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Title of the Bachelor's Thesis:

Business plan - bakery in Moscow

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D e c l a r a t i o n o f A u t h e n t i c i t y

I hereby declare that the Bachelor's Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 13, 2019

Signature

Acknowledgement

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Title of the Bachelor's Thesis:

Business plan – bakery in Moscow

Abstract:

The aim of my Bachelor Thesis is to create a business plan for the bakery “Malvina” in Moscow, which produce traditional products with the unique recipes. The purpose is to give a detailed description of the business and evaluate the Russian market, to implement the business plan in the real life.

The thesis is divided into two main parts. The theoretical part describes methods and approaches that should be used in the business plan. The practical part of the thesis includes a description of the product and services, different analyses and researches of the Russian market. Furthermore, the marketing and financial plans were drawn up.

Key words: Business plan, Bakery, Marketing plan, Financial analysis

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Introduction

In Russia, the average person consumes 24.6 kg of confectionery per year per person. The consumption of chocolate products is 5.1 kg per person per year. Flour confectionery products (long shelf life) remain the most popular type of sweets for consumers. The consumption of cookies, buns and similar sweets in 2018 reached 9.7 kg per person per year.

The cost of confectionery products from Russian consumers is increasing because most of them are looking for the best quality products.

In the case of coffee consumption is also rated as high. Demand is constantly growing due to the formation of a “coffee culture” in Russia, and it has been spawned by the mass distribution of foreign chain coffee shops. Today, for every Russian is about 800 grams of coffee per year.

In general, in the Russian Federation in recent years there has been a tendency to an increase in the consumption of confectionery and coffee, which is a good indicator for the entrepreneurship.

Moreover, Russia is one of the most reading countries. However, every year interest in reading falls due to de-digitization and the change of generations. Probably everyone can remember the situation when he sat down to read his favourite book, remembering the smell of paper, its crunch - all these emotions are indescribable and can't be compared with the soulless reading of an electronic book. It is not for nothing that they say that the best gift for a person is a book. Although Malvina Bakery will not make gifts in the form of books, it will allow customers to dive headlong into reading and escape from the bustle of the metropolis.

As a rule, people in the morning on their way to work go to a coffee shop or a pastry shop for fresh pastries and a cup of aromatic coffee to recharge their batteries and positive emotions.

Malvina Bakery will focus on the quality of the products provided. Customer satisfaction is a priority, and profit maximization is the goal of the business.

The main goal of the thesis is to create a business plan for the Malvina bakery, which can successfully compete in the catering market in Moscow.

The business idea was chosen based on my own preferences in the industry, as well as to popularize books in Russia.

This business plan will help me after a successful graduation from the institute to open a bakery.

The thesis is divided into two parts: the theoretical part and the practical part.

In the theoretical part, methods and approaches to planning and further opening your own business will be described. The definition of a business plan in the understanding of different

authors, various types of analyses that help to determine the market in which you plan to open a future business will be given in more detail.

In the practical part, theoretical knowledge will be used. This part will include: company description, marketing plan, marketing analysis and financial plan. The location of the future confectionery shop will be chosen and argued, the level of competition as well as the estimated payback period will be assessed.

Theoretical part

1. Definition of business.

There are different definitions of business. According to R. P. Maheshwari business can be defined as activity where people exchange goods or services for the mutual gain or profit. It may be called an organised and systematised activity for profit. (2004, p1)

C. B. Gupta (2007, p 3) describes business as human activity with the opportunity producing and acquiring wealth through buying or selling goods. To sum up, all business activities relate to production, purchase, supply and sale the goods or services with the goal of earning profit.

1.1. Legal structure

C. B. Gupta (2007, p 54) explains, choosing the most appropriate form of business is the first step in the path of any entity that has decided to engage in business.

Legal forms differ significantly from each other in the order of the nature, size of the business, activity, etc. Each structure has its own advantages and disadvantages.

The main forms of business organization:

- Sole Proprietorship;
- Partnership;
- Corporation (joint-stock company).

The choice of a particular legal form of an enterprise depends on many different factors.

1.2. Sole Proprietorship

Sole Proprietorship - an individual who independently engages in economic activity. It bears unlimited property liability, and it has little capital - this is the disadvantages of individual entrepreneurship. If a business fails, then its creditors can go for your personal assets.

Its advantages, each owner owns all profits, can make any changes himself. This is the most common form of business, especially of a small business. (C. B. Gupta 2007, p 59)

1.3. Partnership

A partnership is a business that is owned by two or more members. C. B. Gupta (2007, p 75) called partnership as “voluntary” association of two or more people who agree to carry on business together and share its profit or losses. The advantages of partnership are that it is easy to organize and attract additional funds and new ideas.

Among the disadvantages are the limited financial resources in a developing business, which requires new capital investments, the difficulty of determining each share in the income or loss of a company

1.4. Corporation

A corporation is a collection of individuals united for joint business activities. The right to property of a corporation is divided into parts by shares; therefore, the owners of corporations are called shareholders, and the corporation is called a joint stock company. A corporation can be a standard C or small business S.

Corporation C is a structure that provides the best shielding from the personal responsibility of the owners and provides the best non-tax benefits to the owners. This is a separate legal entity, distinct from its owners, which pays its taxes. (Tim Berry, 2000, p 33)

According to Tim Berry, (2000, p 33) S is used for family-owned companies and small property groups. The clearest difference from C is that the profits or losses of S are directly transferred to the owners of S without prior taxation. In practical terms, this means that the owners of a corporation can take their profits home without first paying a separate corporation tax on profits, so these profits are taxed once for owner S and twice for owner C.

2. Definition of a business plan

For better understanding of the goals and objectives, a plan is always created, in business there is a term as business plan. According to Tim Berry, a business plan is any plan that helps for aa entrepreneurs to look ahead, allocate resources, focus on key points, and prepare for problems and opportunities. (Tim Berry, 2000)

When developing a business plan, remember that the greatest beneficiary of the project is not your banker, investor or accountant, but you (Rhonda Abrams, 2003). Business plan, Rhonda Abrams defined as the best tool, which can help you to achieve long-term goals.

Business plans don't have to be complicated, lengthy documents. They just have to capture the essence of what the business will do and why it will be a success. (Entrepreneur magazines, Creating a successful business plan, p 5, 2004)

3. Importance of using of business plan

Business planning is necessary to achieve financial success, for the long-term and effective work of the company or enterprise. A modern entrepreneur should be able to determine the prospects for the development of his company.

A business plan is a powerful business tool, especially for a small business owner. It provides you with all the details about your business and allows you to analyse clear facts that are necessary to make effective and successful business decisions, even if it means starting a business.

Tim Berry (2000, p 9) mention that importance in business plan depends on the case, but usually it's the cash flow analysis and specific implementation details.

- Cash flow because it is both vital to a company and hard to follow. Cash is usually misunderstood as profits, and they are different. Profits don't guarantee cash in the bank. Lots of profitable companies go under because of lack of cash. It just isn't intuitive.
- Implementation details because that's what makes things happen. Your brilliant strategies and beautifully formatted planning documents are just theory unless you assign responsibilities, with dates and budgets, and lots of following up and tracking of results. Business plans are about getting results, improving your company.

(Tim Berry, 2000, p 10)

4. Structure of business plan

A clearly formulated business plan will help us create a successful company, regardless of the type of its activity, size or organizational structure. A good structure of a business plan will help us save time on editing (as everything is divided into sections) and find gaps in your business plan.

For example, Tim Berry adheres to the following structure, which includes:

1. Executive Summary
2. Company Summary
3. Products (or services, or both)
4. Market Analysis Summary
5. Strategy and Implementation Summary
6. Strategy and Implementation Summary
7. Financial Plan

(Tim Berry, 2000, p 13)

Another no less famous author, Linda Pinson, has a brief and well-organized plan, which consists of the following aspects:

1. Cover Sheet
2. Table of contents
3. Executive Summary

4. The Organizational plan
5. The Marketing plan
6. Financial Documents Supporting documents

(Linda Pinson, 2008, p 6)

Brian Finch believes that the structure of a business plan must be clear and detailed in order to be able to tell a convincing “story,” and they will:

1. Summary
2. Introduction
3. Business background
4. The product
5. The market
6. Operations
7. Management
8. Proposal
9. Financial background:
 - a. trading to date
 - b. forecasts
10. Risks
11. Conclusion
12. Appendices.

(Brian Finch, 2010, p 19)

Based on the information presented above, there are many ways to create a business plan structure. Each author uses his own structure, but in general, their essence is the same - to achieve a profitable future.

The most appropriate structure for the implementation of ‘Malvina Bakery’ is the following:

- Executive summary
- Mission and Vision of the company
- Company description
- Market analysis
- Marketing plan
- Financial analysis
- Conclusion

4.1. Executive Summary

According to Linda Pinson (2005, p 19), the executive summary is the statement of your business plan. It helps you to determine who you are, what your company does, where your company is going, why it is going where it is going, and how it will get there.

Despite the fact that, the summary should be written last, it is always going at the beginning of your plan. It is one of the most important part of your plan, mention Brian Finch (2010, p 23).

The executive summary gives the reader a chance to understand the basic concepts and highlights of your business quickly, and to decide whatever to commit more time to reading the entire plan. Therefore, your goal in the Executive Summary is to motivate and entice the reader, said Rhonda Abrams (2003, p 48).

4.2. Mission and Vision statements

The definition of the mission statement should contain only a few sentences in which the main goals and philosophy of your company will be displayed. All this is made up of your corporate culture, economic goals and the company's representation on the market, says Rhonda Abrams. This will be the defining concept of your business, in which every word should be important. (2003, p 61)

Like Rhonda Adams, Tim Berry believes that the statement of the company's mission should include the main goals and objectives in a broad strategic plan, as well as what is served on the market and what benefits are offered. (T. Berry, 2000, p 16)

A vision is a description of your company's long-term perspective. This vision should be desirable, difficult and achievable, otherwise, instead of enhancing the performance of your company, it will cause disappointment. A clearly articulated vision will contribute to the creativity of your staff. (Gerald Schwetje and Sam Vaseghi, 2007, p 34)

Brian Finch also writes about personnel communication with the company's vision, a clear view of the vision and mission is an excellent means of communication with the staff. (2010, p 133)

4.3. Company description

As claimed by Keira Torkko, this section defines the features and benefits of the product or service that you are selling. It is very important to build a business around a product or service that you sell on the market. A description of the distinctions and advantages should be included in this section. (2000, p 16)

As consider the service try to describe why you are able to provide it, how it is provided, who will be doing the work, and where the service will be performed, advises Pinson. Tell about the uniqueness and about special things that will interest your customer. Also, if you have both

product and service do not forget to mention about benefits that you provide to your buyer (such as warranty service for the products you sell). (2008, p 36)

4.4. Product description

Rhonda Abrams (2003, p 64) claims, this part of a business plan can be short or it can be an entire section of its own. This is especially important if your product is technically challenging or innovative, in which case pay special attention to this part (this will be especially good if you are looking for a sponsor). It is equally important to describe and define the nature of the products or services that you provide. Be specific, do not describe all products (if they are large line), only general categories. Do not forget about future products or services planned by your company. Describe in detail the innovative product or service to give a clear idea of what makes your product.

(Rhonda Abrams, 2003, p 64)

4.5. Location

Location plays an important role for your future company, as Tim Berry claimed, description of offices, locations, square footage, lease arrangements of your company and their nature and function should be included. Sometimes explanation of location in details can be a critical factor, that is why specify traffic patterns, parking facilities, and customer demographics, especially if it is a retail store. (2000, p 43)

Also, list the location of your company's headquarter, including main place and branches, if you have. Specify only the total number of branches, if there are two or more (you can include the full list into your appendix). (Rhonda Abrams, 2003)

4.6. Legal structure

To start up a new business the choice of legal form is crucial. Linda Pinson (2003, p 32) write that you need to choose and explain why chosen system is the best for your business. In the appendix, specify the owners or corporate officers, as well as attached their resumes.

