

UNIVERSITY OF NIGERIA, NSUKKA
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TOPIC:
A BUSINESS PLAN FOR ESTABLISHMENT OF ICE CREAM
PRODUCTION

A BUSINESS PROPOSAL
PREPARED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
COURSE: (CEDR) 342
(CENTRE FOR ENTREPRENEURSHIP AND DEVELOPMENT RESEARCH)

BUSINESS NAME:
MY YOGURT SHOPPE NIGERIA LIMITED

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INTRODUCTION

The purpose of this business plan is to outline the parameters under which the principals will pursue the development, opening and operation of a franchised MY YOGURT SHOPPE in a key location at a chosen mall in Lagos city.

This idea to open a Yogurt Shop was decided upon by Shlomy and Resa Eshed after doing some market research on what type of business will be most successful in the twin-island of Lagos city. They are optimistic that such a venture would be very successful in this country because of the combination of the warm climate, relatively low competitive threat and high market demand.

EXECUTIVE SUMMARY

My Yogurt Shoppe will develop and operate a licensed yogurt shop in the twin island of Lagos city. It will sell and market a variety of frozen yogurt styles and flavours with natural fruit toppings and artificial flavours and will be served in cups and cones. The yogurt will be purchased from a quality local vendor in bulk and the natural toppings will be sourced from various local suppliers to ensure freshness of fruit.

The first shop will be located in one of the 3 major malls in Lagos city, Trincity Mall (located in NorthEast Lagos city), The Falls (located in NorthWest Lagos city-most affluent area) or Grand Bazaar (located in East Lagos city). These malls were chosen as they are situated in very central areas of the country, close to many freeways and access roads and therefore serve many communities as well as attract persons from all over the country.

The primary customers will be drawn from the malls trade area population of approximately 20,000 – 30,000 people daily. Customers shopping the plaza or just visiting as a means of recreation will purchase the products offered by *My Yogurt Shoppe* on an impulse basis, or a dessert treat after completing a meal at the Food Courts of the respective malls. *My Yogurt Shoppe* also anticipates that many patrons will make the shop their primary destination due to

the name recognition and product quality. As far as market research to date has shown although each mall has some type of ice cream there is no frozen yogurt shop located in any of the malls or even in the wider country of Lagos city. Hence, *My Yogurt Shoppe* will be the first of its kind.

Revenue from the shop will primarily be from the sale of frozen yogurt in different sizes and other related products that will appeal to the market. My Yogurt Shoppe will also sell a series of hot and cold drinks to augment its primary product line of frozen yogurt.

The Manager of the shop will be a local partner who will share x% of the profits and therefore manage the daily operations of the business. The Esheds will oversee the overall running of the business and will make frequent trips to Lagos city to ensure that the business objectives of the stated are being met. In addition, approximately 2 other persons will be hired to work on a full-time basis at the Shop since mall hours are usually from 10am-7pm, except during major holidays like Christmas. However, concessions will be made to hire other part-time employees on an “as needed” basis when the occasion arises.

Project costs are projected to be N200,000 which includes leasehold improvements for beginning operations, equipment purchases, opening inventory and working capital needs. The Esheds are seeking to finance this project through personal investment and partnership agreements with potential investors.

Based on a preliminary timetable as well as availability of rental space in the malls, it is anticipated that the shop can be open for business by 1 February, 2010.

THE MARKET

Lagos city is located most southerly of all islands in the Lagos state. It consists of two islands, Lagos city being the larger and more capital-intensive island, and Lekki being the smaller and more touristic island. Its population is the 5th largest in the Lagos State

consisting of 15.5 million people and it is the leading exporter and importer of oil and gas and now supplies OTHER PARTS with 70% of its LNG imports.

With its thriving economy and cultural diversity, relatively high per capita income (N9,003), limited agricultural production, fairly open trade regime, English as the official language and strong OTHER PARTS influences, Lagos city has proven to be an excellent and steady market for international food and beverage imports. The food service and retail food sectors are vibrant commercial areas, driven by a growing economy and middle class, an increasing population, and more women working outside the home. In a typical year the country imports N14 million worth of consumer food products, of which 30% is destined for the food sector and the remainder for the retail sector.

