuitively explained by the fact that with a limited number of hours available each day, people have less time to prepare their meals and eating out is one way to maximize their time. Therefore it becomes imperative that we offer wholesome, authentic, value for money food at Thai Land.

3.15 SWOT ANALYSIS

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing Thai Land's Restaurant and Bar.

Strengths	Weaknesses
<ul style="list-style-type: none"> ❖ Strong relationships with vendors that offer high-quality ingredients and fast/frequent delivery schedules. ❖ Excellent staff who are highly trained and very customer attentive. ❖ Great retail space that is bright, hip, clean, and located in an up-market, suburban neighborhood, and close to the urban retail district. ❖ High customer loyalty among repeat customers in this area (especially amongst specialty restaurants) ❖ High-quality food offerings that exceed competitors offerings in quality, presentation, and price. ❖ Competitive advantage to being the only Authentic Thai Restaurant allows Thai Land to appear to be cutting edge 	<ul style="list-style-type: none"> ❖ Thai Land's Restaurant and Bar name lacks brand equity. ❖ A limited marketing budget is available to develop brand awareness. ❖ The inability to spread overhead over multiple revenue centers. Thai Land will not be able to spread the management overhead costs among multiple stores, and hence not able to decrease the fixed costs per store.

Opportunities	Threats
<ul style="list-style-type: none"> ❖ Growing market with a significant percentage of the target market still not aware that Thai land's Restaurant and Bar exists. ❖ Increasing sales opportunities in take out business. ❖ Increasing sales opportunities in catering business (home/office parties) 	<ul style="list-style-type: none"> ❖ Competition from local restaurants that could respond to Thai Land's superior offerings. ❖ A slump in the economy reducing customer's disposable income spent on eating out. ❖ Existing or new competitors entering the authentic Thai cuisine market.

3.16 COMPETITION

3.16.1 National Competition

JOHANNESBURG

Thaigers is an upmarket restaurant situated in Randburg, Johannesburg. It has a unique tropical style open plan bamboo kitchen with sea grass panelled walls throughout the restaurant. Service and décor are excellent which adds to creating a unique ambience. *Thaigers* employs native Thai chefs and they also boast a health conscious option for patrons. Traditional and exotic health beverages, wine and alcohol are imported from the East. They do not cater for wheel chair patrons. Secure parking is provided for patrons. Open for lunch and dinner daily except for Tuesdays.

Wongtong Thai Restaurant is also situated in Randburg Johannesburg. Again, they also employ native Thai chefs. Authentic cuisine is available and they are open from Monday to Saturday only for dinner. They open at 17h30. Secure parking is available in the basement and this restaurant is not wheelchair friendly.

CAPE TOWN

Sukhothai Restaurant

This Thai restaurant is situated in the quaint suburb of Orange Gardens in Cape Town. They trade from Tuesday to Fridays for both lunch and dinner. Their chefs are local yet the cuisine that they turn out is of a superior quality. Restaurant is wheelchair friendly and no parking is provided although parking is easily available on the street. Décor is ethnic with Thai paintings and accessories against a clean neat background.

Wangthai Restaurant is situated on Cape Town's foreshore and is regarded as Cape Town's most authentic Thai eatery. This restaurant is modelled on the theme of the Royal Thai Palace. Take-away is available and they trade Mondays to Fridays for lunch only and Monday to Sundays for dinner. Secure parking is available on the premises.

3.16.2 Local Competition

Baan Thai is an upscale Thai restaurant that has a decent selection of authentic dishes, which are pricey but less consistent in quality. Regular specials are well worth a try. The open plan kitchen allows diners to watch Thai chefs at work. They have a large South African wine selection. Service can often be poor. No designated dining area for smokers - the verandah is available for one to take a smoke break. Not wheel chair friendly. Licensed with a corkage fee of R12 (twelve rand). Take away service available. Not open on Sundays.

Bangkok Wok is a Thai restaurant with a limited selection, however quality is more consistent. Service is better. Recently relocated and gained a larger customer base. Wheel chair friendly. Licensed with corkage fee of R15 (fifteen rand). Take away service available. Not open on Sundays. Voted as one of the top 30 (thirty) restaurants in the Mercury Eating Out Restaurant Guide.

3.17 SERVICES

Thai Land has created gourmet authentic Thai meals, salads and desserts that are differentiated and superior to competitors. Customers can taste the quality and freshness of the product in every bite. The following are the characteristics of the product offering

3.17.1 Strategy and Implementation Summary

Thai Land Restaurants strategy is simple, they intend to success by giving people a combination of great, authentic Thai food which is healthy yet extremely tasty in an environment that attracts trendy people like a magnet. Implementation isn't a simple process, but its in the doing of it and not in the plan, and the management of Thai Land Restaurant are fully aware of this fact.

3.17.2 Competitive Edge

The competitive edge lies in their menu, chef, environment, and the tie in to what and who's trendy.

3.17.3 Sales Strategy

As the table below shows, The Thai Land Restaurant and Bar intends to deliver sales of approximately two million and five hundred thousand rands in year one (1) and to increase sales to three million rands by the second year of trading.

Table 3.1: Sales Forecast

Sales forecast

Unit sales	2004	2005	2006
Meals	40 000	43 650	46 700
Drinks	53 500	60 000	61 800
Other	12 500	13 650	14 600
Total Unit Sales	106 000	117 300	123 100
Unit Prices	2004	2005	2006
Meals	R50	R55	R60
Drinks	R7	R7,50	R8,50
Other	R10	R11	R12
Sales			
Meals	R2000 000	R2400 000	R2800 000
Drinks	R375 000	R450 000	R525 000
Other	R125 000	R150 000	R175 000
Total Sales	R2500 000	R3000 000	R3500 000
Direct Unit Costs			
Meals	R32,25	R35,48	R38,70
Drinks	R2,80	R3,00	R3,40
Other	R4,00	R4,40	R4,80

Direct Cost of Sales	2004	2005	2006
Meals	R1 290 000	R1 548 702	R1 807 290
Drinks	R149 800	R180 000	R210 120
Subtotal Direct Cost of Sales	R1 489 800	R1 788 762	R2 087 490

3.18 MANAGEMENT SUMMARY

Vanessa has great experience managing personnel and the management team is quite confident of her ability to find the best staff possible. The staff that are envisioned are young, Oriental students to ensure that the complete Thai experience is maintained. Fluency and literacy of the English language would be a prerequisite when recruiting any staff members. The chef, Banphot Hongthong, is already on board and has published an internationally acclaimed Thai cookbook that will add prestige to the restaurant immediately.

3.18.1 PERSONNEL PLAN

As the personnel plan shows, Thai Land Restaurant expects to invest in a good team that is fairly compensated for their services. They believe that the planned staff is in good proportion to the size of the restaurant and projected revenues.