Remember, that there is no perfect legal system, every form has its strengths and weaknesses. When choosing limited obligations use a limited liability corporate form. Unlike the founding of a business partnership, the limited liability corporate form is frequently associated with tax disadvantages. But if you want to be independent, become the sole proprietor. (Gerald Schwetje, 2007, p 55)

You can change the legal form if your company has grown significantly or new financing options have appeared. If such a question arises, Gerald Schwetje (2007, p 55) advises consulting both an experienced attorney and a tax accountant before making any decision.

4.7. Management and personnel

Investments are made in specific people, not in a business plan. Therefore, this section is one of the most important. It explains how the steering group is organized, and describes the main role of each member.

According to Tim Berry (2003, p 58), every employee should take the right position – the people need to match their job functions and preferences. Moreover, should not forget that the company is a place where employees spend most of their day, so the most comfortable conditions must be created for the company to work successfully.

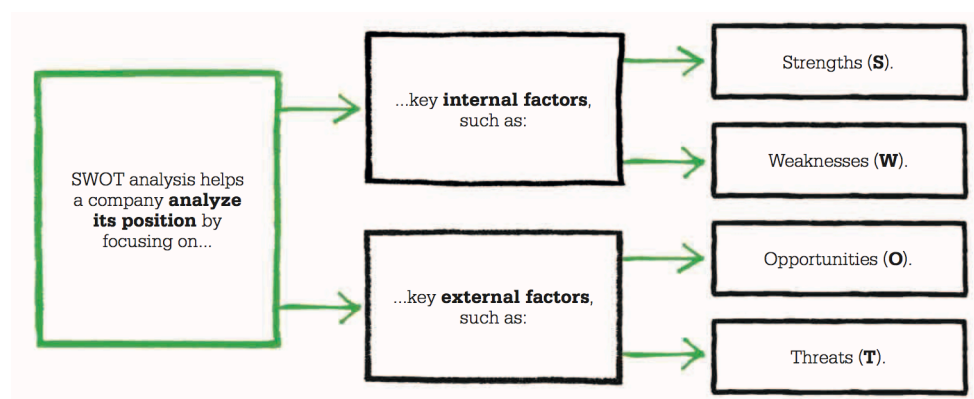
Give a brief overview of each manager, advises Brian Finch (2010, p 56), industry experience and the work he will do, basic information about past employment experience. Focus your attention on the strengths and achievements that are relevant to this work.

Tell about employees in more detail in the application. It can be one page containing information about education, duties and achievements in previous work.
(Brian Finch, 2010)

4.8. SWOT analysis

SWOT analysis helps to develop a good business strategy, taking into account the strengths and weaknesses, as well as the opportunities and threats that may be encountered in the market. Linda Pinson in her book “Anatomy of Business Plan” describes two key factors: internal (strengths and weaknesses) and external (opportunities and threats).

Figure 1: SWOT analysis



Source: Richard Gilbert, Diana Loxley, Sarah Tomley, Marek Walisiewicz., 2014, p 25

Internal factors - include a description of the organization, identifying strengths and competitive advantages. At the same time, discusses the weaknesses of the company, then what the company may concede to others.

External factors are factors such as the area/market in which the firm operates, allows you to explore new opportunities in other areas of the market, to open a potentially new niche. Finally, this all contributes to increased profits for the business.

SWOT analysis allows you to understand and maintain the strengths of the business, but at the same time helps to identify weaknesses, predicting the threats that the company may face in the future, as well as open new opportunities. (Linda Pinson, 2003, p 27)

In order to make a proper SWOT analysis, Linda Pinson (2003, p 27) suggests answering the following questions for each section:

Strength

What is the unique in your business model?

What is your main advantage over your competitors?

Can you provide value added service?

Is your location on the right place?

Weaknesses

Which part of your business can be improved?

What does your business lack?

Is your business in a poor location?

Opportunities

Are you considering the entrance on the international market?

Can you make some changes in technology?

Which opportunities exist in your market that can be beneficial for you?

How can you develop market within your industry?

Threats

Who are your potential competitors?

Are there a significant change in price?

Are there a change in consumer behaviour, the economy, or government regulations?

Has a new product or technology been introduced on the market?

4.9. PEST analysis

According to James Cadle, Debra Paul and Paul Turner (2010, p 6), there are many analyses that are used to study the global business environment in which the organization operates. One of them is PEST analysis (political, economic, socio-cultural, technological). PEST analysis analyses the external environment of the organization. There are four key areas:

Political: factors include the political and legal environment of the company. For example, a change of government, the introduction of a new government initiative, the introduction of a law that will limit the possibility of mark-ups on goods, changes in taxation in the industry or the introduction of new tariffs.

Economic: factors of economic market conditions. For example, changes in the unemployment rate, changes in the inflation rate, market confidence in the economy in which the organisation operates, a crisis.

Socio-cultural: factors of social and cultural market conditions. Minor changes that are difficult to predict until a strong impact occurs. For example, demographic problems, changes in the social strata of the population, the level of education of the population, including the level of personnel skills and changes in tastes and preferences of the audience.

Technological: factors characterizing technological progress in the industry. For example, changes in key technologies used in the market.

(James Cadle, Debra Paul and Paul Turner, 2010, p 6)

Most often, the method evaluates the influence of external factors and business risks; however, PEST can be used to analyze the influences operating in an organization, note James Cadle, Debra Paul and Paul Turner. (2010, p 6).

5. Market analysis

5.1. Competitors analysis

First of all, you need to find out who is your competitors and their tactics, advises Gerald Schwetje (2007, p 72). Knowing who they are: imitators, innovators, or leaders will help you

to understand how large their market share is and their strategic advantage. Moreover, do not forget to evaluate their strengths and capabilities, sometimes they can influence on the behavior of the market.

Brian Finch (2010, p 35) calls competitors people who can drive you out of business and points out, that they are important. Pay attention to the smallest details: price, packaging, service and promotion - are the determining factors for success. You must know your competitors.

5.2. Target market

According to Keira Torkko (2000, p 18), the target market includes potential customers who have the need and desire to pay for a product or service. Do not forget that the target market can be enterprises. It is important to know the size of your target market, this will help you predict your sales. And also determine how many people are ready to buy your product to see if the business will bring you profit. Knowledge of the target market will help in making complex marketing decisions.

Linda Pinson (2003, p 41) believes that the target market should be considered in terms of demography (age, income, education), psychology (tastes, lifestyle) and niche markets (small groups with common interests / habits). In addition, she describes 4 target marketing rules that will help to analyse your market and identify suitable customers:

Firstly, it is very important to find potential customers, who want to buy your product or services. It means, determine the characteristics of your potential customers, whether they are associated with the desire to purchase your product or service. If potential customers are not aware of their desires or needs - inform them.

Secondly, identify those buyers who are ready to buy, to meet their needs are more likely to buy your product or service. On the other hand, needs may not be strong enough, in which case you will have to spend more time using marketing solutions. Specify the target market segment - this will help save effort.

Thirdly, customers should know that you can find their need. Other words, deserve customer recognition, this will be the basis of your initial sales. Customers need to understand that you have a solution to their needs or problems before they spend resources on you.

Finally, make sure your potential customer has the cash and willingness to pay you. The buyer should trust you and see that you offer a product that satisfies their needs.

Every beginner in business, analysing market, should remember these 4 rules to reach marketing and sale success.

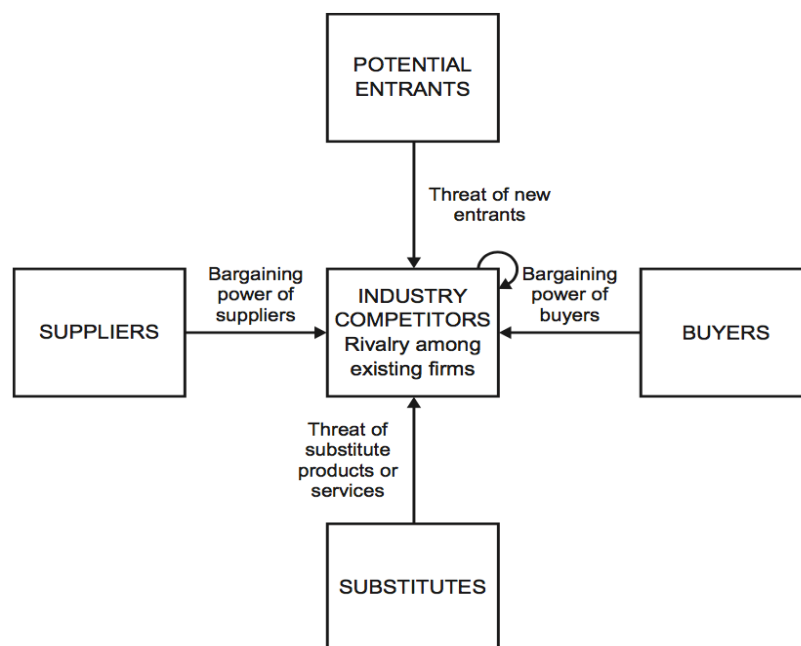
(Linda Pinson, 2003, p 58)

5.3. Porter's five forces

Porter's five forces analysis, James Cadle, Debra Paul, Paul Turner (2010, p 6) describe this analysis as an external business environment used to analyse the attractiveness (value) of an industry structure. Michael Porter divided the potential sources of pressure into five categories, which include the five main competitive forces:

- Industry competitors
- New entrants
- Substitutes
- Buyers
- Suppliers

Figure 2: The Five Competitive Forces that Determine Industry Profitability



Source: James Cadle, Debra Paul and Paul Turner., 2010, p 6

➤ Industry competitors

Internal rivalry occurs under the action of three main own forces: the number of participants, the growth rate of market demand relative to supply, external pressure.

The number of participants. The more of them, the more fiercely the competition. *The growth rate of market demand.* The slower the market grows; the more tough competition is usually on it.

External pressure. The government and trade unions, have tremendous opportunities to influence the nature of competition in many industries.

There are other, less strong factors affecting internal rivalry. One of them are barriers to exit from the market.

➤ **New entrants**

The lower the barriers to entry, the more severely the competition will be fought. Such barriers may be technology, operations, the availability of qualified personnel or costs.

Moreover, barriers to entry are also influenced by the amount of costs associated with changing suppliers. The higher customer costs for switching from one supplier to another, the higher the barrier to entry.

➤ **Substitutes**

The easier it is for customers to use a product or service, the more fiercely the competition.

The following types of products provide a threat to growth and profits:

- Substitute products that can provide the best value for money. Such products in the absence of a high level of differentiation will always encourage the consumer to switch.
- Substitute products produced by large players who have high profits in alternative markets and can have a less profitable business in the existing market.

➤ **Buyers**

The bargaining power of buyers is affected by the size of the costs associated with changing suppliers. The easier and relatively painless it is possible to change the supplier, the more irreconcilable is usually rivalry. If costs of this kind are high, competition is less fierce.

The more market power customers have, the more tough competition is usually. The wider the choice of suppliers at the buyer, the more tough competitors behave.

➤ **Suppliers**

There are several situations in which suppliers get a high level of influence on a company's profit:

- The number of suppliers in the industry is insignificant.
- The volume of resources that suppliers produce is limited in volume and in time, does not provide for market demand.
- The costs of switching to alternative suppliers are high (which may be due to the uniqueness of the raw materials, or to existing obligations to suppliers).

- The industry is not a priority for suppliers and the realization of its resources in it does not provide significant profitability and income for the supplier.

(Vaughan Evans., 2012, p 22)

6. Marketing plan

Marketing plan is a written document that represents marketer research about the marketplace and displays the firm's research its marketing objectives. Tactical guidelines for the marketing programs and financial allocations should contain over the planning period. (Kotler, Philip, 2012, p 54)

The marketing section of business part is a crucial, because identify all components of your marketing strategy. Very often, marketing plan includes market analysis, sales, advertising and public relations campaign, write Linda Pinson (2003, p 37).

