

A Fruit Juice

a product from A **Group of Companies**
A Total Business Plan

BUSINESS PLAN

Submitted To

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The Main Points *of* BUSINESS PLAN

Introduction

The A Fruit Juice

Market Opportunities & Threats

Market Size & Formation

Target Market

Weakness of The Company & Possible Threats

Strengthen of The Company & Possible Opportunities in The Market

Goals For “A Fruit Juice”

Establishment Cost of The New Facilities

Major Capital Expenditures

Organizational Structure

Variable Cost Per Unit

Product Pricing

The Break Even Point (BEP)

Some Initial Promotional Activities

Conclusion

The Business Plan of A Fruit Juice

Introduction

"Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, which is choosing from among alternatives future courses of action." - Harold Koontz

"Speaking generally, planning is deciding in advance what is to be done; that is, a platform in a course of action." - William H. Newman

From the above two definitions we can see that planning is a future course of action and it involves decision-making. Considered in this light planning is a very widespread human behavior: the entrepreneur plans a new enterprise, a marketing executive plans a sales campaign, a lawyer plans a presentation of his case, the social worker plans a relief for the flood victims and so on. Thus we can see the presence of planning everywhere, because a plan provides a rational approach to achieve reselected objectives.

Therefore the desirability of planning is now widely recognized, moreover for a business organization. Planning is the first set of action and the success of the organization depends on the effectiveness and efficiency of its planning capacity. Planning not only what to do in the future, but also bridges the gap from where we want to go. The determination of the right objective or goal of the organization and the achievement of the goal and objective depends on the efficient planning.

Planning is an intellectually demanding process; it requires that we consciously determine courses of action and base of decisions on purpose, knowledge and considered estimates.

Thus it is very important for business people and business students to acquire the necessary skills, knowledge, techniques and analytical ability for developing effective "Business Plan", and this report is made in order to attain such purpose.

This report is based on a thoughtful business plan it represents a well-considered business plan for a well-established company (A Group of Companies Ltd.), which has decided to expand its business by entering in to the soft drink industry in Bangladesh. The expansion plan has been gradually developed in this report by considering various aspects affecting factors and problems of setting up the new business.

Though the report is made in context of an assumed or imaginary organization and the figures presented here are based on assumption, but we have given all our effort to use all the tools, techniques, and analytical capability within our limited knowledge in business, for developing this report.

The A Fruit Juice

The “A Group of Companies Limited” Is one of the leading companies in the country. It is operating a number of industries like plastic, paper, tea, printing press, consumer goods, toiletries etc. Recently the directors and managing directors of the company have decided to move in to the beverage industry. The increasing demand of people for more soft drinks and the availability of raw materials in local markets have encouraged the top management of the company to launch a new fruit juice “A Fruit Juice” in the market.

Market Opportunities & Threats

Before going in the operation the company has to survey, analyze identify the size, potentiality and the existing threats of the soft drink market against its strengthens and weaknesses. The analyses are shown below.

Market Size & Formation

Bangladesh is a nation of 140 millions of people which appeared to be a very big market. However this market can be divided into three major groups or segments based on income.

1. The Low Income Group

The low income group is not a very regular consumer of soft drinks. Many of them think purchasing soft drink is a luxury and they are occasional drinkers and they are more conscious about the price of the product.

2. The Mid Income Group

The mid income group is a more frequent consumer of the beverage products than the pervious group. They view soft drinks as a necessity rather than a luxury. Though they are conscious about the price, but they are also concern about the quality of the product.

3. The High Income Group

The high-income group is thought to be the most frequent soft drink drinkers, though they form the smallest segment in the market. They have a very high desire for quality products.

Moreover the marketing analysts have also identified young generation as a very potential market segment, because they view soft drinks and cold drinks as a part of their life style and fashion, and they are more innovative towards new products.

Target Market

By studying the market, the company decided to target three worked segments for their new drink

1. The mid-income group
2. The high-income group
3. The young generation

In order to become the highest seller in these segments the company decided quality as its numbers priority. It has also decided to fight with a competition on the basis of quality.