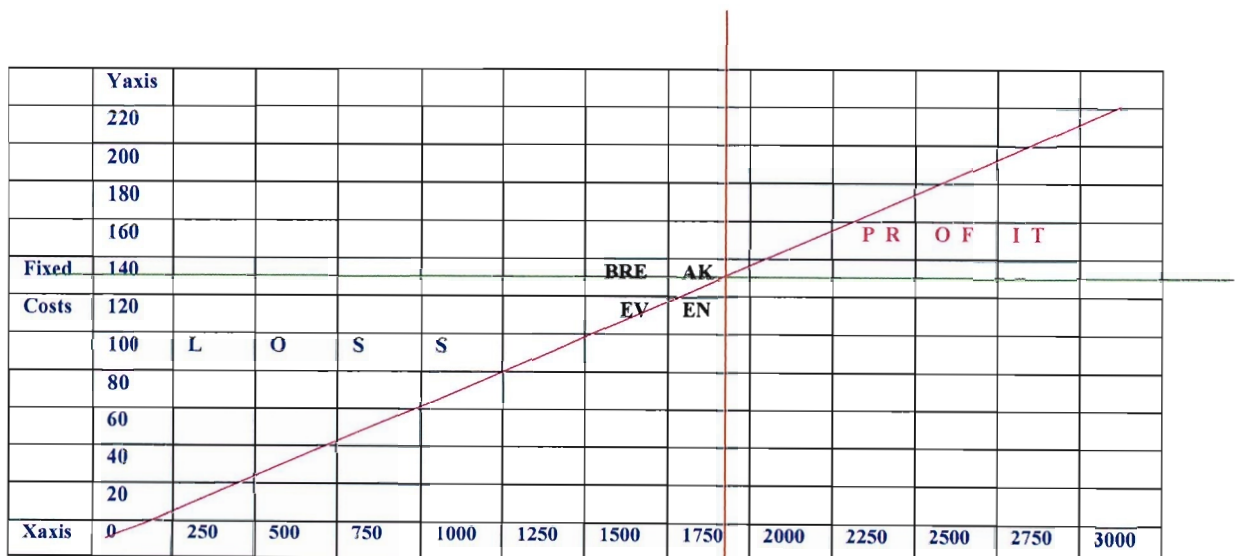
Personnel Plan	2004	2005	2006
Manager	1	1	1
Hostess	1	1	1
Chef	1	1	1
Cleaning staff	2	2	2
Waiters	5	5	5
Total People	10	10	11
Total Payroll	R420 000	R440 000	R485 000

3.19 FINANCE PLAN

Thai Land Restaurant management expects to raise one million rands (R1000 000) of their own capital. This will provide the start up financing that is required.

3.20 BREAK EVEN ANALYSIS

The break-even analysis is based on the average of the first year numbers for total expected sales by meals served, total cost of sales and all operating expenses. These are presented as per-unit revenue, per unit cost and fixed costs. The management is aware that this is not really the same as fixed costs, but these conservative assumptions make for better estimate of real risk.



SCALE: X axis - unit number of meals

Y axis - sales and costs in R1000 units

Break Even Analysis

Monthly Unit Break Evens	1 911 units
Monthly Revenue Break Even	R128 037

Assumptions

Average Per unit Revenue	R 67
Average per unit variable cost	R 39,05
Estimated monthly fixed cost	R 53 417

3.21 PROJECTED PROFIT AND LOSS

As the profit and loss statement below shows, we expect to become barely profitable in the first year of business and to make an acceptable profit in the second year

PROJECTED INCOME STATEMENT
FOR THE THREE YEARS ENDED 31 MAY 2006

	31-May 2004 R	31-May 2005 R	31-May 2006 R
<u>INCOME</u>			
Sales	2 500 000	3 000 000	3 500 000
Cost of sales	(1 125 000)	(1 350 000)	(1 575 000)
Opening inventory	50 000	60 000	75 000
Purchases	1 135 000	1 365 000	1 585 000
	1 185 000	1 425 000	1 660 000
Closing inventory	(60 000)	(75 000)	(85 000)
Gross profit	1500000	1800000	2100000
<u>EXPENDITURE</u>	(1 284 867)	(1 357 216)	(1 619 016)
Advertising and Promotions	50 000	30 000	15 000
Bank charges	15 000	18 000	22 000
Cleaning expense	7 500	9 000	10 500
Computer expense	20 000	25 000	27 500
Depreciation expense	96 667	96 666	96 666
Electricity and water	40 000	45 000	50 000
Entertainment expense	15 000	18 000	22 000
Insurance expense	17 000	18 750	20 250
Levies	5 400	6 200	7 100
Members' remuneration	160 0000	175 000	290 000
Motor vehicle expense	6 000	7 200	8 500
Printing and Stationery	5 000	5 000	7 000
Rent expense	350 000	385 000	423 500
Repairs and Maintenance	15 000	17 000	25 000
Salaries and Wages	420 000	440 000	485 000
Security expense	6 000	6 500	7 000
Staff welfare	1 800	2 400	3 000
Subscriptions	1 000	1 000	1500
Telephone and telefax	25 000	27 500	35 000
Uniforms	8 500	4 000	5 000
Net profit before taxation	90 133	292 784	305 984
Taxation	(27 040)	(87 835)	(91 795)
Accumulated profit for the year	63 093	204 949	214 189
Accumulated profit at beginning of the year	0	63 093	268 042
Accumulated profit at end of the year	63 093	268 042	482 231

THAI LAND RESTAURANT

PROJECTED BALANCE SHEET FOR THE THREE YEARS ENDED 31 MAY 2006

	<u>NOTES</u>	<u>31-May</u> <u>2004</u> <u>R</u>	<u>31-May</u> <u>2005</u> <u>R</u>	<u>31-May</u> <u>2006</u> <u>R</u>
<u>ASSETS</u>				
Non-current	4	748 333	651 667	555 001
<u>CURRENT ASSETS</u>				
		110 000	160 000	210 000
Inventory		60 000	75 000	85 000
Bank balance and cash on hand		45 000	80 000	120 000
Deposits held		5 000	5 000	5 000
		858 333	811 667	765 001
<u>EQUITY AND LIABILITIES</u>				
Members contribution	2	1 000	1 000	1 000
Accumulated Profit		63 093	268 042	482 231
Members interest		64 093	269 042	483 231
Members loans	3	720 000	397 915	123 975
<u>CURRENT LIABILITIES</u>				
		74 240	144 710	157 795
Accounts payable		47 200	56 875	66 000
Taxation payable		27 040	87 835	91 795
		858 333	811 667	765 001

THAI LAND RESTAURANT

NOTES TO THE PROJECTED FINANCIAL STATEMENTS

31 MAY 2006

1. ACCOUNTING POLICY

The projected financial statements are prepared on the historical cost basis and incorporate the following principle accounting policies which have been consistently applied.