For the reason, that for the first time my business will be small, Linda Pinson (2003, p 37) advises not include all components just to choose the most fit within the scope of the business. Despite this fact, marketing plan should contain the following section:

- Market Analysis (Target market, Competition, Industry trends)
- Sales Strategy (Online/Offline)
- Advertising (Traditional/Web)
- Public relations
- Customer services

(Linda Pinson, 2003, p 37)

For the effective guidance of the business every part of the plan should be described in detail. (Kotler, Philip, 2012, p 54)

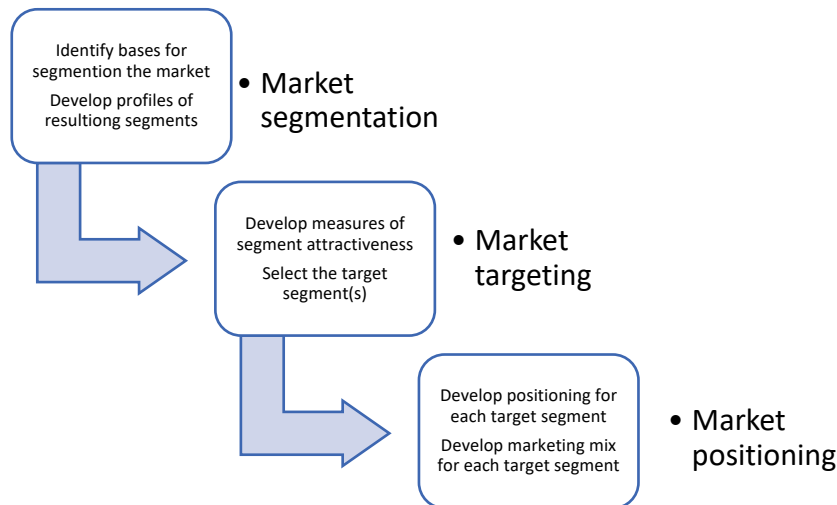
6.1. Segmentation, Targeting and Positioning

A company should identify the parts of the market that it can best serve in order to compete in the market, since each person needs special marketing solutions.

Nowadays, companies practice target marketing - identifying market segments, choosing one or more of them, and developing products that are adapted for each. Thus, sellers can develop a suitable product for each target market and adjust their prices, distribution channels and advertising to effectively achievement the target market. (Kotler, Wong, Saunders, and Armstrong, 2007, p 391)

On the figure below you can see the key steps in target marketing.

Figure 3: Market segmentation, targeting and positioning



Source: Kotler, Wong, Saunders, and Armstrong., 2007, p 391

Segmentation

Market segmentation it is a group of people who share a similar set of needs and wants, write Kotler, Wong, Saunders, and Armstrong (2012, p 214). Market segmentation helps a company divide large markets into smaller segments that will be easily achieved with unique products or services.

Segmentation includes some main aspects:

- Geographic – nation, states, region cities and neighborhoods;
- Psychographic – lifestyle, values and personality traits;
- Demographic – age, family size, income, education, generation and social class;
- Behavioural segmentation – knowledge and response of product.

(Kotler, Wong, Saunders, and Armstrong, 2012)

These aspects will help you to identify your market and understand your key market segments. When designing a segmentation, consider what factors influence the structure of purchases, media and the value of your target groups. When you complete a market analysis, look at your segmentation critically and strategically, explains Tim Berry (2000, p 95).

Targeting

Kotler, Wong, Saunders, and Armstrong mentioned, after disclosing the company's market opportunities, the next step is for the company to evaluate the various segments and decide how much and which ones to target. When evaluating different market segments, pay attention to two aspects: the attractiveness of the segment and company fit. (2003, p 412)

Positioning

The third, final aspect includes determining the position in the market that the product or service should occupy.

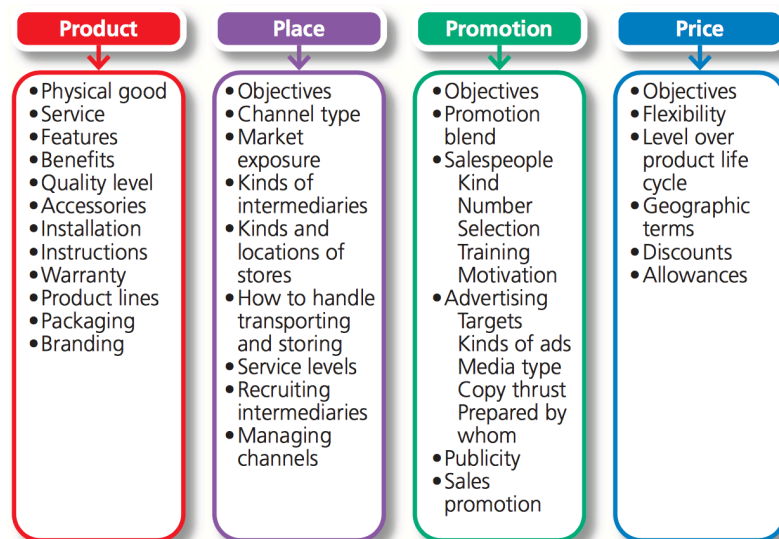
Michael Baker (2003, p 279) describes positioning as a process of developing image and value, so that consumers in the target segment understand what a company or brand represents in relation to its competitors.

6.2. Marketing mix

Marketing mix is the set of marketing tools which is often called as ‘4Ps’, that means the product, its price, place and promotion – the firm uses to achieve its goals on the market (William D. Perreault, Joseph P. Cannon, E. Jerome McCarthy, 2017, p 36).

The main idea, claim William D. Perreault, Joseph P. Cannon, E. Jerome McCarthy is that you need to make and implement the right decision about the characteristics of products, its price and its idea about promotion to achieve a success in the business. The creation of good marketing mix is used to satisfy customer needs that allows to achieve a high sale.

Figure 4: The Marketing Mix



Source: William D. Perreault, Joseph P. Cannon, E. Jerome McCarthy, 2017, p.37.

- Product

Speaking of a product, Kotler, Wong, Saunders, and Armstrong (2003, p 561) define this as the most important component of the marketing mix; this is what we want to sell on the market. In marketing, the definition of a product means everything that is used to satisfy a particular human need, to fulfil desire and what can be offered for exchange. Thus, the term “product” may include physical objects, services, people, places, organizations, and ideas.

As we see, the product can be not only physical objects, but also many other material and non-material things.

Kotler, Wong, Saunders, and Armstrong (2003, p 561 - 562) describe the product at three levels: the main product, then the actual product and the final level the expanded product. The main product solves the problems of buyers, and also offers benefits that are interesting to the buyer, so at this level it is important to determine the main advantages of the product. Then the actual product is built around the main product, it can have up to five characteristics: quality level, characteristics, style, brand name and packaging. Finally, the advanced product offers additional consumer services and benefits. For the consumer, all these additions become an important part of the overall product.

It is very important to describe the product as a complex package of benefits that can satisfy the customer, explain Kotler, Wong, Saunders, and Armstrong. It is necessary to see something more than just a shell, there must be an essence. (2003, p 562)

The essence of the product - the main advantage, the value that the product is able to provide customers. This is the advantage that helps to solve their problems, this is what they buy the product for.

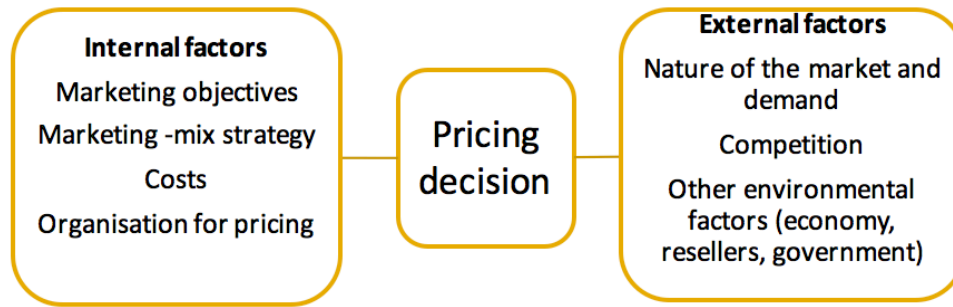
- Price

Price is what the seller requires for the product it offers. If the product is of value to the buyer, it is necessary to agree on its exchange. Consequently, price is an expression of remuneration for which the seller is willing to exchange the goods. (Kotler, Wong, Saunders, and Armstrong, 2003, p 661)

Price is the only element of the marketing mix, which is a source of income for the company. Other components of the marketing mix, such as product, distribution and promotion, are costly. Although correct pricing is one of the most important and important stages of management decision making, in many companies this is not paid due attention, write Kotler, Wong, Saunders, and Armstrong (2003, p 662).

There are two factors affecting pricing. Kotler, Wong, Saunders, and Armstrong argue that in order to find the best price, a company should take into account competitor prices and other external and internal factors (2003, p 669).

Figure 5: Pricing decision



Source: Philip Kotler, Veronica Wong, John Saunders and Gary Armstrong., 1999, p 682

Also consider, if your prices are too high, you cannot expect a large flow of customers. If the prices are low, there are risks not to cover their expenses and the company may be at a loss. The optimal price will be if you have a system of costs, as well as regularly monitor the pricing of their competitors and the market, mentions Gerald Schwetje (2007, p 77).

Sometimes firms need to adjust their prices, considering client satisfaction, as well as due to the changing market situation, write Kotler, Wong, Saunders, and Armstrong (2003, p 725 – 735). The table below represents Price-Adjustment Strategies:

Figure 6: Price adjustment strategies

Discount and allowance pricing	Segmented pricing	Psychological pricing	Value pricing	Promotional pricing	Geographical pricing	International pricing
Reducing prices to reward customer responses such as paying early or promoting the product.	Adjusting prices to allow for differences in customers' products, and locations.	Adjusting prices for psychological effect.	Adjusting prices to offer the right combination of quality and service at a fair price.	Temporarily reducing prices to increase short-run sales.	Adjusting prices to account for the geographic location of customers.	Adjusting prices in international markets.

Source: Philip Kotler, Veronica Wong, John Saunders and Gary Armstrong., 1999, p 725

When the price changes, the company should not forget about the reaction of customers, suppliers, competitors, as well as the government. After all, these are all components of your business and their reaction, you must anticipate avoiding unforeseen situations. (Kotler, Wong, Saunders, and Armstrong, 2003).

- Place

Keira Torkko gives the definition of a place as the comprehensive definition of process of how and where you plan to sell product. As she said, you need to research your marketplace that allows you to understand the customer preferences to location. (2000, p 24)

The mechanism for transferring the product to the customer's hands is called channel allocation. Marketing channel (distribution channel) organizations that are involved in the process of ensuring the availability of a product or service for consumer use. They help overcome the barriers of time, space and property. (Kotler, Wong, Saunders, and Armstrong, 2003)

The distribution channel moves goods from producers to consumers and includes several functions:

1. Transactional nodes - buying, selling and accepting risk;
2. Logistics nodes - assembly, storage, sorting and transportation;
3. Facilitate maintenance, funding, information dissemination, and coordination of channels or management.

(John Burnett, 2008, p 256)

John Burnett identifies several main characteristics, firstly, the channel consists of institutions - some of them under the control of the manufacturer, others all of his control. Secondly, the process requires continuous monitoring of the channel. Finally, channels must have clear distribution objectives that define their activities. Channels typically represent the highest product marketing costs. (2008, p 254)

Based on the words Kotler, Wong, Saunders, and Armstrong (2003, p 887-888), there are several levels of marketing intermediaries who do some work in bringing the product to the end customer.