The Cuisine style is varied as the country's culture and once can find almost any kind of food ranging from Portharcourt, Edo, Annang, Umuahia, Awka, Onitsha, etc ., available from 600 traditional restaurants and 285 fast food eateries. In addition, the population is seen to consume a large proportion of dairy products especially in the form as treats such as milk drinks and ice-cream making the success of a frozen yogurt business inevitable as the market craves for a unique product of this caliber -healthy yet tasty .

Research has shown that the purchase of a frozen yogurt and related products is basically an impulse-type purchase by a consumer relating to one of the following stimuli:

1. Passing by the Shop on the way to another destination,
2. Visual contact with the Shop's signs or products,
3. Observing someone else consuming one of the Shop's products
4. The final course (desert) after a meal has been consumed elsewhere.

Locating the Shop in one of these major malls gives the business the opportunity to take advantage of all of the above mentioned ways which motivate the consumer to purchase the products offered.

1. PASSING BY THE SHOP –

The 3 malls listed previously is comprised of the best known, nationally recognized retail stores and outlets. This unique blend of these operations draws a large cross-section of the population to the Mall for a variety of goods and services. *My Yogurt Shoppe* will be a 40-50 square feet store located at a strategic point of the mall, preferably closest to the Food Court of the chose mall. This location is highly preferred as it is closest to the main entrances of the malls, it connects shoppers with lower and upper levels of the mall and is often located between the main parking areas and the entrances of the malls, requiring all patrons entering from the main parking area to pass directly in front of Food Court. Additionally, it is well within walking distance from any point of the mall in 5 minutes or less. Therefore because of this location many patrons will pass through the Food Court on the way to and from another store, making it convenient for an impulse purchase.

2. VISUAL CONTACT FROM THE SHOP'S SIGNS

Signage will be planned for the Shop in two locations. Large, colourful signs will be located at the front of the store, making them visible from the Food Court or at certain points of the mall. And depending on the eventual mall that is chosen signage can be negotiated with management to be placed on different levels or entrances of the malls. Nevertheless, the location that will be eventually chosen will be that which has the greatest foot traffic and in Lagos city that is the Food Court.

3. OBSERVING SOMEONE ELSE CONSUMING THE PRODUCT

One of the main advantages of having a relatively small dining area is that patrons will be forced to consume the product elsewhere beside the immediate premises. In addition, the

wide seating area that is available in the Food Court of each of these malls ensure that when patrons consume My Yogurt treats in this location it is guaranteed to be very visible to many shoppers. Therefore it is imperative that all My Yogurt products be served in containers that display the company's logo.

4. THE FINAL COURSE (DESSERT) AFTER A MEAL HAS BEEN CONSUMED ELSEWHERE

In addition, to the tremendous foot traffic generated by department stores and numerous nationally renowned shops located in these malls, My Yogurt Shoppe will be located in the Food Court or at the very least as close to the Food Court as possible. Each of the considered malls house a minimum of 15 different places to eat and they are all occupied at various times of the day. All of My Yogurt Shoppe's toppings will be displayed in a large display case at the front of the store that will be visible throughout the entire ordering process.

MARKETING PLAN

INDUSTRY OVERVIEW

The yogurt and frozen yogurt business is relatively new to Lagos city and therefore is classified within the ice-cream industry. Therefore to analyze the frozen yogurt industry within the country it is useful to examine the ice cream industry and its potential. The ice-cream industry economic sector is the Snack and Nonalcoholic Beverages Bars. Some of the industry's quick facts are listed below:

1. More than 90 % of Lagos city's households consume ice-cream and related frozen desserts.
2. Although exact data is not available for the production and total sales every year for this industry it has been reported by the Caribbean Basin Agricultural Trade Office (CBATO) that

this industry has the most potential to succeed in the Caribbean as the country yearns for variety in the market especially with respect to healthier choices.

Ice Cream is more popular than yogurt in this market as yogurt; especially frozen yogurt is a relatively new phenomenon for the local consumers. In addition, the primary customers of ice-cream range from low income to upper middle class income people while for yogurt/frozen yogurt the middle to upper middle class income people are the main consumers.