1.1. SALES

Sales represents the supply of food and beverages and is stated net of value added tax.

1.2. FIXED ASSETS

Fixed assets are stated at historical cost and depreciated on the straight line basis at such rates as would reduce cost price to estimated residual values over the useful life of the asset. The principle rates for this purpose are:

Equipment	: 10%
Furniture and Fittings	: 10%
Computers	: 33.33%
Motor Vehicle	: 20%

1.3. Inventory

Inventory is valued at the lower of cost and net realisable value on the first-in-first-out basis.

	2004	2005	2006
	<u>R</u>	<u>R</u>	<u>R</u>
2. Members Contribution	1 000	1 000	1 000
3. Members Loans	720 000	397 915	123 975

These loans are unsecured, interest-free and have no fixed terms of repayment

4. Fixed Assets

	Cost	Accumulated Depreciation	Net	Book	Value
	<u>R</u>	<u>R</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Equipment	400 000	(120 000)	280 000	320 000	360 000
Furniture and fittings	350 000	(105 000)	245 000	280 000	315 000
Computers	20 000	(19 999)	1	6 667	13 333
Motor vehicle	75 000	(45 000)	30 000	45 000	60 000
	<u>845 000</u>	<u>(289 999)</u>	<u>555 001</u>	<u>651 667</u>	<u>748 333</u>

THAI LAND RESTAURANT

PROJECTED CASH FLOW STATEMENT FOR THE THREE YEARS ENDED 31 MAY 2006

	2004 <u>R</u>	2005 <u>R</u>	2006 <u>R</u>
<u>OPERATING</u>			
<u>ACTIVITIES</u>			
Cash generated by operations	186 800	389 450	402 650
Cash utilised to increase working capital	(17 000)	(5 325)	(875)
Taxation paid	-	(27 040)	(87 835)
	<hr/> 169 000	<hr/> 357 085	<hr/> 313 940
<u>INVESTING</u>			
<u>ACTIVITIES</u>			
Acquisition of fixed assets	(84 500)	-	-
<u>FINANCING ACTIVITIES</u>			
Members contribution	1 000	-	-
Members loans raised	720 000	-	-
Members loans repaid	-	(322 085)	(273 940)
	<hr/> 45 000	<hr/> 35 000	<hr/> 40 000
Net cash movement for the year	45 000	35 000	40 000
Bank balance and cash at beginning of year	-	4 500	80 000
Bank balance and cash at end of year	<hr/> <hr/> 45 000	<hr/> <hr/> 80 000	<hr/> <hr/> 120 000

3.26 SUMMARY

Cash is the life blood of any enterprise. The operations of the enterprise should yield a positive cash flow so as to maintain profitability. However, if the cash flow from an operations is negative, then it does not necessarily mean that the enterprise is unprofitable but indeed that the enterprise is investing in its working capital. Investing activities is the cash that was invested in capital investments by way of acquisition of fixed assets and fixed property.

When an enterprise invests in capital expenditure it is a good indication of the long-term prospects of the enterprise since capital assets are a necessary means of conducting business. This may result in negative net cash movements for the year.

This should not be viewed negatively as the enterprise is investing in its future long-term profitability.

Financing activities reveal the sources of finance that were used in funding the investing activities and also any negative cash flows from operating activities.

Thai Land Restaurant has a projected positive net cash movement for the three (3) years. More importantly cash generated by operations is a positive figure which shows substantial growth in years two and three.

Based on the projected cash flow statement Thai Land Restaurant would experience no cash flow problems and in fact experience healthy positive cash flows

EVALUATION OF THE QUESTIONNAIRE

4.1 INTRODUCTION

A questionnaire was identified as the primary data collection tool and this generated the following quantitative data. The questionnaire is a pre-formulated written set of questions, (beginning with simple dichotomous {yes/no} type questions progressing to semantic differential questions, to which respondents had to record their answers amongst the closely defined alternatives. The researcher used categorisation, coding, scales as well as reliability and validity as principles of measurement in the design of this questionnaire. The questionnaire was compiled with the funnel approach in mind. (See appendix A for sample questionnaire) This customer questionnaire was administered to patrons that dine at restaurants in the Morningside area. Another questionnaire was designed for the restaurant owners or managers. This format has been identified for it's cost and time effectiveness in securing feedback from the respondent.

CUSTOMER QUESTIONNAIRE

Table 4.1: Gender

Category Label	Frequency	Percentage
Male	23	57.5
Female	17	42.5
Total	40	100.0

Table 4.1. shows that 23 males responded to the questionnaire which accounted for 57.5% of the sample whilst 17 females partook in the survey.

Table 4.2: Age in Years

Category Label	Frequency	Percentage
20-29	8	20.0
30-39	20	50.0
40-49	10	25.0
50-59	2	5.0
Total	40	100.0

Table 4.2. on the other hand depicts the various age groups of respondents. The 30-39 age group was the largest group and this accounted for 50,0% of the sample. The 20-29 age

group and the 40-49 age group accounted for 20,0% and 25.0% of the respondents. The 50-59 age group only accounted for 5.0% of the respondents.

Table 4.3: Income Levels

Category Label	Frequency	Percentage
R5000 per month	14	35.0
R10000 per month	22	55.0
R15000 per month	4	10.0
Total	40	100.0

Table 4.3. illustrates the income groups of the respondents that were surveyed. The R15 000 per month income accounted for 10,0% of the score whilst R10 000 and R5 000 made up 55,0% and 35,0% respectively.

Table 4.4: How often do you eat at this restaurant?

Category Label	Frequency	Percentage
Less than a month	37	92.5
Once a month	2	5.0
Once a week	1	2.5
Total	40	100.0

37 Respondents accounted for 92,5% of the sample population that they ate out at a restaurant less than once a month. 5,0% said that they ate out at a restaurant in the Morningside area at least once a month whilst 2,5% accounted for patrons that they dined here on a weekly basis. This would indicate that these restaurants are still attracting a very niche market of consumers.

Table 4.5: Have you eaten at a Thai restaurant in Durban?

Category Label	Frequency	Percentage
I have	32	80.0
I have not	3	7.5
I would	5	12.5
I would not	0	0.0
Total responses	40	100.0
0 missing cases; 40 valid cases		

Eighty (80) percent of the sample have eaten at a Thai restaurant in and over ten (10) percent felt that they would eat at a Thai restaurant in the future. This would indicate that the establishment of Thai restaurants has been favourably or positively accepted by these patrons and that customer are open to dining in a Thai establishment. This would indicate that Thai Lands strategy of establishing a Thai restaurant would be positively accepted by consumers.