So, channel 1 is a producer, selling directly to the consumer and not having intermediaries. Channel 2 - contains one intermediate level - retail. Channel 3 - consists of two intermediate levels: wholesale and retail. Channel 4 - the most difficult contains three intermediate levels: wholesaler, jobber, retailer. Channels play an important role in ensuring the availability of products or services to customers. (Kotler, Wong, Saunders, and Armstrong, 2003)

- Promotion

Kotler, Wong, Saunders, and Armstrong are confident that the last but extremely prominent component of the classic marketing mix is promotion. In modern marketing are important: the development of a good product, attractive prices and accessibility for target customers. (2003, p 756)

There are four main tools to promote:

- Advertising. Presentation or promotion of goods or services.
- Personal selling. Offer a service or product to one or several potential buyers for the purpose of further cooperation (sale).
- Sales promotion. Promotions, events to increase sales.
- Public relations. Cooperation with other companies.

(Kotler, Wong, Saunders, and Armstrong, 2003)

There are some great techniques for John Burnett. Most often, commercial offers are directed to consumers, employees, distributors and dealers, as we can see in the table below.

Figure 7: Types of sales promotion techniques

Audience/Technique	Description
CONSUMER	
Price Discounts	Temporary reduction in price, often at point of purchase.
Coupon offers	Certificates redeemable for amount specified.
Combination offers	Selling two products in conjunction at a lower total price.
Contests	Awarding of prizes on the basis of chance or consideration.
Rebates	Refund of a fixed amount of money.
Premiums	Tangible reward received for performing an act, normally a purchase.
Trading stamps	Certificate awarded based on purchase amount.
Sampling	Providing the product either free or for a small fee.
EMPLOYEE	
Orientation program	Introducing the employee to company facts.
Fringe benefits	Extra incentives provided by company to employee.
Institutional promotion	Messages portraying company in a positive light.
Motivational programs	Temporary incentives, e.g., contests, prizes, or awards.
DISTRIBUTOR/DEALER	
Contests	Temporary incentives offered for specific performance.
Trade shows	Central location where products are displayed/sold.
Push money/dealer loaders	Money offered for selling specified amounts of product.
Trade deals	Dealers receive special allowances, discounts, goods, or cash.

Source: John Burnett., 2008, p 209

Sales promotion is currently one of the most effective promotion tools. Since it is expensive, it can only be used for a short time. When we remember the product life cycle, it usually unfolds during the product deployment phase or during the recession phase (John Burnett, 2008).

7. Financial plan

Tim Berry noticed, that a good business plan depends on both words and numbers. It is not enough to describe your business only with words, and numbers do not work without words. (2000, p 111)

Development of financial plans is one of the main means of contact with the external environment: suppliers, consumers, distributors, creditors, investors, write Mike McKeever. The value of an organization's assets and the possibility of its efficient operation depend on their trust, so a financial plan must be well thought out and seriously justified. (2010, p 85)

7.1. Cash Flow Statement

Linda Pinson (2003, p 78) describes cash flow statement as, actual money collected from sales and paid for expenses. This report includes only actual cash transactions, depreciation and amortization are not part of the cash flow statement.

The report should be prepared monthly basis for the next tax year of your business. Analyse and review your report to make your business efficient.

To prepare an individual budget Linda Pinson (2003, p 78) advises to follow some steps:

- Revenue projection (product and service);
- Inventory purchases;
- Variable (selling) expense budget (with marketing budget);
- Fixed (administrative) expense budget.

Tim Berry (2000, p 134) reminds that cash flow statement is the most important financial analysis in the business plan. The cash flow stands between income statement and balance sheet, and brings the two together.

7.2. Three – year income projection

As Linda Pinson describes, a three-year income projection is a pro forma (profit and loss) statement. It includes only projected income and deductible expenses and it's the main difference from the cash flow statement.

It can be calculated from the pro forma of cash flow statement and your business and marketing analysis. (Linda Pinson, 2003, p 90)

7.3. Scenarios

As it was mentioned by Vinturella and Erickson (2013, p.128), there are three financial

scenarios: the realistic case, the pessimistic case, and the optimistic case. The realistic scenario presents the financial model in the business plan. The pessimistic and the optimistic case scenarios are created to see possible outcomes.

7.4. Break-even analysis

Joseph A. Covello and Brian J. Hazelgren describe break-even analysis as a method of determining the exact point at which a business does not bring any loss or profit.

If you are below the break-even point, then you will lose money. If you are above this level, you will probably get paid. The key to developing your financial statements is finding out how much capital you will need to support your business activities until it can generate its own cash.

(Joseph A. Covello and Brian J. Hazelgren, 2006)

In turn, Linda Pinson (2003, p 92) says that break-even analysis can be calculated both mathematically and described with a graph.

For mathematical calculation, there is a following formula:

$$\text{B-E Point (Sales)} = \text{Fixed Cost} + [(\text{Variable Cost} / \text{Est. Revenue}) * \text{Sales}]$$
 (Pinson, 2008, p.98).

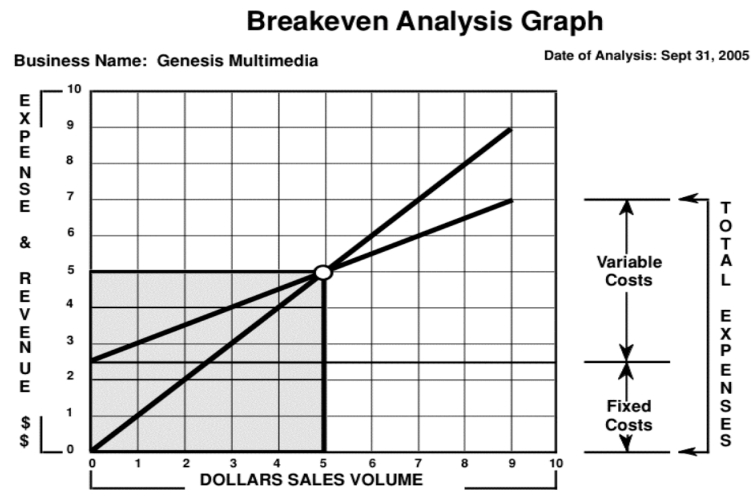
To determine the break-even point in a graphical way you need to know: a fixed cost, a variable cost, and total sales.

To be clearer, below represents instruction ‘How to Draw Graph Lines’:

- Draw Horizontal Line at the point representing Fixed Costs (25).
- Draw Variable Cost Line from the left end of Fixed Cost Line sloping upward to point where Total Costs (Fixed + Variable) on vertical scale (7) meet Total Revenues on the horizontal scale (9).
- Draw Total Revenues Line from zero thru point describing total Revenues on both scales (where 9 meets 9).

(Linda Pinson., 2003, p 93)

Graph 1: Breakeven analysis graph.



Source: Linda Pinson., 2003, p 93

8. Business plan of the Malvina Bakery

8.1. Executive Summary

Malvina Bakery is the production of fresh products from eco ingredients. The basic idea is a combination of freshly baked, aromatic coffee, as well as a large selection of books that will help to distract from the bustle of the city.

The savory smell and appearance of our pastries, delicate cupcakes, alluring sweets, bright marmalade, popular cakes, light eclairs and meringues will not leave indifferent any sweet tooth.

We make a choice in the direction of high-quality natural raw materials and safe formulations, so all our products are suitable for all ages. Our sweets are so diverse that they can easily lay the sweet table at the feast.

Our product range will be constantly updated and will be based on the preferences of our customers.

The unique recipe, focused on the needs of lovers of sweets and modern technologies for the manufacture of confectionery products - engines of our development. We make sweets that you would share with friends and family.

The combination of complex baking techniques and old traditional recipes will provide an original and high-quality result.

In addition, in our bakery customers will be given the opportunity to read their favorite piece without buying it.

Having made a choice in favor of our place, you can not only try baking according to a unique recipe, but also plunge into an exciting book presented in our bakery. All our products are made without the use of harmful additives. This is a huge plus in front of conveyor production, where the quantity prevails over quality.

Remember, no matter where you are: at home, on a visit or at work, with our fantastic pastries, you can always escape from the real world, immerse yourself in yourself and enjoy our products.

8.2. Mission

The atmosphere created by fresh pastries, a cup of aromatic coffee and a book is something that you will remember for a long time. "Take a break from the real world".

8.3. Vision

The vision of the bakery is to bring the baking process to perfection, as well as to guarantee the buyer excellent quality and the highest speed of service at an attractive price.

8.4. Company description

The Malvina Bakery is the sale of fresh food and drinks at the cafe, with the opportunity to buy products for take away.

Products are divided into three categories: French pastries, branded baking and drinks. All products are made according to unique recipes and each product has its own unique taste.

8.4.1. Product description

Table 1: Categories of products.

French pastries	Branded baking	Drinks
Bread (different kinds of bread) Clafoutis Croissant Éclair Millefeuille Macaroni Profiteroles Tart	Biscuit cake “Pinky” Brownie Carrot cake Cheesecake with matcha and vanilla Cupcakes Hand-made sweets Mango and raspberry cake Napoleon Red Velvet Prague Cake Tart with pistachio Tropical dessert	Coffee (Cappuccino, Latte, Espresso, Americano) Juice (Apple, Cherry, Orange, Pineapple, Peach, Tomato, Fresh juice). Tea (Green tea, Black tea, Mint and Ginger tea, Matcha tea, Herbal tea) Soft drinks (Coca-Cola, Sprite, Homemade Lemonade, Mors, Water)

Source: by author.

Famous products with the exclusive recipes. In each product, there is something that you have never tried, something new, unique, not like the other. The taste of our products will be remembered for a long time, and you will want to come back to us again.

With the help of our products we will be able to give the customer the emotions caused by our products. This is a very important aspect of modern life, and we will be able to see it on the faces of our clients when they open the treasured box to look at the culinary work. A birthday of a child with a colourful birthday cake, tea-drinking in the office at the end of the working

day, a wedding celebration, a sweet gift to a loved one or a very close person - our pastries will be able to highlight these moments, make them more pleasant, sweet and memorable.

Coffee is what we offer with our products. A suitable supplier is the Costadoro coffee brand. Costadoro uses unique optical equipment that controls roasted coffee. As a result, too light, dark or deformed grain is filtered out immediately after roasting, so that customers of the brand receive only the best, perfect coffee.

All types of coffee will be sold for use inside the bakery or take-away in plastic cups.

Soft drinks will be offered from Coca Cola. The choice of tea will be as varied. Customers can choose not only the usual tea bags, but also the herbal teas of our own production.

8.4.2. Services description

The quality of products and services is a priority for our bakery. Firstly, it is high-quality training of personnel: competent service and product knowledge.

Tasting new products will be a monthly event that is very popular among people. It will be a drink (standard coffee or tea) and some freshly baked products. After the end of the tasting, customers will be able to vote for their favourite dish and then it will be included in our menu.

Takeaway products are also a popular service. Coffee or any other drink will be served in a plastic cup with a mark of the bakery, and pastries in branded containers.

Special order - we can make for you any confection or handmade cake (of any complexity) according to the sketches of your imagination. The size of the cake can be anything from 1 kg. Production time - from 2 days to one week, depending on the complexity of the order. At your request, we can deliver the order to you yourself, and if the cake is complicated, our confectioner will assemble it on the spot.

One of the main qualities to which we strive is to maintain the freshness of our products. Therefore, in the Malvina Bakery the rule will be 20% discount after 20:00 - an hour before closing we offer a 20% discount on pastries and confectionery.

Bonus program for regular customers. Each customer can register their phone number to receive privileges: discounts, each 10 products for free.

The main feature of the service is a friendly smile, politeness and responsiveness individually to each of the guests. The priority will be to create a relaxing and friendly atmosphere accompanied by elegant music.

8.5. Location

The premises will be selected through a real estate agent. During which an agreement will be signed, according to which the agency will select a suitable premises for a bakery. The commission, equal to the monthly rent, will belong to them under the contract. Using the services of a real estate agency will help me to avoid unpleasant situations associated with the rental of premises. I, as the leasing party, will be protected and in case of misunderstanding I can turn to a real estate agency for help.