Research has shown that ice cream, and by extension yogurt, is not a product that requires the customer to research the product or do price comparison but, they will try different brands. And ice-cream is usually bought just on impulse, hence the reason why location is extremely critical. Not to mention that seasons also play a large role in the consumer's buying decision and this country generally has a warm climate all year round eliminating the need to worry about this factor.

MARKET SIZE

Globally, the ice cream market is viewed as a growth industry and is valued in the billions of dollars. In 2005, the ice cream industry globally was worth N36.4b and expanded by more than 1.7%. Data has shown that 2010 sales in this industry is expected to reach N40.6b which is an 11% increase from 2005. Although this is not directly relevant to the local market, these vast international growth trends are typically led by the globe's leading markets. Such as the

OTHER PARTS

Market and therefore are a good parameter to measure the growth trends locally since the local market is heavily influenced by the OTHER PARTS market as mentioned previously. In order to gauge the success of opening a frozen yogurt shop in this market it is

necessary to understand that globally the ice-cream industry is segmented into two primary divisions:

- 1) Take-home ice cream which accounts for 46.6% of global sales
- 2) Supermarkets and hypermarkets which account for approximately 33% of the total market value.

The implication for *Myougurt Shoppe* is that it must establish itself as a viable location where takeout orders can be placed and picked up.

Nationally, the ice cream industry and market is one of the largest and most vibrant in the Caribbean as is seen by the many successful local manufacturers and distributors (Flavorite, B's Ice Cream, Willile's Ice Cream, to name a few) and the entry of popular international franchises such as TCBY, Hagen Daazs and most recently Cold Stone Creamy. The local ice-cream market has expanded significantly in the last 10-15 years and it mirrors the segmentation and distribution characteristics of the broader international ice cream market.

TARGET MARKET

Currently the Caribbean overall ice cream/yogurt market is on a growth trend and the current emphasis on healthy products only makes this trend more promising for low-fat frozen yogurt served with natural toppings as it allows customers to satisfy their urges for delicious ice cream related products without compromising their diet or health concerns. As the local market is heavily influenced by OTHER PARTS trends we would use the statistics available in the OTHER PARTS as local data is not available for this industry. So it is noted that in the OTHER PARTS take home products dominate the industry at 66% of the market share, while impulse ice cream has 14%, artisanal ice cream 10% and frozen yogurt 9%.

Hence *Myougurt Shoppe's* unique product format and healthy yogurt materials ensure that the enterprise can compete with the impulse and artisan ice cream segments but because of the sheer size of the take home market, *My Yogurt* simply cannot ignore developing distribution

channels and relationships with other businesses that can form unique marketing alliances for its products.

MARKETING OBJECTIVES

My Yogurt Shoppe will adhere to the following marketing objectives in designing its ongoing marketing and sales strategies:

1. To bring in at least 250 people with each promotion.
2. Have 1000 people sign up for its customer loyalty program the first 12 months of operations.
3. To meet first year sales projections for both revenue and product unit sales.

Sales are forecast to exceed N150k the first year of operations based on forecasted demand and the following sales forecast provides the basis for *My Yogurt's* marketing objectives.

PRODUCTS/SERVICES

My Yogurt will purchase the highest quality frozen yogurt products from a local provider. Myogurt will sell and market both regular yogurts as well as low fat yogurt products. Additionally, Myogurt will have a variety of natural toppings as well as artificially flavoured toppings ranging from local fruits to imported snacks that can be served as a topping.

PRICING STRATEGY

The following table details *My Yogurt's* initial price menu although prices are subject to change dependent on suppliers and market events. In addition, it is based on an average of the various sizes and/or portions

Table 2. My Yogurt Shoppe Pricing Schedule

PRODUCT	UNIT PRICE (N)	UNIT PRICE IN LOCAL CURRENCY (TTD)
Yogurt Cones	N1.50	N900
Yogurt Cups (small)	N3.00	N1,800
Yogurt Cups (medium)	N5.00	N3,000
Yogurt Cups (large)	N8.00	N4,800
Coffee by the cup	N1.25	N750

on their 6th visit and a frozen yogurt cup on their 10th visit. This program will create the means by which *Myogurt* can gain regular customers who tend to spend more time in-store when redeeming free product cards in the same manner that gift cards in other retail outlets generate higher sales. There will also be a location on the customer loyalty card where the customer can fill out his or her email address and phone no.