Table 4.6: Does the introduction of a new Thai restaurant in this area change your attitude?

Category Label	Frequency	Percentage
Positive	27	67.5
Negative	2	5.0
No Change	11	27.5
Total	40	100.0

More than half of the respondents felt that the introduction of a new Thai restaurant would not alter their attitude. Nearly a third of the respondents felt that this move would have no change on their attitude. 5,0% of the respondent's felt that this move would be affect their attitude adversely.

Table 4.7: The reasons for eating at this restaurant

Category Label	Frequency	Percentage
Convenience	15	12.5
Price	15	12.5
Quality	19	15.8
Brand loyalty	71	59.2
Total	40	100.0

12,5% of respondents indicated that their reasons for dining at these establishments were for convenience and price. Almost 165 of the respondents rated quality as a factor in choosing the eating establishment whilst 59,2% were brand loyal. This would reinforce the fact that Thai Land would need to create an image and brand that customers could identify with.

Table 4.8: Which of the following factors influence your decision to dine out?

Category	Frequency	Percentage
Economy	9	22.5
Finances	22	55.0
Baby sitters	2	5.0
Travelling distance	7	17.5
Total	40	100.0

This question revealed that 55,0% of the respondent's decision to dine out was influenced by finances. 22,5% felt that the general economy had an influence whilst 17,5% indicated that travelling distances played a role. A mere 5% responded that the availability of a baby sitter would influence their decision to dine out.

Table 4.9: Courtesy of Restaurant Staff

Category Label	Frequency	Percentage
Courteous	27	67.5
Neutral	7	17.5
Discourteous	6	15.0
Total	40	100.0

37,5% of the respondents believed that staff in these Morningside restaurants was courteous. A mere 15% of the respondents felt otherwise.

Table 4.10: Friendliness of Restaurant Staff

Category Label	Frequency	Percentage
Friendly	27	67.5
Neutral	6	15.0
Unfriendly	7	17.5
Total	40	100.0

Restaurant staff was perceived as being friendly by nearly 70% of the respondents.

Table 4.11: Attractiveness of Restaurant's Advertising

Category Label	Frequency	Percentage
Attractive	4	6.6
Neutral	1	1.6
Unattractive	35	57.4
Total	40	100.0

Table 4.12: Advertising - informative or uninformative

Category Label	Frequency	Percentage
Informative	4	6.6
Neutral	1	1.6
Uninformative	30	49.2
Didn't answer	5	8.2
Total	40	100.0

Table 4.11 illustrates that only 10% of the respondents found these restaurants advertising material to be attractive whilst table 4.12 reflects that nearly 7% of the respondents indicates that the advertising material is informative. Thai Land can use this to gain a competitive advantage and benefit segmentation would be appropriate to woo customers into their restaurants through informative advertising.

Table 4.13: Product Variety

Category Label	Frequency	Percentage
Numerous	15	37.5
Neutral	0	0.0
Few	25	62.5
Total	40	100.0

Table 4.14: Product Variety

Category Label	Frequency	Percentage
Large Variety	15	37.5
Neutral	2	3.3
Small Variety	23	57.5
Total	40	100.0

Table 4.15: Product Reliability

Category Label	Frequency	Percentage
Reliable	38	95.0
Unreliable	2	5.0
Total	40	100.0

Table 4.13 and 4.14 shows that respondents felt that the restaurants in the Morningside area offered a limited selection of food on their menus but it must be noted that this is not indicative of whether customer prefer a small or large selection of food to choose from. Table 4.15 contained data regarding the product reliability of the establishments that were surveyed. 95% of the respondents felt that the food was reliable and that standards were consistent and being maintained.

Table 4.16: Restaurant cleanliness levels

Category Label	Frequency	Percentage
Clean	34	85.0
Dirty	6	15.0
Total	40	100.0

Hygiene and cleanliness levels are believed to be clean by 85% of the respondents.

Table 4.17: Restaurant temperature levels

Category Label	Frequency	Percentage
Hot	7	17.5
Cold	33	82.5
Total	40	100.0

Most patrons felt that the restaurant temperature was not comfortable and rated temperature as being cold. Less than 20% of the respondents felt that the restaurant were too warm.

Table 4.18: Restaurant Layout and Ease of Movement

Category Label	Frequency	Percentage
Easy	34	85.0
Difficult	6	15.0
Total	40	100.0

85% of the respondents felt that restaurant layout was easy to navigate and that they were happy with the set up and layout of the particular restaurant surveyed. A mere 6% of the responses indicated that patrons were not happy with the layout.

OWNERS QUESTIONNAIRE

An owner/manager questionnaire was administered simultaneously at the restaurants where the customer questionnaires were conducted.

Table 4.19: Type of business

Category Label	Frequency	Percentage
Franchise	4	20.0
Privately owned	16	80.0
Total	20	100.0

80% of the restaurants in the Morningside area were privately owned and only 4 of these were part of a franchise group. None of the restaurants surveyed were part of a large company.

Table 4.20: how long has this business being trading in the Morningside area?

Category Label	Frequency	Percentage
0-10 years	17	85.0
10-20 years	3	15.0
Total	20	100.0

The restaurant business in the Morningside area is a relatively new phenomenon as seventeen (17) of the twenty (20) businesses that were surveyed have been in business for less than 10 years. A mere 15% of them has been operational for longer than ten (10) years.

Table 4.21: Busiest Trading Periods

Category Label	Frequency	Percentage
January	9	22.5
June	1	2.5
November	10	25.0
December	20	50.0
Total	40	100.0

More than half of the respondents felt that December was their busiest trading period. November and January shared second and third place respectively and June accounted for a mere 2,5% of the responses.

Table 4.22: How do you absorb fixed costs in the months of poor turnover?

Category Label	Frequency	Percentage
Provision	16	61.5
Alternate/diversify	1	3.8
Rely on local population	9	34.6
Total	20	100.0

Most restaurateurs made provision for their quieter trading periods whilst 34,6% of the respondents relied on the local populations to sustain them selves during these periods.

Table 4.23: Who are your customers

Category Label	Frequency	Percentage
Regulars	5	21.7
An even mix of holiday makers & regulars	2	8.7
More regulars than holiday makers	16	69.6
Total	23	100.0

Business in the Morningside area was sustained by regulars as nearly 70% of the responses showed.

Table 4.24: Do you incur additional costs during peak trading periods?

Category Label	Frequency	Percentage
No	1	5.0
Yes	19	95.0
Total	20	100.0

Over 90% of the restaurateurs responded that they incur additional costs during their peak trading periods whilst only one respondent felt otherwise.