Weakness of The Company & Possible Threats

In The Market

1. The beverage company in Bangladesh already operated by multinational giants like Coke, Pepsi, Virgin, who have huge production and financial capacity and experience in the market. Local brands like Pran, Starship etc. have also established themselves in the market.
2. The firm is going to enter in a market, which is highly competitive.
3. “A Fruit Juice” has decided to use quality as its weapon for competition, which may result in to higher cost. And as a result we higher price of product.
4. The company has decided to select mid-income group as its target market. As a result it is ignoring the low-income group, which forms the biggest market segment.
5. There is no standard measurement for quality, thus establishing quality, as the main feature of the product is not going be easy.

Strengthen of The Company & Possible Opportunities in The Market

1. The highest strength of “A Fruit Juice” is its commitment towards quality.
2. Two major raw materials, fruit and sugar are going to be collected from local sources, which reduce the company’s dependency on foreign sources.
3. By backward linkage the company can integrate the production of fruits into its production line; therefore it can reduce the cost of production.
4. If necessary by forward linkage the company can also become dealer and distributor of its own product.
5. Though “A Fruit Juice” is a new comer in soft drink industry, but the company itself is not new to the customers. It is well known throughout the country for other products and its contribution in society.
6. As a local company, “A Group” has a very deep knowledge about the culture, values and tradition of the society.
7. Though the low-income group is not particularly the target market for the new product, but they are not completely ignored by the company. The company has a plan to introduce smaller packs at a lower price.
8. Bangladesh Government is encouraging agro-base industries.

So there are the major opportunity and threats analysis made by the marketing departments of the company.

Goals For “A Fruit Juice”

1. To ensure the for its product by ensuring quality at all levels of production.
2. To become a major exporter of fruit juice by the year 2008.
3. To become the market leader in soft drinks market in Bangladesh within 2012.
4. To ensure maximum utilization of resources and manpower through effective leadership and motivation.

Establishment Cost of The New Facilities

The total budget for the whole project is shown here.

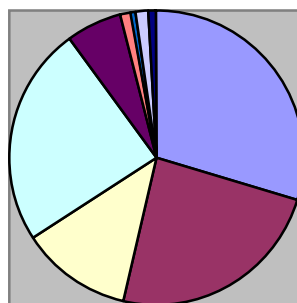
Sources of capital:

1. The total cost of establishing this project has been estimated as Tk. 85 million.
2. The company itself will finance Tk. 65 million from its internal resources.
3. The rest of taka 20 million will be collected by issuing 2,00,000 shares @ taka 100 each.

Major Capital Expenditures

1. Land & Building	Tk 2,45,00,000.00
2. Plant & Machinery	Tk. 2,00,00,000.00
3. Cold Storage	Tk. 1,00,00,000.00
4. Lorries (10 X 2500000)	Tk. 2,00,00,000.00
5. Vans Tk. (10 X 500000)	Tk. 50,00,000.00
6. Legal Expenditures	Tk.10,00,000.00
7. Recruitment	Tk. 5,00,000.00
8. Initial Advertisement & Promotion Expenditure	Tk. 10,00,000.00
9. <u>Other Expenses</u>	<u>Tk. 8,00,000.00</u>
Total Fixed Cost	Tk. 8,25,00,000.00

Pie Chart



■ Land & Building
■ Plant & Machinery
■ Cold Storage
■ Lorries
■ Vans
■ Legal Expenditures
■ Recruitment
■ Promotion & Advertise
■ Other Expenses

Organizational Structure

The company decided the following organizational structure for its new project “A Fruit Juice”