There are several points to consider when choosing a place:

- Commercial space intended for a restaurant or café;
- Suitable place - sleeping area, near the subway;
- Area 100-120 m²;
- Main entrance + separate access to utility rooms;
- Existence of exhaust ventilation system;
- Availability of serviceable plumbing, continuous supply of hot and cold water;
- Strict division of premises into production and commercial areas, as well as the presence of a bathroom, utility room, a warehouse for flour and dry ingredients.

On the territory of the Ramensky district of Moscow, near the Yugo-Zapadnaya metro station, there is a suitable place that correspond the above conditions. Firstly, the object is designed for a cafe or restaurant, with a total area of 120 m². Near the bus stop, subway. This area is defined by a good location on the prestigious western direction, high transport accessibility and modern infrastructure.

On the territory of Ramensky district there are state institutions, banks, offices of large and medium-sized firms, large trade enterprises, higher educational institutions, hotels, and cultural facilities.

Moreover, it is one of the greenest areas, containing a lot of parks. The choice of this location will be due to the fact that potential customers will be not only local residents, but also people who have come to visit the parks.

The approximate area of the client zone will be 60 m², which will accommodate up to 30 clients at a time.

An example map of the location of the object, see Appendix No. 1.

8.6. Legal structure

Official business registration is one of the most important issues. Among several possible forms of entrepreneurial activity, the most suitable for a small private business is sole proprietorship.

The main advantage of sole proprietorship is the ease of entry and quick start. Bakeries are a very mobile business that requires quick decisions and actions. The sole proprietorship has the opportunity to keep records under the simplified scheme, filling in only the documents provided for by the norms. Moreover, when violations are committed by a business entity that is a sole proprietorship, the administrative penalties provided by law are less severe than for legal entities. As well as the termination of the activity of an economic entity is carried out in a short time and does not require compliance with a specific procedure.

8.7. Management and personnel

Recruitment is a very important aspect, people who will work in the bakery must be qualified. You will need to hire a chief baker, kitchen assistant, seller and cleaner. Functions manager and accountant, I, as the owner will take over.

In the case of expanding production, the number of employees will increase.

The main requirements for bakers - confectioners will be:

- availability of professional education
- knowledge of receipts and production technology,
- principle of operation of pastry equipment,
- ways to design products.

A very important point is that the pastry chef will compose a menu, create orders for products, monitor product quality.

In addition, the pastry chef should have a developed sense of smell, delicate taste, physical strength and endurance, accuracy, patience, and imagination to satisfy the needs of the buyer.

The confectioner's assistant, as well as the pastry chef himself, should know:

- recipes and technological modes of preparation of various syrups, creams;
- requirements for the quality of semi-finished products for cakes and pastries;
- methods and techniques for stuffing or spreading cakes and pastries with cream or filling;
- principles of operation, rules for operation and maintenance of equipment;
- types of raw materials, flavouring and aromatic substances, rippers and dyes used for the manufacture of confectionery;
- rules of personal hygiene.

The seller is the “face” of the bakery. Pleasant appearance, cleanliness, stress resistance, sociability, correct and competent speech - all these qualities should have the seller. It is the seller that will be the link between our products and the buyer. What would the buyer have the desire to return to us again and again.

The seller's duties will include:

- knowledge of the range and composition of products;
- guests service;
- carry out the display of products on shop windows, make rotation of the presented products;
- comply with sanitary and hygienic standards;
- know the manual instruction for the equipment (refrigerators, etc.).

The duties of the cleaner will include:

- Room cleaning;
- Disinfection of sanitary equipment;
- Special care for equipment;
- Timely taking out the garbage to the designated place;
- Maintaining cleanliness in the bakery.

The manager of the bakery is responsible for everything that happens in the Malvina Bakery. Responsibilities of manager include: staff recruitment and training, manages all work processes and control of the quality of the Malvina bakery (purity, politeness, atmosphere, fresh products and other aspects), as well as solves all non-standard issues.

The manager needs to be an example for staff. It is needed to quickly find the right solutions and be ready for any questions about work.

The accountant must carry out a reliable and complete picture of the financial position of the organization, financial results of its activities and changes in its financial position. The main requirement is the availability of higher education.

The duties of an accountant will include:

- Accounting and reporting in accordance with the requirements of accounting, tax, statistical and management accounting;
- Accounting (property accounting, liabilities, fixed assets, inventories, cash, financial, settlement and credit organizations, production and circulation costs);
- Timely and accurate reflection in the accounts of business accounting, asset movements, generation of income and expenses, fulfilment of obligations;
- Compliance with the order in the paperwork;
- Providing management accounting, accounting of production costs, drawing up costing of products (works, services);
- Compliance with financial and cash discipline.

8.8. SWOT analysis

Table 2: SWOT analysis

Strengths: <ul style="list-style-type: none">• New bakery format with a unique recipe• Highly qualified staff• Cosy atmosphere with books for customers• Personalized customer service• Wide range of products• Modern equipment• No seasonality	Weaknesses: <ul style="list-style-type: none">• The miscalculation on production in the first months of work• Lack of experience in this field• New business around competitors in the market, may cause less market demand
Opportunities: <ul style="list-style-type: none">• Business development and opening new franchises• Expansion of the range• The possibility of introducing additional services - the creation of children's master classes• Implementation sales on the website	Threats: <ul style="list-style-type: none">• Increasing competition in this service sector.• Short shelf life of products• Possible problems with raw material suppliers• Economic instability in the country

Source: by author.

8.8.1. Strengths

One of the strengths of Malvina Bakery is the new bakery format, containing unique recipes that everyone will like. In Moscow, there is not a single place that offers books to its visitors, as well as traditional desserts with a unique receipt. Moreover, a wide range of products and high quality are the strengths of the bakery.

Highly qualified staff are an important component of Malvina Bakery. Quality customer service is a company's priority; everyone should be satisfied.

An individual approach to the client can also be described as a strength. Any products can be prepared based on consumer preferences. Birthday cake, coffee with a soy milk and so on, our specialists can make everything special for customers’.

Modern equipment allows to automate almost the entire process: from the preparation of ingredients to baking and decorating finished products, this significantly reduces the time to manufacture products.

Bakeries do not have seasonality, which is the strength of the business. In winter, it is a warm bun with a hot coffee. In the summer - light dessert and soft drink. Malvina Bakery products will be in demand at any time of the year.

8.8.2. Weaknesses

Every business has its weaknesses. At first time, Malvina Bakery may face miscalculations in the production of products. Since this is a new business, it will be difficult to calculate the quantity of products and its demand.

Lack of experience is also a weakness. As the Malvina Bakery develops, experience will be gained, but this is a long time. To achieve high sales results, Malvina Bakery needs to work in this area at least for a year and find out all the “pitfalls” .

In addition, Malvina Bakery is a new business that needs to be developed, because there are many places with the offer of confectionery products. It will take a lot of time and effort to gain customer confidence.

8.8.3. Opportunities

In the future, Malvina Bakery will be able to launch a franchise and become a well-known brand in the regions of Russia. This will allow the bakery to bring additional income, since franchising is very popular in the modern world. For beginners, it is much more profitable to take a franchise of an existing business than to create a new one.

With increasing demand, it is possible to expand the range of production, as well as sales through the site. This will also increase sales.

Malvina Bakery in the future will provide additional services such as master classes for children, as well as poetic evenings. That will undoubtedly increase the demand for the bakery.

8.8.4. Threats

The main threat to Malvina Bakery is a big competition in the field of nutrition. Many cafes, restaurants, bakeries offer similar products, so it is very important to gain the trust of customers in order to compete confidently in the market.

Another threat is the short shelf life of products. Need to constantly control the quality: compliance with technological processes and control of raw materials.

Moreover, there are problems with suppliers, possibly an increase in prices for raw materials. Malvina Bakery in this case can change the supplier.

Unstable economic situation may affect the demand of buyers. We'll have to lower the prices of products so as not to lose buyers.

8.9. PEST analysis

Political factors

The political environment in Russia can be characterized in different ways, from different points of view. For example, compared with the 1990s the situation today is stable. The continuity of the highest government in the territory, which is aimed at maintaining stability in society, is a factor characterizing the situation as stable.

On the other hand, for example, compared with some European countries, the situation in Russia is less stable.

However, it can be said that for existing enterprises in Russia, the existing factors do not constitute a threat to the political situation.

At the beginning of the work, the bakery will pass a stage to obtain the necessary permits and documents. Registration of citizens as entrepreneurs is carried out in accordance with the Law "On State Registration of Legal and Individual Entrepreneurs". In addition, to become a sole proprietorship does not require large investments, the state duty amounts to 2,000 thousand rubbles and there is no need to provide an extensive package of documents, the minimum is sufficient.

A very important factor for visitors to any catering place is the observance of sanitary norms and rules. That is why coffee shops, bars, restaurants, canteens and other places where you can buy ready-made food are under the special attention of state inspections.

Economic factors

The economic situation in Russia is unstable. From 2000 to 2008, the country's economy grew, and its growth was 7%, and as a result of the economic crisis, the economy began to decline and for a long time could not cope with the consequences of the crisis.

In 2012, the Russian government focused on foreign policy and increased exports. In 2014, the decline in oil prices on world markets caused serious negative consequences for the Russian economy. During this period, the annexation of the Crimea in the sphere of Ukrainian-Russian relations, sanctions from the United States and Europe caused a decline: decreased by -2.8% in 2015, -0.2% in 2016. In 2017, the situation improved, and the economy increased by 1.5%. The Central Bank of the Russian Federation began to control inflation and reached 2.5% in 2017 (for comparison, the inflation rate in 2015 was 16%). The unemployment rate also fell to 5.2%.

Despite the positive results of the economy in recent years, it cannot be said that the positive dynamics will continue for a long time. In 2017, the structure of economic growth was practically different from the pre-crisis structure, with the mining and non-profit sectors remaining the main growth factor. The share of energy industries in Russia's GDP is about two times greater than in Latin America. Based on an article in the Forbes magazine by Apruva Sangi, due to the weak ruble in 2015-2017, there was some recovery in the manufacturing and export industries. But it turned out to be short. The volume of investments in fixed assets in the manufacturing sector (where large and medium-sized enterprises are represented) has been decreasing since 2013.

The unstable economic situation affects the behaviour of enterprises and customers: economic activity is declining, people do not have positive expectations and spend less. The demand for confectionery products may decrease, because it is not an essential product, like meat, eggs, milk, which are products of basic necessities.

Since Malvina Bakery buys raw materials abroad: coffee, flour. The situation in the foreign exchange market has a great influence, which can lead to a decline in the national currency. Sanctions from the United States and the European Union can lead to higher prices for raw materials purchased abroad. Consequently, the price of products will be increased.

Table 3: Macroeconomic indicators

Index	Year
GDP	1,5% (2017), -0,2% (2016)
<i>GDP – composition, by end use</i>	
<i>household consumption</i>	52,4%
<i>government consumption</i>	18%
<i>investment in fixed capital</i>	21,6%
<i>investment in inventories</i>	2,3%
<i>exports of goods and services</i>	26,2%
<i>imports of goods and services</i>	-20,6%
<i>GDP – composition, by sector of origin</i>	
<i>Agriculture</i>	4,7%
<i>Industry</i>	32,4%
<i>Services</i>	62,3%
Unemployment rate	5,2%
Exports	\$353 billion (2017)
Imports	\$238 billion (2017)

Exchange rate (RUB/USD)	58.39 (2017), 67.056 (2016), 67.056 (2015), 60.938 (2014), 38.378 (2013)
State debt	13,7% (2016)

Source: The World Factbook – Russia. [online]. Central Intelligence Agency, 2018. Available from: <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>

Social factors

From a demographic point of view, it is important to mention the population structure, since potential customers for the confectionery are the economically active segment between the ages of 25-55 years. The middle segment (25-45 years old) will bring more sales to the bakery, because it has more buying power than other segments. The youth segment (up to 25 years) is also important for the confectionery, but has a lower income, therefore, the average amount of the check will be less compared to the average segment.