Table 4.25: What accounts for these additional costs?

Category Label	Frequency	Percentage
Staff	21	42,5
Stock	19	47,5
Total	40	100.0

Additional costs seemed to be fairly shared between extra staff and stock costs.

Table 4.26: Have you seen acceptable growth in your business in the last 5 years?

Category Label	Frequency	Percentage
Yes	18	90.0
No	2	10.0
Total	20	100.0

90% of the restaurant owners/managers felt that they experienced reasonable growth in the last five (5) years.

Table 4.27: What is the average percentage of positive or negative growth that you have experienced?

Category Label	Frequency	Percentage
-10 - 0%	1	5.0
0 - 10%	6	30.0
10 - 20 %	11	55.0
20 - 30%	2	10.0
Total	20	100.0

More than half of the respondents has experienced positive growth in the region of 10-20%. A third of them saw their business grow positively between zero (0) and ten (10) percent.

Table 4.28: What do you think are the main reasons for this growth?

Category Label	Frequency	Percentage
Stock	3	18.1
Economy	17	81.8
Total	20	100.0

Restaurant owners responded that the economy was mainly responsible for the growth that they experienced.

Table 4.29: Do you spend more on advertising during the peak trading period?

Category Label	Frequency	Percentage
Yes	7	35.0
No	13	65.0
Total	20	100.0

Table 4.30: If you did not spend additional money on advertising during these periods, would you still generate sufficient income during these periods?

Category Label	Frequency	Percentage
Yes	19	95.0
No	1	5.0
Total	20	100.0

Table 4.29 showed that sixty five percent (65%) of the restaurant owners responded that they did not spend more on advertising during their peak trading periods, however table 4.30 showed that 95% of restaurateurs still generated sufficient income even if they did not invest in additional advertising.

Table 4.31: What do you think needs to be done in this area to ensure that business is maintained at an optimal level?

Category Label	Frequency	Percentage
Parking facilities	16	41.0
Decrease in rentals	2	5.1
Municipal upgrades	7	17.9
Tourism	14	36.0
Total	20	100.0

Parking facilities and tourism were rated as the two areas that need to be maintained to ensure that business levels are sustained. Municipal upgrades and a decrease in rentals only polled 17,9% and 5,1% respectively from respondents.

Table 4.32: Which areas offer the most competition to the Morningside restaurants?

Category Label	Frequency	Percentage
Beach front	5	12.5
Musgrave	17	42.5
Glenwood	3	7.5
Umhlanga	1	2.5
Bay area	14	35.0
Total	20	100.0

Musgrave and the Bay area offer the most competition to restaurants that are situated in the Morningside area. Umhlanga posed the least competition with a response rate of 2,5%.

Table 4.33: What in your opinion are the main reasons that you have managed to sustain business in the Morningside area?

Category Label	Frequency	Percentage
Exclusivity	5	12.8
Established reputation	13	33.3
Service levels	10	25.6
Dedication/commitment	5	12.8
Holiday makers	6	15.4
Total	39	100.0

A third of the managers/owners believed that it was their established reputation that allows them to sustain business in this area. A quarter of them believed their service levels were responsible for them maintaining business levels.

Table 4.34: Do you foresee future business growth in this area?

Category Label	Frequency	Percentage
Yes	20	100.0
No	0	0.0
Total	20	100.0

This question fielded a unanimous response that there was future growth potential in this area.

4.2. CONCLUSIONS

Most of the respondents had a positive response to the introduction and establishment of a new Thai restaurant in the Morningside area. They also viewed the current restaurants in this area positively. These restaurants were frequented by regular patrons and the busy periods were identified as November to January as well as June. Most businesses have experienced positive growth patterns ranging from 0 - 20%. Even though most businesses have been established for less than ten (10) years, the restaurant owners indicated that business has been viable and that they have experienced growth in the last five (5) years. This is promising for Thai Land Restaurant and Bar as the questionnaires indicate that patrons would be accepting to the establishment of a new Thai restaurant. Patrons rated the restaurant temperature as cold and this could be taken into account when designing the Thai Land Restaurant. Other viewpoints expressed by patrons that can be taken into consideration include; variety of dishes offered, advertising and branding as well as the layout and hygiene standards to the restaurant. Lack of branding in the restaurant industry, particularly in this area seems to be a real problem and one that Thai Land would have to address.

RECOMMENDATIONS AND CONCLUSIONS

5.1. Recommendations based on research findings

It is hoped that by identifying the importance of a business, that this would result in more successful business ventures. A few areas of consumer buyer behaviour have also been highlighted and identified and the reason behind this is that the marketer and restaurant owner would gain an insight into the issues that influence a consumer's behaviour. The identification of specific areas of marketing potential with regards to restaurants could lead to an increase in market share and subsequently turnover.

A competitor analysis revealed the following for The Thai Land Restaurant and Bar.



Figure 5.1: Suggested Market Trends that Thai Land Restaurant should follow

With the competitors and their strategies in place, what does this mean for The Thai Land Restuarant?

- ❖ Thai Land Restaurant and Bar needs to manage their branding process carefully in order to avoid diluting the special brand and experience that they are trying to create. They must ensure that they do not just become another restaurant serving up Eastern fare.

- ❖ They must concentrate on their core philosophies of using the freshest, most authentic ingredients and providing the patron with a unique dining experience.
- ❖ They must explore new food offerings but ensure that they are authentic as well as cater for the health conscious individual. These new offerings must be innovative, quick, easy, affordable and convenient.
- ❖ Thai Land restaurant can expand into the sale of Thai food produce and product.
- ❖ Location is important and before they consider expanding they should develop some effective and aggressive real estate strategies.
- ❖ Explore new and different ways of gaining a share of the consumer's stomach or appetite.
- ❖ Continue to explore food import opportunities and be on the look out for innovative or even export opportunities
- ❖ The dining experience can be widened by "bringing food to life". This can be expanded to cater for the home catering market, corporate sectors and take away.
- ❖ Set good standards that would become benchmark in the industry yet to still maintain quality and service that the customer has become accustomed to from other restaurants.
- ❖ Be aware of any niches that exist or present themselves in the restaurant market and be proactive in getting into these markets.
- ❖ Consider the price and value that a consumer is being charged for a product