Additional Incentives: 1) My Yogurt will ask customers to fill out their birthday details on a membership form so they can receive 25% - 50 % discounts on their birthdays from the shop. 2) In addition, text messages/emails can be sent to random customers offering them discounts on special days like buy one get one free or similar incentives. 3) Myogurt will partner with popular radio stations and newspapers to offer giveaways on select programmes to their listeners or readers.

PROMOTIONAL BUDGET PROMOTIONS

N

Newspaper Advertisements
 Store Signage
 Grand Opening
 Public Relations (Give-a-ways/samples)
 Total budget

most of the competition will be in the form of ice cream shops and not frozen yogurt shops as there is no single yogurt operator in Lagos city.

Largest National Ice Cream Manufacturers and Distributors (Flavorite Foods Ltd., Willie's Ice Cream, B's Ice Cream, Dairy Bar Ice Cream Ltd.,)

STRENGTHS

- 1) All of these manufacturers are well known, well established franchises that have a strong local and regional presence.
- 2) They have national and regional brand recognition in almost every market.
- 3) They sell their products wholesale to top supermarkets, restaurants and other eateries.
- 4) Most of them have their own retail stores located throughout the country. (Favorite's products are strictly available wholesale and they own their own retail distribution line which are individuals pedaling the products through communities).

WEAKNESSES

- 1) For each of them their major product line is ice cream and not yogurt.
- 2) They do not usually have retail outlets in the malls.

International Franchises Operating in Lagos city (TCBY, Hagen Daaz, Stone Cold Creamy)

STRENGTHS

- 1) They are all very well known to the local market and have strong brand recognition.
- 2) They have a wide variety of products and flavours, e.g. ice cream, sorbet, frozen snacks, etc.
- 3) They have retail stores set up within malls and shopping plazas.
- 4) Their products are sold within their retail outlets as well as distributed through the top local supermarket chains.

WEAKNESSES

- 1) Their products are usually very highly priced which is above the average market prices.

2) They do not have yogurt as their major product line.

Indirect competition for the yogurt industry would be desserts served at restaurants and food courts eateries such as pies, cakes and pastries.

SWOT ANALYSIS (STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS ANALYSIS)

My Yogurt's primary market strengths are its focus on frozen yogurt products instead of trying to establish itself in major product lines. By focusing on a single primary product line that does not yet exist in the market *My Yogurt* is offering itself the most opportunity for success. Another strength is that *My Yogurt* shop will be the first of its kind in the market and will give consumers a healthy alternative to the regular ice cream and its related products that are currently available.

The primary weakness for *My Yogurt* is the fact that the owners will not reside in Lagos city full time and therefore have to rely on a partnership agreement with a local resident or hire a manager (either Israeli or local) to handle the day-to-day operations of the business. Another weakness is that the primary owners have relatively low marketing and managerial experience in the private industry and this therefore creates a potentially difficult situation for them and their business should the market become more competitive over time.

The primary opportunity for *My Yogurt* is the fact that Lagos city has a hot weather climate virtually all year around. And although there is a rainy season that cools down the hot days the temperature is still relatively warm. Another opportunity is the fact that currently there are no other suppliers in the market that specializes in providing only frozen yogurt products.

The primary threat to *My Yogurt's* ongoing viability is the low-carb or low-fat trend in some segments of the market. Current health trends indicate that while some market segments are increasingly willing to pay for premium products, others are increasingly monitoring their carbohydrate and fat intake. Therefore if *My Yogurt* does not emphasize the use of its low fat

yogurt products in all of its advertising and marketing collateral, it runs the risk of alienating its market.