1. It will have 7 departments:

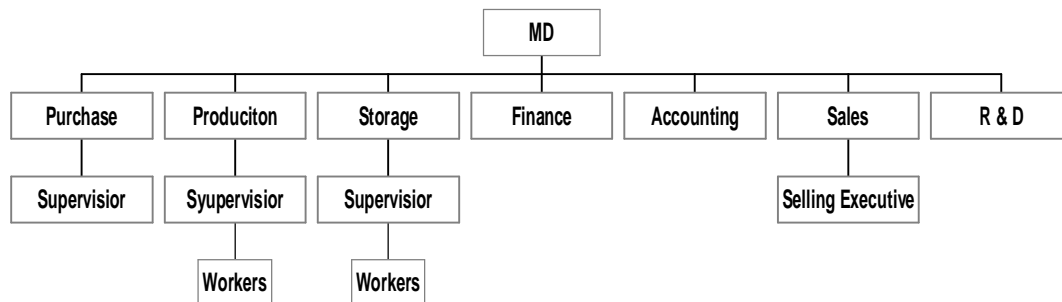
- A] Purchasing
- B] Storing
- C] Production
- D] Accounting
- E] Finance
- F] Sales & Marketing
- G] Research & Development

2. All these department will work under one managing director.

3. Total number of employees will be 100.

4. And the total number of workers will be 400.

The following diagram shows the whole organization structure.



Variable Cost Per Unit

Some costs vary more or less proportionally with the output, while others are fixed and do not vary with the output in the same way. The former is known as “Variable Cost” and the later as “Fixed Cost” of production of overhead cost.

A Fruit Juice will be introduced under three flavors:

- 1. Mango
- 2. Orange
- 3. Lichi

The common ingredients will be used in all flavors are shown below.

- 1. Pulp
- 2. Sugar
- 3. Natural Color
- 4. Salt
- 5. Liquid Vitamins (A & C)

The size of each pack will be = 250 ml.

Major variable costs in the production of A Fruit Juice include raw materials, labor cost, transportation cost and other costs, which will increase only when the factory is at work. The variable cost of producing per unit of A Fruit Juice has been calculated as Tk. 5

Product Pricing

The retail price of each pack of A Fruit juice has been decided as Tk. 12, where as the price at which the company will supply to the retailers and dealers in Tk. 10.

The Break Even Point (BEP)

In order to find out the Break Even Point for the new project A Fruit Juice of A Group of Co. the following simple formula is employed

$$\text{BEP} = \frac{\text{Fixed Cost (FC)}}{\text{Contribution Margin (CM)}}$$

Where

Contribution Margin = Selling Price (SP) – Variable Cost (VC)

The formula is based on the following two assumptions:

1. Equal FC and equal SP
2. Total Production = Total Sale

From our Business Plan till now the following information can be gathered

1. Fixed Cost = Tk. 82500000.00
2. VC per unit = Tk. 5.00
3. Company's selling price = Tk. 10.00

Thus, CM = Tk. 10 – Tk. 5 = Tk. 5

Thus, BEP = FC/CM = Tk. 82500000/ Tk. 5 = 1650000 units

Thus to reach the BEP this firm has to sell 16500000 units of products

The company decided to reach the break even point within next 10 years at maximum. To achieve this target, the company has to sell 1650000 units on an average for the next 10 years.

Some Initial Promotional Activities

The company decided to initiate the following steps in order to promote A Fruit Juice when it will be first introduced in the market.

1. Advertisement on TV, radio, newspapers and other public media.
2. To distribute 5000 units as free sample on the opening day in front of various school, college and university campuses.
3. To sell 10000 units for Tk. 5.00 in various stores at important points and in “Trade Fair”.
4. Finally the company decided use its current dealers and distributor’s network to supply the product all over the country an average rewards for those who will be able to significant number of juice packs.

Conclusion

In the conclusion it can be said that the A Group of Co. is going to enter in to a market, which is going, to enter in to a market, which is highly competitive and dominated by giant multinational. Thus existing in such a market is not going to be easy at all. But due to its reputation, its commitment and with its efficient management and administration A Group is ready to face the challenge. Moreover the plan maker of this company has given maximum effort to establish not only an efficient and effective plan but also a flexible plan to the new project a grand success.