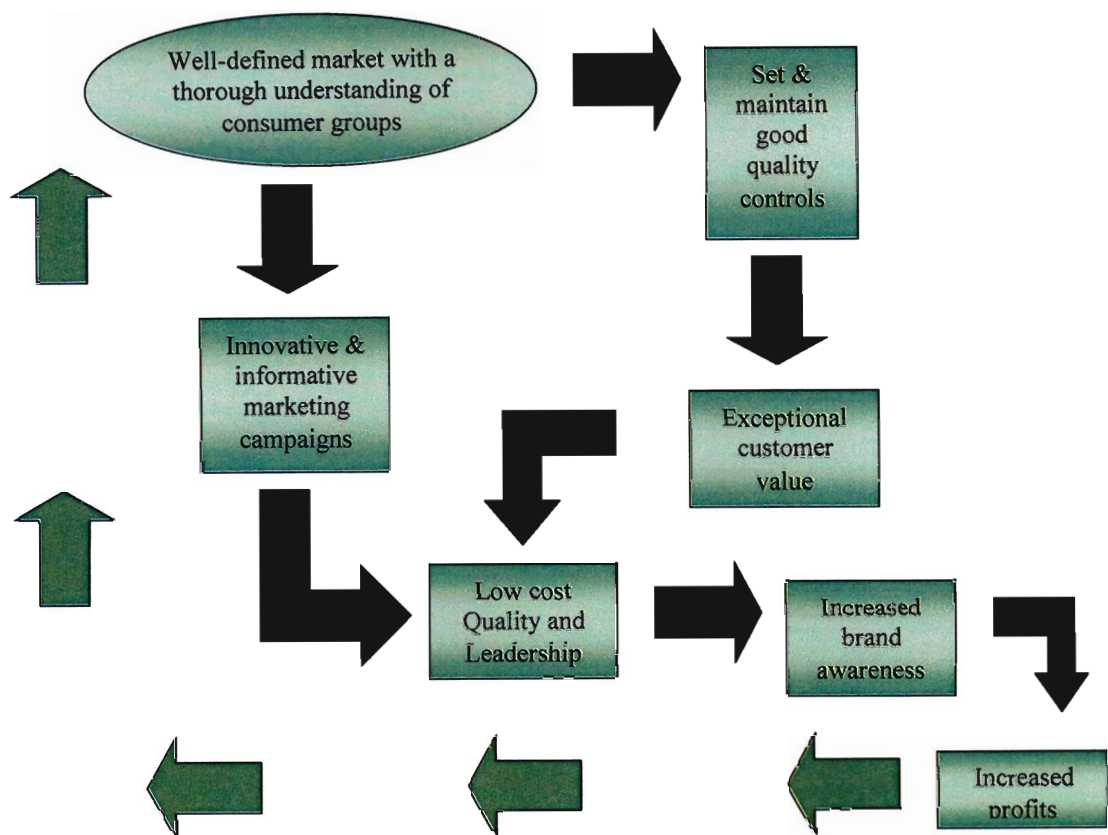


Figure 5.1: Model for Thai Land Restaurant and Bar

With reference to figure 5.1., it is recommended that Thai Land restaurant should apply the following strategies comprising inter alia the following elements:

❖ Product Innovation

The company aims to be founded on a quality tradition, and this will then become imperative for their continued success. However this does not mean that they need not be innovative whilst still maintaining their high levels and standards of quality. Innovation can be achieved through constant research and development and taking note of the changing needs of your target market. No matter what, Thai Land Restaurant and Bar must not lose focus of its core competency, which is to offer superior yet unique dining experience.

❖ Effective Product Branding

Thai Land need to embark on a brand building exercise as this is something that they can use to their advantage when wanting to expand into new and existing markets. The marketing of Thai Land as well as the creation of an authentic Thai restaurant will be key to the company's success. The Thai Land brand is currently non-existent and once they have established it, they need to capitalise on this power. A firm brand awareness and presence needs to be created for all Thai Land food and beverage items.

❖ Thai Land influences its customers

A successful brand is about personality and Thai Land Restaurant will be no exceptional. The Thai Land brand will have a personality of its own right and will be well known in most societies and cultures in Kwa Zulu Natal. Thai Land will have to try to influence and convince consumers to believe that their brand is of good or even superior quality in some cases, and filled with only the best nutritional ingredients. Again, this should be extended into the non-restaurant item categories so as to gain market share and awareness.

❖ People prefer to buy Thai Land Products

The Thai Land brand should be so successful that people prefer them to ordinary products. Consumers should come to rely on a brand for its guaranteed standard of quality, which reduces the risk of failure in purchase. A company must never become complacent in this situation as competitors can gain ground quickly in the market place.

❖ The Thai Land Product and Corporate Branding

Firms may try to build brand loyalty by creating a corporate brand name that will suggest an identity or characteristics that would apply to all products. This is known as corporate branding. Alternatively, firms may choose to establish a brand identity for each of its products. Thai Land can effectively do both in time to come. Should this be the case then Thai Land would be an example of multiple product branding,

where each product within a range is given its own clear identity and personality but is also marketed using the Thai Land name as an umbrella.

❖ Thai Lands Brand Values

A company's advertising, promotion, changes in name, new logo design, PR or any other such activities will not successfully build a brand unless there are certain well-defined values which are consistently communicated and demonstrated by the company which are recognised and appreciated by customers. The Thai Land brand needs to emphasize the benefits of quality and value, which will apply to any Thai Land product or service. All aspects of Thai Land's advertising will need to reflect these brand values and the company's employees should demonstrate these values in their behaviour towards their customers. This will result in Thai Land having to develop a more aggressive marketing and advertising campaign to extend the awareness of their product range.

❖ The rewards of the Thai Land Brand

Building a brand is a corporate strategic issue and not a short-term tactical activity. The brand name - Thai Land will have to satisfy the needs of their consumers as well as overcome competition from some other restaurants/brands. Through its brand loyalty, the company should aim to achieve a consistency of demand through customer retention however this should be exploited to increase their customer base, market share and ultimately their bottom line.

Thai Land Restaurant and Bar need to take care that they do not dilute their brand. Since Thai Land operates in a highly price sensitive market, management need to make attempts to desensitise the consumers to price fluctuations.

❖ Vertical/Horizontal Integration

Integration opportunities can be expanding business on the World Wide Web. Also, expansion into Thai products and cooking classes. They can also offer added value services like home and corporate catering.

❖ Exploration of Untapped Markets

Look for export and import opportunities whilst taking note of any government legislation or regulation that may exist and hinder your business.

The results detailed in this dissertation are by no means exhaustive. Further research could unearth more variables that may influence a consumers brand choice and provide more depth and scope to this area as time moves on.

