

University of Economics, Prague

# **Bachelor's Thesis**

University of Economics, Prague  
Faculty of Business Administration  
Bachelor's Field: Corporate Finance and Management



## **Business Plan - healthy food restaurant**

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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

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**Title of the Bachelor's Thesis:**  
Business Plan – healthy food restaurant

**Abstract:**

The aim of this bachelor thesis is to create a comprehensive business plan for launching a healthy quick service restaurant called “Slices” as well as to assess its viability on the Russian market. The business plan is divided into theoretical and practical parts. The theoretical part was to create a strong and solid framework based on academic literature, while practical part were aimed at implementation of learned principles in practice. The purpose of the plan is to assess all the market features, determine attractiveness and the level of competition within the industry, select target audiences and determine key stakeholders. Based on these analyses the most appropriate marketing strategy and communicational channels will be selected. Moreover, detailed financial plan will show the level of investments required for successful start and running of the company.

**Key words:**

Business Plan, Healthy food, Entrepreneurship, Fast food industry

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## **Introduction**

This bachelor thesis has been developed in the format of a business plan for the opening of a new healthy food restaurant Slice in Moscow.

In large cities with developed infrastructure, poor environmental conditions and hectic lifestyle, more and more people are beginning to think about healthy lifestyle. At the moment, maintaining a healthy diet among the younger generation has become not only a way of life, but also a fashionable trend. Based on these facts, I came up with the idea of creating a new healthy food restaurant in Moscow.

The main purpose of this work is to create a comprehensive business plan that will be reflective and adoptive to constant market changes

In order to achieve this goal the following will be considered:

1. To study all the main theoretical issues arising in the development of a business plan.
2. To study the future activities of the restaurant Slice, to determine the strengths and weaknesses, the main competitive advantages, as well as to determine the target audience of the restaurant.
3. To analyze Russian market of catering establishments and to determine the features of its development.
4. To create a comprehensive marketing strategy that will be aimed at creating positive brand awareness and ensure customer retention.
5. To conduct a financial analysis and determine the costs associated with running a business, the amount of necessary investments and the payback period.

The structure of the thesis includes an introduction, theoretical part, practical part and conclusion. The introduction contains general information about the bachelor thesis, as well as outlines the main goals and ways to achieve them. The theoretical part is aimed to create a strong and solid framework based on academic literature, while practical part were aimed at implementation of learned principles in practice.

# **Theoretical Part**

## **1 Business Plan**

### **1.1 Definition of a business plan**

A business plan is an officially written document that sets and describes all the main aspects of an emerging enterprise. Use of a properly formulated business planning model enables an entrepreneur to analyse the market features and establish an effective business strategy that, in turn, will help to determine and eliminate the vast majority of potential issues and risks during the development stage. Writing a detailed and clear business plan enables the enterprise's owner to minimize mishaps, encourages the long-term view, focuses effort and helps to demonstrate the value of money and money allocation within the company. Moreover, it serves as a tool to clarify and visualize your organizational goals and strategy and helps to attract investors in case you need external funding (Fiore, 2005). A properly formulated business plan will answer a simple question: is it worth investing money in this business?

In order to achieve and maximize profit and performance of the organization the assessment of short-term and long-term objectives will be included. That will help to evaluate the effectiveness of existing marketing strategy and help to create a forecast of appropriate marketing strategy for the future.

In addition, it is important to bear in mind that business planning only creates a framework and must not be planned in isolation. In other words, a business plan needs to be flexible, adoptive and reflective of the changing circumstances (Cutlip, Center, & Broom, 2010). That is why it is essential not only to create a perfect business model but also, in case of failure, to be prepared to leave the market with as little disruption as possible with the minimum losses. Thus, it may be extremely useful to develop the so called exit strategy (2008, p. 8).

After all the information considered it will be useful to summarize everything and structure a pros and cons table in order to visualize and have a better understanding.

Table 1: Advantages and disadvantages of having a business plan

Advantages	Disadvantages
It enables an entrepreneur to consider every aspect of the business on the developing stage	The business plan itself must be flexible and adoptive
It gives you an overall picture of the business	It is challenging to keep your business plan up-to-date
It offers you a good understanding of how to allocate resources	It does not guarantee success. Sometimes it even creates an environment of false certainty
It helps to present your business model to potential investors	It takes a lot of time to develop an accurate business plan
Sets specific objectives for managers	Very likely will not survive first contact with reality

Source: Pinson (2008)

## 1.2 Structure of a business plan

There is no general structure of a business plan – it is peculiar for each and every organization depending on its industry. Based on the objectives and aspects of the company positions in the business structure may vary, but in any business plan, as a rule, the following pillars should be included:

1. Executive summary
2. Mission, vision and mantra of the organization
3. Situational analysis (company and market analysis)
4. Marketing plan
5. Financial plan

## 1.3 Executive summary

The Executive Summary is basically a thesis statement of the completed business plan that focuses your ideas into one or two paragraphs. It summarizes who you are, what is the main purpose of your existence, what your future organization is aiming for, why it is aiming to achieve that and briefly explains how it is going to be achieved (Berry T. , 2004). It is important to realize that executive summary serves as an opening to the whole project and sets the pace for a reader. That is why, ideally, it shall be written at the very end of your business planning process, even though, it goes in the beginning of the plan (Finch, 2010, p. 24). Pinson (2008) also highlights that, In case you need some external funding, executive summary specifies the main reasons of the

funding and justifies the financial feasibility and profitability of your business for existing or potential investors.