TOWS STRATEGY DEVELOPMENT

The following TOWS matrix (threats, opportunities, weaknesses, strengths) reveals how *My Yogurt* should base its forward strategies by maximizing strengths to take advantages of opportunities and minimize weaknesses in order to avoid market threats.

TOWS MATRIX	STRENGTHS	WEAKNESSES
OPPORTUNITIES	Opportunity: Increasingly health conscious public/ Strength: Naturally low fat products	Opportunity: Growing population / Weakness: higher product fat content de-emphasized
THREATS	Threats: Increasing obesity rates / Strengths: fulfilling products & health conscious yogurt products	Threats: Competitor products & lower price points / Weakness: Myogurt cannot compete on price but must create value in service & quality metrics.

My Yogurt will not manufacture its own frozen yogurt products but rather will import the powder consistency and purchase a local yogurt, fruits and other artificial toppings from wholesale suppliers. Thus its product processes will consist of storing, opening, using a yogurt machine, displaying products, serving them and processing payments. Inventories will be ordered and received bi-weekly in order to avoid inventory build-up and to supply fresh products to *My Yogurt* patrons.

LOCATION

Myogurt has not yet selected a specific location but serious consideration is being given to establishing the outlet in a popular mall as these malls are located near large residential areas and established businesses, as well as by major highways and roads. In addition, it also eliminates the need to hire a private security company as the malls provide security to the entire premises.

INVENTORIES

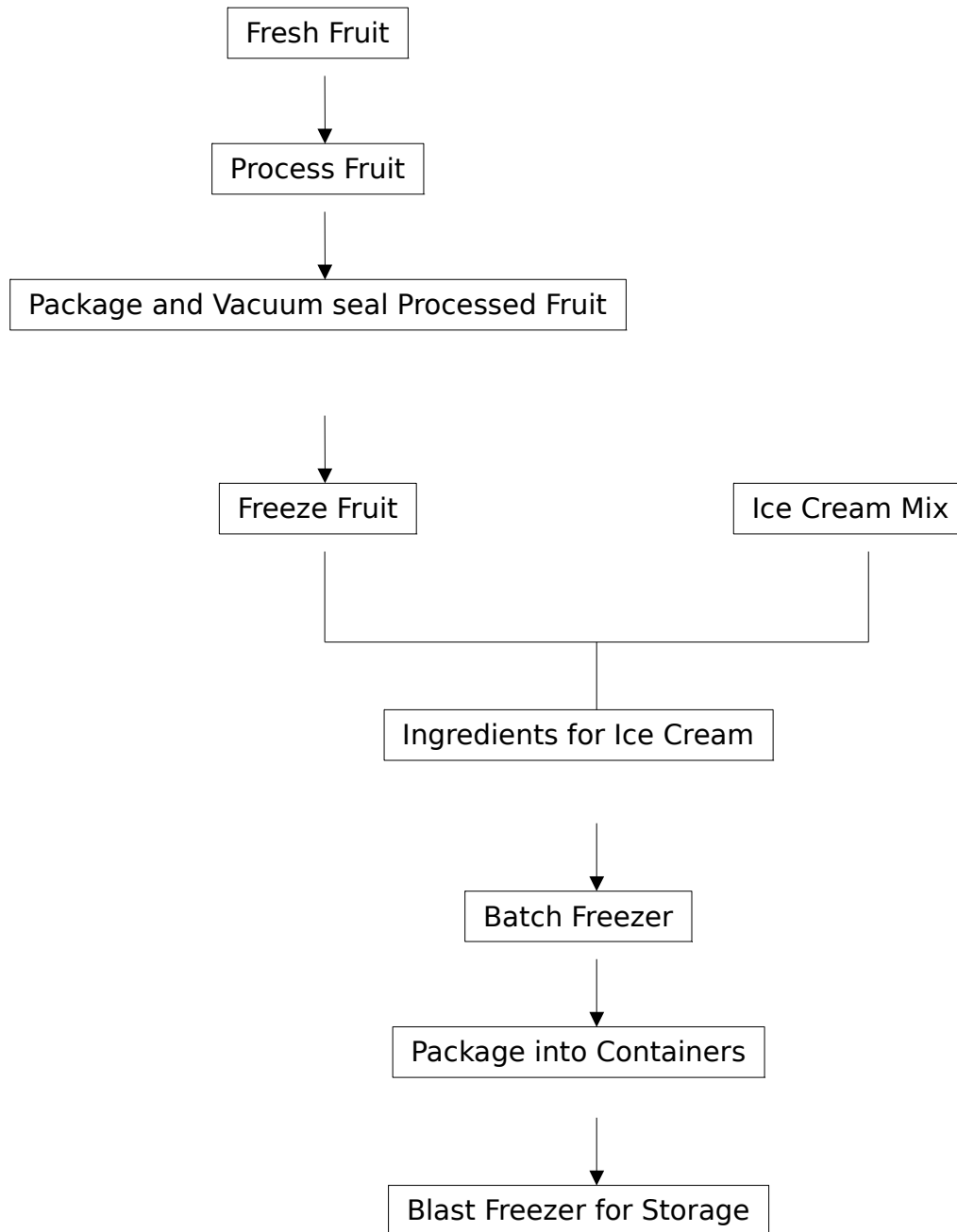
Inventories will consist primarily of supplies related to Myogurt's products. These consist of cones, cups, spoons as well as storage bins for the fruit toppings and artificial toppings. Additionally Myogurt will maintain a 3 day supply of its frozen yogurt products in order to ensure customer satisfaction metrics are maintained. Because most of the product suppliers will be local these inventories can be replenished twice weekly.