5.2. CONCLUSION

This chapter served to discuss the results of the study by relating them back to the objectives of the study and finally to discuss the usefulness and appropriateness of the methodology used as outlined in chapter one (1). The researcher was able to substantiate the subjective views on the feasibility and viability of opening a Thai restaurant in the Morningside area through literature and also to criticize or justify the methodology of the study. This study revealed that patrons had a positive attitude to the introduction and establishment of a Thai restaurant in the Morningside area. They believed that Thai land would offer a unique dining experience with superior quality in terms of food and service. Examining the research findings for Thai Land restaurant concludes this study. Possible areas for research into the field of restaurant competitive strategies and success stories are recommended. The implications for the organisation are discussed by recommending possible ways in implementing innovative strategies and offering a unique dining experience. Such recommendations are made with the purpose of enhancing overall customer service and satisfaction provided within and by the restaurant This business establishment will benefit not only by an enhanced original image but also through improved customer retention and enhanced business focus amongst other effects. All these effects have a positive impact on a business's bottom line and that is ultimately the reason people are in business. This should allow the Thai Land restaurant and bar group to establish and build their life long partnerships with their patrons.

Competition helps to grow a category and Thai Land needs to be aware of their competitors that are established in the market place. Even though they are aiming to provide a truly unique dining experience, competition could still increase.

In conclusion, it can be said that the introduction and establishment of a Thai restaurant in the Morningside area may be a mechanism for Thai Land restaurant and bar to become a world class food establishment.

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Customer Questionnaire

1. Male ☐ Female ☐

2. Age 20-29 ☐ 30-39 ☐ 40-49 ☐ 50-59 ☐ 60+ ☐

3. Income Level: ☐ R5000 per month ☐ R10 000 per month ☐ R15 000 per month

4. How often do you eat at this restaurant?

- | | |
|---|---------------------------------------|
| <input type="checkbox"/> Less than once a month | <input type="checkbox"/> Once a month |
| <input type="checkbox"/> At least twice a month | <input type="checkbox"/> Once a week |
| <input type="checkbox"/> Twice a week | <input type="checkbox"/> More often |

5. Which restaurants do you usually eat at?

6. Have you eaten at a Thai restaurant in Durban?

- | | |
|----------------------------------|--------------------------------------|
| <input type="checkbox"/> I have | <input type="checkbox"/> I have not |
| <input type="checkbox"/> I would | <input type="checkbox"/> I would not |

7. Would the introduction of a new Thai restaurant in this area change your attitude?

- ☐ Positive ☐ Negative ☐ No change

8. What are the reasons for eating at this restaurant?

Convenience ☐ Price ☐ Quality ☐ Brand Loyalty ☐

9. Does any of the below influence your decision to dine out?

Economy ☐ Finances ☐ Baby sitters ☐ Travelling Distance ☐

10. Why do you dine out?

Excitement ☐ variety ☐ socialisation ☐

Rate the Following with regards to the restaurant.

- | | | | | | | | |
|-----------------------------|---------------|----|----|----|----|----|---------------|
| 11. Sales staff : | Courteous | -- | -- | -- | -- | -- | Discourteous |
| 12. Sales staff: | Friendly | -- | -- | -- | -- | -- | Unfriendly |
| 13. Advertising: | Attractive | -- | -- | -- | -- | -- | Unattractive |
| 14. Advertising: | Informative | | | | | | Uninformative |
| 15. Product variety: | Numerous | -- | -- | -- | -- | -- | Few |
| 16. Product variety: | Large variety | -- | -- | -- | -- | -- | Small Variety |
| 17. Product variety: | Reliable | -- | -- | -- | -- | -- | Unreliable |
| 18. Restaurant: | Clean | -- | -- | -- | -- | -- | Dirty |
| 19. Restaurant Temperature: | Hot | -- | -- | -- | -- | -- | Cold |
| 20. Restaurant Layout: | Easy | -- | -- | -- | -- | -- | Difficult |

Customer Questionnaire

1. Male 1 ☐ Female 2 ☐
2. 1 Age 20-29 ☐ 230-39 ☐ 340-49 ☐ 450-59 ☐ 560+ ☐
3. Income Level: 1 ☐ R5000 per month ☐ 2 R10 000 per month ☐ 3 R15 000 per month
4. How often do you eat at this restaurant?
☐ Less than once a month 1 ☐ Once a month 2
☐ At least twice a month 3 ☐ Once a week 4
☐ Twice a week 5 ☐ More often 6
5. Which restaurants do you usually eat at?

6. Have you eaten at a Thai restaurant in Durban?
☐ I have 1 ☐ I have not 2
☐ I would 3 ☐ I would not 4
7. Would the introduction of a new Thai restaurant in this area change your attitude?
☐ Positive 1 ☐ Negative 2 ☐ No change 3
8. What are the reasons for eating at this restaurant?
 1 Convenience ☐ 2 Price ☐ 3 Quality ☐ 4 Brand Loyalty ☐
9. Does any of the below influence you decision to dine out?
 1 Economy ☐ 2 Finance ☐ 3 Baby sitter ☐ 4 Travelling Distance ☐
10. Why do you dine out?
 1 Excitement ☐ 2 variety ☐ 3 socialization ☐
- Rate the Following with regards to the restaurant.
- | | | | | | | | |
|-----------------------------|---------------|-----|----|-----|----|-----|---------------|
| 11. Sales staff : | Courteous | -1- | -- | --2 | -- | --3 | Discourteous |
| 12. Sales staff: | Friendly | -- | -- | -- | -- | -- | Unfriendly |
| 13. Advertising: | Attractive | -- | -- | -- | -- | -- | Unattractive |
| 14. Advertising: | Informative | -- | -- | -- | -- | -- | Uninformative |
| 15. Product variety: | Numerous | -- | -- | -- | -- | -- | Few |
| 16. Product variety: | Large variety | -- | -- | -- | -- | -- | Small Variety |
| 17. Product variety: | Reliable | -- | -- | -- | -- | -- | Unreliable |
| 18. Restaurant: | Clean | -- | -- | -- | -- | -- | Dirty |
| 19. Restaurant Temperature: | Hot | -- | -- | -- | -- | -- | Cold |
| 20. Restaurant Layout: | Easy | 1-- | -- | --2 | -- | --3 | Difficult |

Owners/Managers Questionnaire

1. Name of business _____

Managers/ Owners Name: _____

2. Type of business...

Franchise ☐ Privately Owned ☐ Branch of Large Company ☐

3. How long has this business been trading in the Morningside area?

0-10yrs ☐ 10-20yrs ☐ 20-30yrs ☐

30-40yrs ☐ 40-50yrs ☐

4. Which are your busiest months in the year? (rate 1 least busiest to 12 most busiest)

Jan <input type="checkbox"/>	Feb <input type="checkbox"/>	Mar <input type="checkbox"/>	Apr <input type="checkbox"/>	May <input type="checkbox"/>	June <input type="checkbox"/>
July <input type="checkbox"/>	Aug <input type="checkbox"/>	Sept <input type="checkbox"/>	Oct <input type="checkbox"/>	Nov <input type="checkbox"/>	Dec <input type="checkbox"/>