The table 4 shows that the average age of Moscow residents is slightly higher than the average age in Russia. At the same time, in the city the share of economically active population is higher than in Russia. In Moscow, 76.8% of the population have only one source of income in the family, 21.2% - two sources, 2.0% - three or more sources. It is likely that families with greater sources of income have higher resources and are the target segment. (Statista, 2018)

Table 4: Demographic indicators, Russia

	Russia	Moscow
Population	142, 1 mil. (2018)	12,5 mil. (2018)
Population below poverty	13,2%	14,2%
Median age	39,8 years	40,7
Population growth rate	-0,11% (2018)	-0,3% (2017)

Source: The World Factbook – Russia. [online]. Central Intelligence Agency, 2018. Available from: <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>

Nowadays, social networks have become an integral part of our lives. Every entrepreneur should pay attention to the development and promotion of business in social networks.

The most popular social network in the world is Facebook with 2 billion active users. On the second place is YouTube with 1.5 billion active users. Instagram has over 800 million active users.

According to Statista, YouTube is the most active in the Russian Federation, VKontakte occupies the second place, Facebook is the global leader only on the fourth place, and the popular social network among young people - Instagram takes the 10th position.

Thus, social networks have become an indispensable tool of business, regardless of the sphere. Researches show that in social networks you can reach the audience of any age, gender, social status.

Technological factors

Factors associated with the progress in technology, affect the development of catering, open up opportunities for the production of new types of services, their sales and improved customer service.

Malvina Bakery is no exception: in this industry, not only technology is important, but also the appearance of the staff, the aesthetic appearance of the room. These factors can influence customers, increasing their trust, satisfaction, and comfort.

Training of employees is also take place in the technological factors. Trends cooking products are constantly changing. It is very important to follow the development of this sphere to keep up with the times.

Malvina Bakery will use the latest equipment for cooking products, improve staff skills (attend seminars, conferences, trainings).

9. Market analysis

9.1. Competitors analysis

- 1) Paul Bakery¹ – European-style bakery using old recipes in the preparation of its products. Constantly updated menu. Large selection of dishes: pastries, salads, pasta, pizza, pastries.

A wide range of entertainment for children (master classes), and for adults (live music evening).

The average price for baking is 190 rubbles, for confectionery it is 250 rubbles.

In Moscow, 6 franchises.

Working hours from 8:00 - 21:00 pm.

- 2) Volkonsky Bakery² – bakery with many years of experience (since 2005 in Russia). The main priority is the use of manual labour: mixing ingredients, the formation of croissants and snails, filling eclairs and so on. The bakery offers breakfasts and delivery around the city. Offer a franchise to other cities and countries.

The average price for baking is 185 rubbles, for confectionery 280 rubbles.

In Moscow, one franchise.

¹ <http://www.paulbakery.ru>

² <http://volkonsky.com/moscow/history>

Working hours: from 8:00 - 21:00 pm.

- 3) Francois Bakery³ – offers handmade pastries according to traditional French recipes. A large amount of fresh bread without the use of yeast and only from natural and organic products.

Moreover, it offers breakfast, pastry, including the traditional French Milfye, as well as eclairs performed by the main pastry chef.

The average price for baking is 160 rubbles, for confectionery it is 230 rubbles.

It has 7 franchises in Moscow.

Working hours from 7:30 - 21:00.

- 4) Hleb Nasushny⁴ – This is a bakery that uses old-fashioned recipes in its dishes. Recipe collected from all over the world - Italian ciabatta, French baguettes and Norman bread, traditional Russian Borodino and real German Bretzels. The main concepts of the place are using only fresh products and manual labour.

Deliver products throughout Moscow. They also offer the organization of a buffet table, a coffee break or a children's party.

The average price for baking is 120 rubbles, for confectionery it is 280 rubbles.

Hleb Nasushny has more than 15 franchises around the Moscow.

Working hours from 7:00 – 23:00 pm.

- 5) Bulka Bakery⁵ – offers a wide range of pastries, products for vegans and vegetarians, and confectionery. The site has a blog about bread.

The average cost of baking 100 rubbles, confectionery 260 rubbles.

Bulka has 2 franchises in Moscow.

Working hours from 8:00 - 23:00 pm.

- 6) Confectionery of Oleg Ilin⁶ – offers its customers fresh products from natural ingredients. The concept of the confectionery allows to buy products inside the place and to take away. Beside to desserts, you can order lunch, dinner or breakfast.

The confectionery also offers cakes to order for any event.

It has 2 franchises in Moscow.

The average price for pastry is 300 rubbles.

Working hours from 10:00 - 22:00 pm.

9.2. Target market

³ <https://www.pekarnia-francois.ru/ru/our-history.html>

⁴ <https://hlebnasushny.ru>

⁵ <http://www.bulkabakery.ru/ru>

⁶ <http://sweetstore.ru>

According to the World Population Review, the population of Russia is about 143.90 million people for 2019. Russia is the largest country by area and ranks 9th in terms of population, there is the negative growth rate of 143.90 million in 2019 to compared with a population of 146.3 million in 2015.

Moscow is the largest city in Russia with a population of 12.1 million and is the 11th largest city in the world.

Buyer persona

Name: Ivan

Age: 20 - year – old

Gender: Male

Background: Student, part – time worker

Identifiers: Likes coffee, attend gym, loves photography, busy at school/work

Challenges: Getting everything done on time, stressful environment

Marketing solution: Social media (pages in Instagram, Facebook), brochoures at gym/University

Internal drivers: Offer a place for relax, take a break, fitness menu with healthy products, quality coffee, appropriate interior (aesthetic), unique baked products.

Malvina Bakery's target audience may be students between the ages of 16 and 25 who want to spend their free time with classmates or have a break. In our bakery, this segmentation group will also be able to read the book they like. This group does not yet have a large purchasing power, but it will appear in a couple of years. Most students work part-time, while studying. Due to the fact that the bakery is located next to some educational institutions, this will allow students to visit our place.

Buyer persona:

Name: Maria

Age: 35 – year-old

Gender: Female

Background: Works as sales manager, married, has 2 kids

Identifiers: She loves to read, uses the Internet as a part of her job, very busy schedule

Challenges: Getting everything done with success, take care of her children

Marketing solution: Make it easy to get coffee to stay energized, providing cozy atmosphere that she can relax and forget about problems, offer wide verity of books. Social media advertising, offline – brochures, email marketing

Internal drivers: Developing herself is the main driver for Maria

Another target audience consists of working class people from 25 to 50 years old. People belonging to this group often use this kind of café for business meetings, and as a place that allows them to spend time after a tiring day. This group of people has a large purchasing power, because they have a steady income.

Also, older people who often walk in the park can visit our place and enjoy aromatic coffee and a fascinating book.

The doors of our bakery will be open both for men and women of all ages. Malvina Bakery is not too dependent on any one group of consumers. The bakery is for couples, the elderly and the younger generation.

The advantage of this kind of clients is that the working class provides a stable foundation throughout the year. While students provide purchasing power from September (beginning of the school year) to May / June (end of the school year).

A person chooses the best place for himself, based on its own preferences. For some, this is a delicious meal, for others, live music and the atmosphere in general. Malvina Bakery is a place for everyone who is looking for quality products, comfortable and friendly atmosphere. Also for people who are interested in books.

9.3. Porter's five forces

➤ **Industry competitors**

Competitive rivalry in the food industry is quite high. Nowadays there are a lot of monopolistic companies in this field, such as Starbucks, McCafe, Costa Coffee, Paul, etc. - they are the main competitors of Malvina Bakery. Their established brand, quality, and time-tested products are their main advantage.

However, the industry has grown, and the growth rate has slowed, as many players compete for market share. However, in general, in this industry there is always place for new players, which increases the intensity of competition in it.

Direct competitors are small pastry bakeries that are very flexible to the requirements of the consumer and whose products are in demand among the population.

Home-made baking - is also a competitor, because it distributes its products via the Internet and does not have a lot of costs (rental of premises, maintenance, etc.).

Despite the high competition, Malvina Bakery will be able to offer other advantages that are attractive to customers.

A wide range of products, books, high-quality customer service, as well as a cosy atmosphere to which our consumers will want to return.

➤ **New entrants**

Since the saturation of the market with goods is high enough - this can be considered as a high input barrier. It is quite hard to add and surprise with new products in an existing market.

Also, a barrier to entry is the quite high cost of opening a new bakery. These costs include: education and training, equipment costs, the organization of the distribution network. Thus, it is necessary to correctly evaluate the structure of the production assets necessary for the effective functioning of Malvina Bakery, particularly, the degree of openness and development of the labour market, technology market, and investment goods market.

➤ **Substitutes**

Confectionery products are not unique, so the threat of substitutes is quite high, because there are a lot of places in the market offering similar products. Mainly, pastry shops, bakeries as well as supermarkets where customers can buy pastries at a lower price. Moreover, restaurants also offer desserts to their visitors.

However, Malvina Bakery is ready to offer a unique offer to its visitors - a mini library with warm pastries and freshly prepared coffee. This is something new on the market and it will be difficult to find the same place.

➤ **Buyers**

The market power in this area is high; consumers of these products have many options where they can drink a cup of coffee and enjoy confectionery.

However, in this case we can say that this is a plus, since the pricing policy is almost unchanged.

We also do not forget about our uniqueness, the availability of the service “to order”, is our distinguishing feature. Not every confectionery offers this service, as well as the availability of books in the bakery.

➤ **Suppliers**

Suppliers do not have much power due to well-developed markets for their products and the marketable nature of what they sell. Each supplier of raw materials offers similar products, but the quality of each is different.

If bakeries want to change suppliers, they should try to find the best replacement for the supplier, which will take them a long time. Moreover, there is a risk of producing goods with a poor quality, which may affect the reputation of the bakery. Therefore, it is very important to choose a reliable supplier to avoid further problems.

10. Marketing Plan

10.1. Segmentation, targeting and positioning

Segmentation

Table 5: Segmentation

Geographical	<ul style="list-style-type: none">➤ Russian, Residents of Moscow from Ramensky region➤ Population under 11.5 million➤ Urban, suburban, rural➤ Tourists and local people
Psychographic	<ul style="list-style-type: none">➤ Activities - hanging out with friends, business meetings➤ Interests - reading books, interest in quality products➤ Values – the best quality at affordable prices
Demographic	<ul style="list-style-type: none">➤ Both men and women➤ 0 – 15 years (children)➤ 16 – 25 years (teenagers)➤ 26 – 45 years (adult)➤ 45 – years (pensioners)➤ Income – medium or higher income level➤ Marital status – we can provide our service for single, married or for lovers
Behavioural	<ul style="list-style-type: none">➤ Baking and coffee lovers➤ Books lovers➤ Willingness to buy – new format of the bakery

Source: by author

Geographical – Russian, mostly from Ramensky district. Common population is about more than 11.5 million. , students, tourists and workers coming to Ramensky district.

Psychographic – people with an active lifestyle, who loves to discover new places. In addition, lovers of high quality products, with unusual recipes and affordable price.

Demographic - people with medium or high income level, teenagers, workers as well as children from 3 to 18 years. Malvina Bakery offers products capable of satisfying each of this segment. Both lonely people and a large family can find products for themselves due to the fact that the company offers a wide range of products.

Behavioural – people who prefer product quality, as well as lovers of sweets, coffee and books. Taste and quality - the main thing for people of this segment.

Targeting

The main target group is local people who are looking for new places. This is the working class. The group of this segment will be able to distract from external problems and plunge into the atmosphere of a cafe. Most likely they are middle-aged people (25-45 years old) with a medium or high income level.

Students are the next target group. For them the taste of the products is important, as well as the price. Famous desserts can be a new and truly unique product for them. And books will help to relax after a hard school day.