SUPPLIERS

There is no one local yogurt supplier that has been contracted as yet but consideration is being given to several, Pax House, Mt. St. Benedict, Gelato and other smaller cottage –type industries. Further investigation needs to be done to see which supplier has the production capacity to meet all of Myogurt's potential supply needs.

PRODUCTION PLAN AND FLOW OF WORK

Flow of Ice Cream Production Diagram



COMPANY STRUCTURE & OWNERSHIP

My Yogurt will be a partnership owned by the investors but managed by Shlomy and Resa Eshed. A local partner may be recruited and in this case he will be responsible for the day-to-day management of the business but the Esheds are primarily responsible of ensuring that the business objectives stated therein are achieved.

CORE MANAGEMENT PERSONNEL

Investors – The Esheds are seeking to attract at least one other business partner in this venture to meet the financial obligations of establishing and running Myogurt.

Managers – Myogurt will be part-owned and managed by Shlomy and Resa Eshed who will also be responsible for setting up and providing/sourcing the finances necessary to establish and run the business.

Counter Supervisor – A counter supervisor will be hired in order to do the scheduling and daily management for the counter personnel and staff.

ROLES & RESPONSIBILITIES

Investors - The investors will not necessarily be involved in the day-to-day operations of the business but will be called upon for advice and will be included in all financial, legal and marketing decisions made for the business.

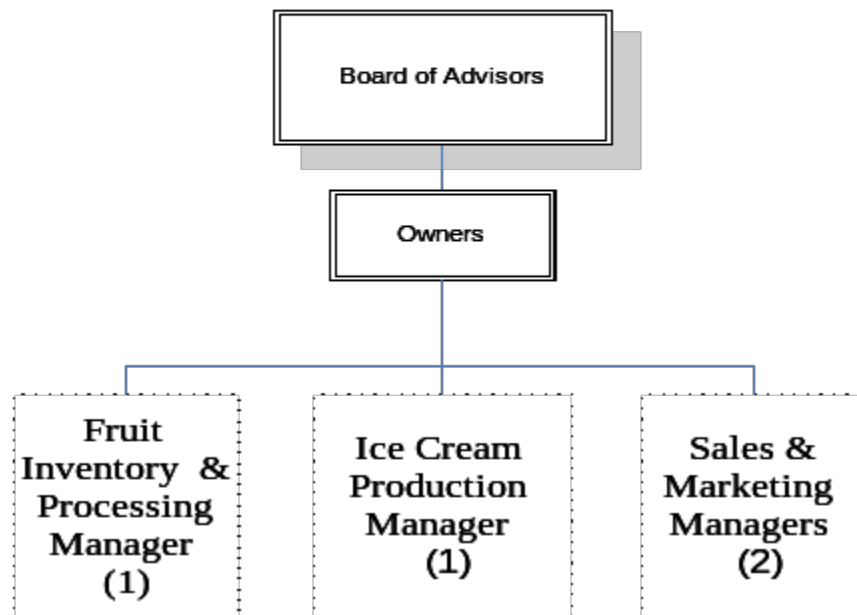
Managers – The Esheds will not be involved in the day-to-day operations of the business but will be responsible for the ultimate decisions made for the business, example marketing strategies and alliances as well as any legal matters of the business.