5. How do you absorb fixed costs in the months of poor turnover?

Provision ☐ Alternate/Diversify ☐ Rely on local population ☐

Close Business ☐ Not Applicable ☐

6. Are your customers

Holiday makers ☐ Regulars ☐ An even mix of holiday makers
And regulars ☐

More holiday makers than regulars ☐ More regulars than holiday makers ☐

7. Do you incur additional costs during peak trading season?

No ☐ Yes ☐

8. If Yes, what are they?

Staff ☐

Stock ☐

9. What are your normal trading times _____

10. What are your peak trading times _____

11. Have you seen acceptable growth in your business in the last 5 years?

Yes ☐

No ☐

12. What is the average percentage of the positive or negative growth noticed?

-50%-(-40)% ☐

-40%-(-30)% ☐

-30%-(-20)% ☐

-20%-(-10)% ☐

-10%-0% ☐

0%-10% ☐

10%-20% ☐

20%-30% ☐

30%-40% ☐

40%-50% ☐

13. What do you think are the main reasons for this?

Stock ☐

Economy ☐

Seasonal ☐

14. Do you spend more on advertising during the peak season trading period?

Yes ☐

No ☐

15. Do you need to advertise more during peak trading season to generate additional income?

Yes ☐

No ☐

16. If you did not spend additional money on advertising, would you still generate sufficient income during these periods?

Yes ☐

No ☐

17. What do you think needs to be done in this area to ensure that business is maintained at an optimal level?

Parking Facilities ☐ Rent (decrease in rentals) ☐
Municipal Upgrades ☐ Tourism ☐ Accomodation Specials ☐
Decreased competition ☐

18. Which surrounding areas to the Morningside area do you think offers the most competition to your business?

Durban beach Front ☐ Musgrave ☐ Glenwood ☐
Bay Area ☐ Umhlanga ☐

19. What in your opinion are the main reasons that you have managed to sustain your business in this area?

Exclusivity ☐ Established/Reputation ☐ Service ☐
Dedication/Commitment ☐ Holiday Makers ☐

20. Do you foresee a future growth of business in this area?

Yes ☐ No ☐

Owners/Managers Questionnaire

1. Name of business _____

Managers/ Owners Name: _____

2. Type of business...(1)

Franchise ☐ 1 Privately Owned ☐ 2 Branch of Large Company ☐ 3

3. How long has this business been trading in the Morningside area?Q2

0-10yrs ☐ 1 10-20yrs ☐ 2 20-30yrs ☐ 3

30-40yrs ☐ 4 40-50yrs ☐ 5

4. Which are your busiest months in the year? (rate 1 least busiest to 12 most busiest)Q3

Jan <input type="checkbox"/> 1	Feb <input type="checkbox"/> 2	Mar <input type="checkbox"/> 3	Apr <input type="checkbox"/> 4	May <input type="checkbox"/> 5	June <input type="checkbox"/> 6
July <input type="checkbox"/> 7	Aug <input type="checkbox"/> 8	Sept <input type="checkbox"/> 9	Oct <input type="checkbox"/> 10	Nov <input type="checkbox"/> 11	Dec <input type="checkbox"/> 12

5. How do you absorb fixed costs in the months of poor turnover?Q4

Provision ☐ 1 Alternate/Diverify2 ☐ Rely on local population3 ☐

Close Business4 ☐ Not Applicable5 ☐

6. Are your customersQ5

Holiday makers1 ☐ Regulars2 ☐ An even mix of holiday makers And regulars3 ☐

More holiday makers than regulars4 ☐ More regulars than holiday makers5 ☐

7. Do you incur additional costs during peak trading season?Q6

No ☐ 1 Yes2 ☐

8. If Yes, what are they?Q7

Staff 1 ☐

Stock2 ☐

9. What are your normal trading times _____Q8

10. What are your peak trading times _____Q9

11. Have you seen acceptable growth in your business in the last 5 years?Q10

Yes ☐ 1 No 2 ☐

12. What is the average percentage of the positive or negative growth noticed?Q11

1-50%-(-40%) ☐ 2-40%-(-30%) ☐ 3-30%-(-20%) ☐ 4-20%-(-10%) ☐
5-10%-0% ☐ 60%-10% ☐ 710%-20% ☐ 820%-30% ☐
930%-40% ☐ 1040%-50% ☐

13. What do you think are the main reasons for this?Q12

1Stock ☐ 2Economy ☐ 3Seasonal ☐

14. Do you spend more on advertising during the peak season trading period?Q13

1Yes ☐ 2No ☐

15. Do you need to advertise more during peak trading season to generate additional income?Q14

1Yes ☐ 2No ☐

16. If you did not spend additional money on advertising, would you still generate sufficient income during these periods?Q15

1Yes ☐ 2No ☐

17. What do you think needs to be done in this area to ensure that business is maintained at an optimal level?Q16

1Parking Facilities ☐

2Rent (decrease in rentals) ☐

3Municipal Upgrades ☐

4Tourism ☐

5Accommodation Specials ☐

6Decreased competition ☐

18. Which surrounding areas to the Morningside area do you think offers the most competition to your business?Q17

1Durban beach Front ☐

2Musgrave ☐

3Glenwood ☐

4Bay Area ☐

5Umhlanga ☐

19. What in your opinion are the main reasons that you have managed to sustain your business in this area?Q18

1Exclusivity ☐

2Established/Reputation ☐

3Service ☐

4Dedication/Commitment ☐

5Holiday Makers ☐

20. Do you foresee a future growth of business in this area?Q19

1Yes ☐

2No ☐

FLORIDA ROAD	WINDERMERE ROAD
1. A Gruta - 3128675 d	13. Bean Bag Bohemia - 3096919 18 Windermere Road
2. Baanthai 3034270 138 Florida Road	14. Billy the Bum's - 3031988 18 Windermere Road
3. Bistro - 3033440 136 Florida Road	15. Kat*Man*Du - 3127893 411 Windermere Road
4. Butcher Boys - 3128248 170 Florida Road	16. Delfi - 3127032 386 Windermere Road
5. Caphine - 3127893 258 Florida Road	17. Dukes - 3120019 508 Windermere Road
6. Christina's - 3032111 134 Florida Road	18. Marcos 3033078 45 Windermere Road
7. Mo Better Noodles - 3124193 275 Florida Road	19. Luna Blu - 3124665 427 Windermere Road
8. Ocean Basket - 3038431 219 Florida Road	20. Vintage - 3091328 20 Windermere Road
9. Quarters - 3035246 Cnr florida and Argyle Roads	
10. Squires Loft - 3031110 295 Florida Road	
11. Yorgas tavern - 3036375 200 Florida Road	
12. Zucchini - 3129436 258 Florida Road	