Tourists are the third target group. Every year many tourists come to Moscow. This segment includes a huge number of potential customers who represent middle and high income classes. Cafe which offers coffee and snacks is very popular among the tourists.

Positioning

Malvina Bakery positions itself as a bakery with a unique atmosphere and high-quality products that will not leave anyone indifferent.

The main value of the place is customer-friendly value for money. Customers will be impressed by the service, pricing and a wide range of products. And the smell of fresh bread, a beautiful showcase with bakery products and pastries will create a cosy atmosphere of the place.

Desserts prepared according to unique recipes, coffee and books are the main values of the bakery. These three components will help distract customers from the bustle of the outside world.

“Take a break for the real world” is the mantra of the bakery. As author believes that statement allows people to think about this and helps them to relax with the atmosphere of the place.

10.2. Marketing mix

Product

Malvina Bakery presents high-quality products made according to unique recipes. Malvina Bakery offers to the customers' high-quality coffee, fresh pastries and a wide range of books to read.

Books - this is what helps people to escape from the everyday problems. Therefore, Malvina Bakery will offer its visitors this opportunity - free books inside the institution. This will not only help to relax, but also leave positive emotions from visiting our place.

The recipes that we use to make our products are recipes with history collected from our grandmothers. All ingredients are purchased only from reliable suppliers and have all the necessary quality certificates.

Moreover, we can make any confectionery dish to order and become part of your holiday. We will hold a tasting of the fillings before each holiday (New Year, Valentine's Day, Mother's Day, March 8, February 23) to help you quickly decide on the choice of cake.

Every week we will offer a dessert that will be associated with a particular book. After all, there is nothing better than to drink a cup of coffee, eat delicious pastries and immerse yourself in an exciting story.

Price

It is important to correctly make a pricing system, since its business results depend on the pricing policy of a place. In the market mechanism, price plays a key role, since it is one of the important indicators and on its basis is the valuation of costs, results and production effect.

Bakery prices are based on average prices in Moscow, in terms of price and quality. The list of prices is given in Appendix 4.

Place

The premises for Malvina Bakery will be rented. It will be located in a densely populated area of Moscow near the metro station Yugo-Zapadnaya. In this place are located the universities of Moscow, parks, offices, banks. Moreover, the place has very good transport accessibility. The map of the place could be found in the Appendix 1.

Promotion

The most important factor in the promotion of goods is customer satisfaction.

1. Product Presentation

Once a month Malvina Bakery will offer its customers new products. Guests will be able to come, try the product and leave a review. The most popular dish (of the proposed) will be introduced in the permanent menu.

2. Offer 10 + 1

Customers will be given a special discount that after 10 purchases they will make one purchase for free. It will cover only certain types of products (pastries, tea, coffee).

3. Website

This is the best form of company presentation. Pages should be simple, clear and motivating to purchase. Customers will be able to see our products and order home delivery without leaving home. Also, creating a page on Instagram, with the placement of photos of products, the cooking process and customer reviews will be a good idea.

4. Promotional materials

Promotional materials, such as business cards and brochures, will be distributed to the nearest offices, shops, hotels, taxis, airports, universities. This type of promotion will be carried out especially during the first weeks before the opening of the object. In addition, before the upcoming events (master classes).

5. Review from an influential person

A review of the new place will give a wide response from bloggers with more than 1 million subscribers. This is a simple method. Human approach and expression in articles will help motivate customers to visit Malvina Bakery.

6. Exhibitions and fairs

Representing of the Malvina Bakery during fairs and exhibitions gives a good advertisement and the opportunity to find new customers.

7. Discount 20% after 20:00.

An hour before closing, customers are given a discount on the entire range of confectionery and bakery products. To eliminate the remaining goods, this discount system will stimulate the sale of confectionery products, since all products are perishable.

8. Press release

Before the opening the press release should be made. It is necessary to bet on the heading - it should excite, intrigue and, most importantly, induce, as well as the first paragraph, which will be as informative and, if possible, completely devoid of lyrical digressions. When, where, who, what, how much, how.

11. Financial plan

11.1. Investment cost

The following tables show the cost of investing in a project. Detailed description of technical equipment, furniture, initial investment. The plan is based on a law that defines the minimum technical equipment of the bakery. Prices for equipment are taken from the Internet.

Table 6: Kitchen equipment

№	Item	Quantity	Price (RUB)
1.	Dough mixer	1	52000
2.	Spiral kneader	1	94000
3.	Cream pot	1	91000
4.	Confectionery forms	15	50000
5.	Confectionery oven	1	142500
6.	Mixer	2	37500
7.	Electric range	1	32000
8.	Proofing cabinet	1	59000
9.	Fridge	1	68000
10.	Freezer	1	99000
11.	Scales	2	26000
12.	Sink	2	42000
13.	Shelving racks	2	22000
14.	Production table	3	21000
15.	Coffee machine	1	142000
16.	Dishwasher	1	100000
17.	Coffee grinder	1	20000
18.	Sterilizer	1	20000
19.	Pastry bag	2	1200
20.	Other	-	35000
Total			1154200

Source: by author

Table 7: Equipment for the trading floor

№	Item	Quantity	Price (RUB)
1.	Display case	3	165000
2.	Pastry cabinet	2	74500
3.	Bar fridge	1	38000
4.	Bar table	1	115000
Total			392500

Source: by author

Table 8: Other equipment

№	Item	Quantity	Price (RUB)
1.	Table	12	58000
2.	Chairs	30	32000
3.	Cashbox	1	48000
4.	Bookcases	4	46500
5.	Decorations	-	28000
6.	Computer	1	56000
Total			268500

Source: by author

The individual cost items are summarized and presented in the table below. The total investment costs of opening a new pastry shop are 1,878,500 rubbles.

Table 9: Total investment cost

№	Item	Price (RUB)
1.	Kitchen equipment	1154200
2.	Equipment for the trading floor	392500
3.	Other equipment	268500
4.	Advertising costs before the opening	60900
5.	Registration of the firm*	2500
Total		1878500

Source: by author

*According to the Tax Code of the Russian Federation, the cost of the registering a firm will be 800 rubbles and additional expenses, such as notary services 1700 rubbles. (The Federal Tax Service, 2019)

11.2. Fixed cost

Table 10: Fixed cost per month

Item	Price (RUB)
Building rent	220000
Advertising	40000
Salaries	356000
Insurance	25000
Depreciation of equipment	53000
Total	694000

Source: by author

Wages for workers were calculated in the following table. The salary of all employees will be 356,000 rubles per month. The biggest expenses are the salary of the chef - the key elements of the business.

Table 11: Fixed salaries per month

Position	Wages (RUB)	Number of employees	Total amount (RUB)
Accountant	45000	1	45000
Manager	35000	1	35000
Seller	40000	2	80000
Chief cook	58000	2	116000
Kitchen assistant	30000	2	60000
Cleaner	20000	1	20000
Total			356000

Source: by author

All costs assumed by the author and based on the statistical data and the Internet research.

11.3. Variable cost

Table 12: Variable cost per month

Item	Price (RUB)
Raw materials	On average 80 RUB per dessert
	On average 30 RUB per drink
Utilities (electricity, water, gas)	On average 15000 RUB
Other expenses (napkins, sticks, cups to go)	50000

Source: by author

The costs of raw materials and utilities are based on Internet research.

11.4. Sales forecast

With the normal operation of the bakery, the expected number of the products sold will reach 150 per day. The average price for bakery and confectionery products will be 370 rubbles, and for coffee and drinks 260 rubbles.

According to found research, demand on the bakery/confectionery products has grown every year in Russia. It can be assumed that number of products sold will be as in the Table 13.

Sales forecasting for the first year of the most realistic case scenario is as bellow:

Table 13: Sales forecasting for the first year of the realistic case scenario

	Bakery products	Coffee and soft drinks	Books
January	700	1200	0
February	700	1250	0
March	900	1350	0
April	920	1400	0
May	1200	1500	0
June	1500	1800	0
July	2200	2300	0
August	2100	2500	0
September	2800	2950	0
October	3150	3150	0
November	3300	3350	0
December	3350	3500	0

Source: by author

The table shows the number of sold confectionery / baking and coffee/soft drinks per month. Books are the property of the bakery and are not for sale.

11.4.1. Optimistic scenario

The optimistic scenario depends on the economic situation of the country and on the marketing campaign that is intended for the development of Malvina Bakery. This scenario implies an increase in demand of more than double compared with the pessimistic scenario.

In this scenario, the author assumes that by the end of the first year, sales of bakery/confectionery products and coffee / soft drinks will reach 3,700 and 4,000, respectively.

However, the costs for salary, marketing, rental of premises, utilities will remain the same, and the cost of raw materials will increase.

Table 14: Sales forecasting for the first year of the most optimistic case scenario

	Bakery products	Coffee and soft drinks	Books
January	800	1350	0
February	850	1400	0
March	980	1800	0
April	1500	2100	0
May	2350	2550	0
June	2500	2800	0
July	2500	2800	0
August	2900	3000	0
September	3000	3350	0
October	3250	3650	0
November	3400	3700	0
December	3700	4000	0

Source: by author

11.4.2. Pessimistic scenario

Unstable economic situation may affect the demand for confectionery products. In the pessimistic scenario, the level of sales will be significantly lower than expected. Will be 2250 for baking/confectionery products, 2500 for drinks/coffee, by the end of the first year.

It is also assumed that fixed costs will remain unchanged, while raw materials costs will decrease due to a smaller number of sales.

Table15: Sales forecasting for the first year of the most pessimistic case scenario

	Bakery products	Coffee and soft drinks	Books
January	300	900	0
February	300	950	0
March	500	1100	0
April	650	1200	0
May	650	1250	0
June	800	1250	0
July	900	1300	0
August	1000	1350	0
September	1500	1550	0
October	1800	2000	0
November	2100	2500	0
December	2250	2500	0

Source: by author

11.5. Cash flow statement

Table 16: Cash flow statement for the first year of the most realistic case scenario.

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Bakery products	259000	259000	333000	340400	444000	555000	814000	777000	1036000	1165500	1221000	1239500	8443400
Coffee and soft drinks	312000	325000	351000	364000	390000	468000	598000	650000	767000	819000	871000	910000	6825000
Books	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue	571000	584000	684000	704400	834000	1023000	1412000	1427000	1803000	1984500	2092000	2149500	15268400
Raw materials	92000	93500	112500	115600	141000	165000	245000	243000	312500	346500	364500	373000	2604100
Utilities	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	180000
Salaries	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	4272000
Rent expense	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	2640000
Advertising	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	480000
Taxes (20%)	114200	116800	136800	140880	166800	204600	282400	285400	360600	396900	418400	429900	3053680
Other expenses	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	600000
Total cash flow	-316200	-307300	-246300	-233080	-154800	-27600	203600	217600	448900	560100	628100	665600	1438620

Source: by author

Calculations:

- Revenue from pastry and bakery sales is calculated as the expected number of products sold per month * on the average cost of the product.
- Revenues from sales of coffee and soft drinks are calculated as the expected number of drinks sold per month * on the average cost of drinks.
- Raw materials are calculated as the expected volume of confectionery sold and baking * the average net worth of one dessert + the volume of drinks sold * the average net worth of one drink.
- Calculations of utilities are based on the author's own experience and conclusions drawn from the Internet.
- Wages are fixed and are specified excluding bonuses and percent of sales.
- Renting space is a fixed expense.
- For advertising there is an established budget, which is spent depending on the needs of the company.
- According to Russian law, Malvina Bakery must account for VAT at 20% of total profits.