## 1.4 Mission and vision statement

The mission statement of an organization is a written statement that determines a company's main purpose of existence and its core approach to achieve the company's objectives. A properly constructed mission statement should define what the business wants to do for at least three publics: customers, employees, and owners of the organization (Berry T. , 2008, p. 75).

A vision statement is a declaration that describes the desired future position of the organization. The main difference between these two statements is that the mission is a cause and the vision is an effect (Pinson, Anatomy of a Business Plan: The Step-by-Step Guide to Building Your Business and Securing Your Company's Future, 2008).

Properly crafted mission and vision statements normally do not change over time and help to distinguish what is important from what is not (Abrams, 2010).

*Table 2: Features of vision statement*

Clear and imaginable	Easy to understand and imagine desirable future of the organization
Desirable	It meets expectations of all the stakeholders
Achievable	Take into consideration realistic abilities and accessible resources
Specific	Focus on specific factors of success
Adoptive	Adoptive to changing conditions of the market
Communicable	It could be explained in 10-15 minutes
Abstract and challenging	Vision statement is meant to provide and abstract picture of the company's desired future

*Source: Kirkpatrick (2008)*

## 1.5 Mantra

According to Guy Kawasaki (2015, p. 6), there are a lot of problems connected to the mission statement. It is usually too long, boring, impossible to remember and does not evoke powerful enough emotions. A mantra, on the contrary, is short, memorable and simple representation of

your mission and core values. Tim Berry (2008, p. 75) and Guy Kawasaki (2015, p. 6) emphasise and explain the advantage of mantra over mission, that is why it will be indispensable to include it in the business plan. As a rule, a mantra should not be longer than five words and serves as a guideline for employees but in some particular cases a mantra is able to resonate with both employees and consumers.

## **1.6 Company analysis**

### **1.6.1 Product description**

As mentioned by Tim Berry (2004, pp. 6.1-6.2), an extensive and detailed description of a product or service that the company plans to supply to the market needs to be included in the business plan structure. It also preferably to specify costs associated with production, indicate the main motives buyers will have for purchasing these products and explain what makes a business unique.

### **1.6.2 SWOT analysis**

Paul, Cadle & Yeates (2014, p. 93) state that SWOT analysis is strong, conclusive and sufficiently robust only on condition that enough preparatory analyses has been done. Thus, it is essential to structure our SWOT model considering the results of an analysis of external and internal environments.

The key idea that emerges from structuring SWOT analysis is that strengths and weaknesses are represented within the company, whereas opportunities and threats arise from outside the company and reflects features of the marketplace which it operates within.

Table 3: SWOT Analysis Make it a statement

<b>Internal</b>	
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Is your product/technology patented?</li> <li>• Is your product valuable?</li> <li>• Does your location have superiority?</li> <li>• Is your business model unique enough?</li> <li>• Does your business have any value added services?</li> <li>• Do you have a competitive advantage?</li> <li>• What brand awareness have you received?</li> <li>• Is it complicated to imitate the product you produce?</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• What aspects of the operations can be changed in order to improve business performance?</li> <li>• What aspects of the product and service can be improved?</li> <li>• Do you have a sufficient amount of experience and competence?</li> <li>• Is there any negative press about your business?</li> <li>• Is there lack of brand awareness?</li> <li>• Is the location easily convenient and accessible?</li> <li>• Is there high bargaining power of suppliers in the segment?</li> </ul>
<b>External</b>	
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Are there any opportunities to franchise your business?</li> <li>• Are there any trends on the market that may be beneficial for you?</li> <li>• Are there any changes in technology that may be beneficial for you?</li> <li>• Are there any potential partners on the market?</li> <li>• Are there any opportunities to expand to international market?</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Are the barriers to entry high enough to prevent newcomers from entering the market?</li> <li>• Are there aggressive incumbents on the market?</li> <li>• Are there powerful existing competitors on the market?</li> <li>• Are there any new regulations being enforced by the government?</li> </ul>

Source: Pinson (2008)

## 1.6.3 Lean Canvas

Figure 1: Lean Canvas

<b>PROBLEM</b> <small>List your top 1-3 problems.</small>	<b>SOLUTION</b> <small>Outline a possible solution for each problem.</small>	<b>UNIQUE VALUE PROPOSITION</b> <small>Single, clear, compelling message that states why you are different and worth paying attention.</small>	<b>UNFAIR ADVANTAGE</b> <small>Something that cannot easily be bought or copied.</small>	<b>CUSTOMER SEGMENTS</b> <small>List your target customers and users.</small>
	<b>KEY METRICS</b> <small>List the key numbers that tell you how your business is doing.</small>		<b>CHANNELS</b> <small>List your path to customers (inbound or outbound).</small>	
<b>EXISTING ALTERNATIVES</b> <small>List how these problems are solved today.</small>		<b>HIGH-LEVEL CONCEPT</b> <small>List your X for Y analogy e.g. YouTube = Flickr for videos.</small>		<b>EARLY ADOPTERS</b> <small>List the characteristics of your ideal customers.</small>
<b>COST STRUCTURE</b> <small>List your fixed and variable costs.</small>			<b>REVENUE STREAMS</b> <small>List your sources of revenue.</small>	