Counter Supervisor – The counter supervisor will handle all of the scheduling of the part-time counter staff as well as on-going human resource issues related to discipline and training.

. YEARS	2017	2018	2019
RATIO %	0%	10%	25%
Investors			
Managers (Esheds)			
Counter Supervisor (Full-Time 5 days per week 9hrs per day @ N5.50 per hour)	N11,880		
Senior Full-Time Staff (Full-Time 5 days per week 8hrs per day @ N100.25 per hour)	N8,160		
Part-Time Staff (5hr shifts/4 days per week @ N130.75 per hour)	N3,600		
Part-Time Staff (6hr shifts/3 days per week @ N130.75 per hour)	N3,240		

PERSONNEL PLAN

Organizational Structure



Summary of Financial Results (TG)

Year	2017	2018	2019	2020	2021
Sales	53,820	152,490	217,756	285,571	291,282
COGS	48,057	119,835	165,595	211,087	217,467
Gross Margins	5,763	32,655	52,161	74,484	73,815
Expenses	27,314	27,860	28,417	28,985	29,565
Net Income Before Tax	-21,550	4,795	23,744	45,499	44,250
Income Tax	0	0	699	4,550	4,425
Net Income After Tax	-21,550	4,795	23,045	40,949	39,825
Net Cash Flow to Equity	14,065	-6,709	17,062	32,573	43,724
Year	2022	2023	2024	2025	2026
Sales	297,108	303,050	309,111	315,294	321,599
COGS	220,706	224,277	228,117	232,181	236,435
Gross Margins	76,402	78,773	80,994	83,113	85,165
Expenses	30,156	30,759	31,375	32,002	32,642
Net Income Before Tax	46,246	48,014	49,619	51,111	52,523
Income Tax	4,625	4,801	4,962	5,111	5,252
Net Income After Tax	41,621	43,212	44,657	46,000	47,270
Net Cash Flow to Equity	7,377	1,987	2,062	2,129	2,191
Net Present Value(NPV)				11,358	
Internal Rate of Return on Equity Investment (IRR)				22.1%	
External Rate of Return on Equity Investment (ERR)				16.3%	

TG Risk Analysis

TG Risk Analysis in Year 1			
Critical Value	Base Case	IRR=0%	Allowable % Change
Selling Price	N2.99	N2.61	13%
Production (L)	18,000	15,670	13%
Labour	N7,100	N13,277	87%
Manager	N7,200	N33,978	372%
Marketing Salary	N12,900	N39,676	208%
Ice Cream Mix	N14,400	N21,157	47%
Fruit Expense	N5,769	N12,521	117%
Packaging	N9,413	N16,198	72%

EXIT STRATEGIES

Myogurt fully expects to stay operational and financially solvent. However, at times this is not a feasible reality due to market conditions and other unexpected events that can occur within the economy and/or industry. In such circumstances, the company will adhere to several strategies that will allow it to liquidate its business and business assets in a fashion that best suits the particular circumstances:

1. Sale of the Business to a 3rd party.
2. Liquidation of assets including industry contacts
3. Bankruptcy
4. Simple closure of business

Other Considerations Conclusion and Recommendation

9.1 Economic justification

The profit based on our research offers good benefit to the economy, as it create job and wealth, in consonance with vision 20:20:20 and millennium development goals

9.2 Commercial viability

Through the financial projections, it is obvious that this project is financially viable.

9.3 Conclusion/recommendation

Having found this project technically feasible, commercially viable and economically desirable, we therefore strongly recommend it for funding and implementation.