11.6. Three – year income projection

Table 17: Three-year income statement

	Year 1	Year 2	Year 3	Total 3 Years
Sales revenue	15268400	21129309	26589000	62986709
Cost of goods sold	(2604100)	(4467900)	(6111000)	(13183000)
Gross profit	12664300	16661409	20478000	49803709
Salaries	(4272000)	(4272000)	(4272000)	(12816000)
Rent	(2640000)	(2640000)	(2640000)	(7920000)
Utilities	(180000)	(180000)	(180000)	(540000)
Advertising	(480000)	(480000)	(480000)	(1440000)
Insurance	(300000)	(300000)	(300000)	(900000)
Depreciation (office equipment)	(636000)	(636000)	(636000)	(1908000)
Other expenses	(600000)	(600000)	(600000)	(1800000)
Profit before tax	1936300	7553409	11370000	20859709
Tax expense (20%)	(387260)	(1510682)	(2274000)	(4171942)
Net profit	1549040	6042727	9096000	16687767

Calculation:

- Sales revenue is the total amount of revenue from sales of bakery products and drinks.
- Cost of goods sold is the costs of raw materials used in production of bakery/confectionery products and drinks.
- Salaries from the Table 11 * 12 months.
- Rent for premises, advertising, insurance, depreciation from the Table 10 * 12 months.
- Utilities and other expenses (Table 12) * 12 months.
- According to Tax Code of the Russian Federation, the corporate income tax is equal to 20%. (The Federal Tax Service, 2019)

11.7. Break even analysis

Table 18: Performance of Revenue Structure Production of the Bakery ‘Malvina’/per Year

№	Components of Income	Value (RUB)	Percentage (%)
12.	Bakery products	8443400	55.3%
13.	Coffee and soft drinks	6825000	44.7%
	Total	15268400	100%

Source: by author

Table 18 represents the performance of the production revenues of bakery products and drinks during the 1st year. The revenue generated from the sale of bakery

products/confectionery 8443400 RUB or 55,3% and from the sale of coffee/drinks 6825000 or 44.7% of the total income of the whole company. Thus, the total revenue of the Malvina Bakery is 15268400 RUB.

Table 19: Data for calculation for the break-even point

Item	Bakery products	Coffee and soft drinks
Total Productions (Unit)	22820	26250
Average of Selling Price/Unit	370	260
Revenue (RUB)	8443400	6825000
Total Estimated Revenue (RUB)	15268400	
Total Variable Cost (RUB)	3384100	
Total Fixed Cost (RUB)	8328000	
Break Even Point (RUB)	10699430	

Source: by author

Break-even point for the firm's sales can be calculated by following formula: B-E Point (Sales) = Fixed Costs + [(Variable Costs/Est. Revenues) x Sales] (Linda Pinson, 2008, p 98).

The main terms that should be used:

- Sales = unknown
- Fixed cost = Salaries + Rent + Advertising + Insurance + Depreciation = 4272000 + 2640000 + 480000 + 300000 + 636000 = 8328000 RUB
- Variable cost = Cost of goods + Utilities + Other expenses = 2604100 + 180000 + 600000 = 3384100 RUB
- Estimated revenue = 15268400 RUB

Sales in B-E point = 8328000 + [(3384100/15268400) * Sales in B-E point] => Sales in B-E point is equal to 10699430 RUB per year.

Analysis of Break-even point was made to determine the profitability of the company. The analysis showed that the break- even point for the Malvina Bakery is obtained at the level of 10699430 RUB.

Conclusion

The aim of the Bachelor thesis is to make a business plan for the opening of the new place called Malvina Bakery in the city of Moscow. Assess its ability to implement in a developing business environment. Considering the analysis, the business plan of the bakery can be implemented.

The main purpose of Malvina Bakery is to provide their customers high quality products and provide an opportunity to escape from the real world with the help of books.

Observing the trend over the years, the culture of consumption of confectionery products is growing along with the consumption of coffee, which serves as a business incentive for any investor in the industry.

However, the sustainability of the business will depend on several factors analysed in the thesis. There are threats emanating from competitors, since it is easy to imitate or duplicate the company's products. Global or national economic crises can also affect the degree of profitability of a business. Other external factors will also affect the state of the business, but from a more optimistic side it is expected that the bakery business will flourish.

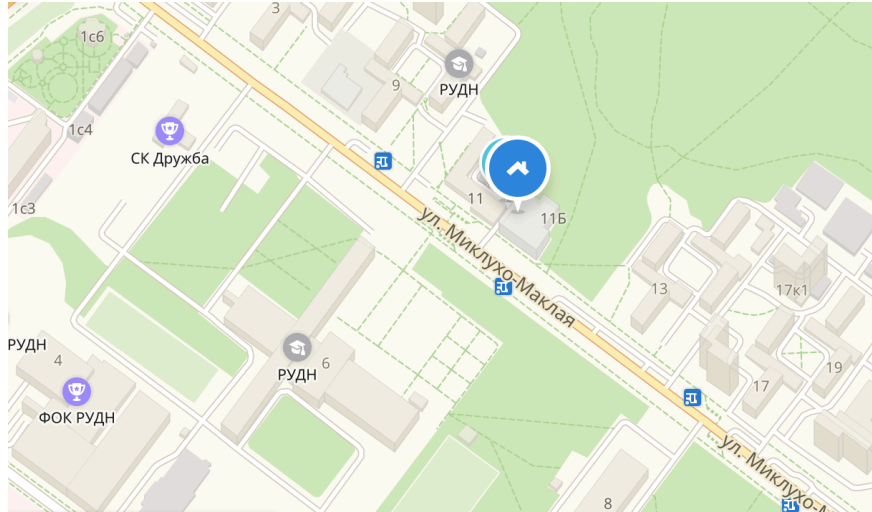
The cost of starting a business will be equal to 1,878,500 rubbles and will be financed from its own sources. Based on the expected sales, to pay back the project will turn out from the second year of the bakery.

Large expenses at first years are due to the fact that the bakery will try to take a leading position in the market and keep the quality of service and products at a high level.

Thus, with skilful leadership, the right choice of the place for Malvina Bakery, a wide range of products, and a good marketing campaign, which are fully considered in the project description, the Malvina Bakery is a highly profitable company with high prospects for further development.

Appendix

Appendix 1: Chosen location



Appendix 2: Buyer persona №1



Buyer persona

Name: Ivan

Age: 20-year-old

Gender: Male

Background: Student, part-time worker

Identifiers: Likes a good quality coffee, attend gym, loves photography, busy at school/work

Goals: Getting everything done on time, stressful environment

Marketing solution: To communicate with Alex we can sent an email with advertising of our products.

Internal drivers: Offer a place for relax, take a break, fitness menu with healthy products, quality coffee, appropriate interior (aesthetic), unique baked products.

Appendix 3: Buyer persona №2



Buyer persona

Name: Maria

Age: 35-year-old

Gender: Female

Background: Maria has a high education, works as sales manager, married and has two children

Identifiers: She loves to read with a cup of coffee. Uses Internet as a part of her job.

Goals: Find a balance between her family and career. Moreover, she does not have a lot of free time, even for herself and her interests. Achieve high sales in the company that she works.

Marketing solution: Make it easy to get coffee to stay energized. Promote Malvina Bakery via Facebook, Instagram, LinkedIn.

Internal drivers: Developing herself is the main driver for Maria.

Appendix 4: Price list for the products

№	Items	Price (RUB)
1.	Bread	
	<i>Ciabatta</i>	80
	<i>Baguette</i>	70
	<i>Rye bread</i>	70
	<i>Bread with cereals</i>	75
2.	Clafoutis	220
3.	Croissant	
	<i>original</i>	120
	<i>with raspberry</i>	135
	<i>with chocolate</i>	135
4.	Éclair	
	<i>mini éclair vanilla/caramel</i>	270
	<i>eclair vanilla/caramel/mango</i>	370
5.	Millefeuille	430
6.	Macaroni	
	<i>Pistachio</i>	150
	<i>Yogurt</i>	150
	<i>Citrus</i>	150
	<i>Chocolate</i>	150
	<i>Caramel</i>	150
	<i>Honey</i>	150
	<i>Raspberry</i>	150
	<i>Lemon</i>	150
7.	Profiteroles	140
8.	Tart with pistachio	380
9.	Biscuit cake “Pinky”	470
10.	Brownie	490
11.	Carrot cake	520
12.	Cheesecake with matcha and vanilla	645
13.	Cupcakes	210
14.	Mango and raspberry cake	645
15.	Napoleon	410
16.	Red velvet	410
17.	Prague cake	430
18.	Tropical dessert	370
19.	Handmade sweets	120
20.	Tiramisu	430

21.	Coffee	
	<i>Cappuccino</i>	220
	<i>Latte</i>	270
	<i>Americano</i>	200
	<i>Espresso</i>	200
22.	Tea	
	<i>Black tea</i>	290
	<i>Green tea</i>	290
	<i>Mint and Ginger tea</i>	310
	<i>Matcha tea</i>	325
	<i>Herbal tea</i>	325
23.	Juice (orange, apple, pineapple, peach, mango)	200
24.	Fresh juice (orange, apple, carrot, tomato, mango)	270
25.	Soft drinks	
	<i>Coca-cola, Sprite, Fanta</i>	230
	<i>Homemade lemonade</i>	260
	<i>Mors</i>	200

Appendix 5: Sales forecast for the income statement for the 2nd year

	Bakery products	Coffee and soft drinks	Books
January	3350	3500	0
February	3350	3520	0
March	3355	3520	0
April	3360	3570	0
May	3400	3590	0
June	3400	3590	0
July	3450	3500	0
August	3150	3200	0
September	3350	3400	0
October	3150	3550	0
November	3300	3550	0
December	3450	3600	0

Appendix 6: Cash flow statement for the 2nd year.

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Bakery products	1239500	1239500	1241350	1243200	1258000	1258000	1276500	1165500	1239500	1165500	1221000	1276500	14824050
Coffee and soft drinks	910000	915200	915200	928200	933400	933400	910000	832000	884000	923000	923000	936000	10943400
Books	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue	2149500	2154700	2156550	2171400	2191400	2191400	2186500	1997500	2123500	2088500	2144000	2212500	25767450
Raw materials	373000	373600	374000	375900	379700	379700	381000	348000	370000	358500	370500	384000	4467900
Utilities	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	180000
Salaries	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	4272000
Rent expense	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	2640000
Advertising	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	480000
Taxes (20%)	429900	430940	431310	434280	438280	438280	437300	399500	424700	417700	428800	442500	5153490
Other expenses	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	600000
Total cash flow	665600	669160	670240	680220	692420	692420	687200	569000	647800	631300	663700	705000	7974060

Appendix 7: Sales forecast for the income statement for the 3rd year

It can be assumed that price of raw material is increase and will be 100 rubbles per one bake product and 50 rubbles per one beverage.

For that reason, average selling price for the bakery products will be 380 rubbles and 270 rubbles for drinks.

Sales remain the same as in the 2nd year.

	Bakery products	Coffee and soft drinks	Books
January	3350	3500	0
February	3350	3520	0
March	3355	3520	0
April	3360	3570	0
May	3400	3590	0
June	3400	3590	0
July	3450	3500	0
August	3150	3200	0
September	3350	3400	0
October	3150	3550	0
November	3300	3550	0
December	3450	3600	0

Appendix 8: Cash flow statement for the 3rd year

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Bakery products	1273000	1273000	1274900	1276800	1292000	1292000	1311000	1197000	1273000	1197000	1254000	1311000	15224700
Coffee and soft drinks	945000	950400	950400	963900	969300	969300	945000	864000	918000	958500	958500	972000	11364300
Books	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue	2218000	2223400	2225300	2240700	2261300	2261300	2256000	2061000	2191000	2155500	2212500	2283000	26589000
Raw materials	510000	511000	511500	514500	519500	519500	520000	475000	505000	492500	507500	525000	6111000
Utilities	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	15000	180000
Salaries	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	356000	4272000
Rent expense	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	220000	2640000
Advertising	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	40000	480000
Taxes (20%)	443600	444680	445060	448140	452260	452260	451200	412200	438200	431100	442500	456600	5317800
Other expences	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	50000	600000
Total cash flow	583400	586720	587740	597060	608540	608540	603800	492800	566800	550900	581500	620400	6988200

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