Source: LeanStack (2018)

The model Lean Canvas was described by Ash Maurya in his book “Running Lean”. Lean Canvas Model is a tool that simplifies documenting business models, and also provides an opportunity to assess progress and share information with different business segments.

### 1. Problems

In this block it is necessary to describe the main problems that consumers may face.

### 2. Customer segments

This block describes potential buyers on whom the company's activity is oriented.

### 3. Unique Value Proposition (UVP)

UVP is a clear, compelling message that says why the company is different and why consumers should use its services or products.

#### 4. Solutions

In this part, it is necessary to identify the main functions and problem-solving possibilities that a company can provide in its Unique Value Proposition.

#### 5. Channels

Channels include two parts: how the company's products will be offered to customers and ways to deliver products or services to consumers

#### 6. Revenue streams

Financial flows that the company will receive from each segment.

#### 7. Cost structure

Description of the costs that are necessary for the management and normal functioning of the business.

#### 8. Key metrics

Key performance indicator (KPI), which show the state of the business.

#### 9. Unfair Advantage

An unfair advantage is determined by the company's main strengths and advantages, which none of the competitors can copy.

(Maurya, 2010)

## 1.7 Administrative/organizational plan

### 1.7.1 Location

According to Linda Pinson (2008, p. 37) there are two main concepts of a business location. In the first case, a location is considered as marketing decision, and serves as a tool for customers' attraction and retention. For instance, such organizations as retail shops and restaurants need to be easily accessible for your existing and potential consumers. Such businesses will determine their location according to the target market they are aimed at and should address their location in the section of the marketing strategy called Product Mix.

Other companies' locations, on the contrary, are not marketing consideration. They are not directly linked to the target markets and their sales are not strongly dependent on location. Some



examples of companies might include online sellers or producers that ship their products by common carriers. In that case, it is enough to include location in this section of a business plan (Pinson, 2008).

### **1.7.2 Legal structure**

One of the most essential decisions to make when establishing a new organization is what type of business ownership structure to adopt. This section of a business plan typically provides all the relevant information considering the chosen legal structure and explains why it is the most beneficial structure for your organization. The decision of what form of business entity to choose will be influenced by several factors such as bookkeeping, liabilities and taxation (Pinson, 2008, p. 38).

### **1.7.3 Management**

A properly selected management structure will ensure the high-quality performance of all the operations within the company. The organizational structure is the system of activities' distribution throughout all the layers a company has that is why it is vital to select appropriate organizational structure according to company's size, geographic, number of projects and departments, and complexity of operational part (Harvard Business Press, 2007, p. 72).

### **1.7.4 Personnel**

In this section of a business plan it is essential to identify the number of employees needed so the company would be able to operate efficiently and effectively, employees positions in the organization, their qualifications and skillsets, and the salaries they will earn (Pinson, 2008, p. 37).

## **2 Market analysis**

### **2.1 PESTLE analysis**

PESTLE analysis is a tool that helps companies to assess their broad environment. Macro-environment analysis of the company consists of six main elements: Political, Economic, Social, Technological, Legal and Environmental.

**Political factors:**

- The stability of the government or political situation
- Government policies
- Trade regulations and tariffs

(Sridhar, et al., 2016, pp. 223-229)

**Economic factors:**

- Levels of interest
- Access to venture capital
- Labour market situation (Unemployment, Minimum wage)
- Inflation
- Factors affecting real income
- Exchange rate that directly influences prices of export and imported goods
- Money supply
- GDP per capita

(Sridhar, et al., 2016, pp. 223-229)

**Socio-cultural factors** – factors are represented by demographics and psychographics: ethnicity of population, differences in personalities and life styles, education level, and working and leisure time habits, ageing population, social mobility, lifestyle trends and changes in consumer behaviour.

(Sridhar, et al., 2016, pp. 223-229)

**Technological factors:**

- Technological developments
- Governmental support of research, spending on the quality of academic research
- Demand for invention and innovation
- How technology is used in different sectors and industries

(Karlof & Loevingsson, 2005)

**Environmental factors** – have become extremely popular due to the decreasing numbers of scarce resources, pollution, doing business as an ethical and sustainable company, carbon footprint. More and more consumers desire so that the products they are purchasing are produced ethically, and with the usage of a sustainable source.

- Global warming and climate change, natural disasters
- Animal welfare
- Environmental protection legislation (Paris agreement)
- Waste control

(Paul, Cadle, & Yeates, 2014, pp. 85-87)

**Legal factors** – are factors that occur from changes in legislation. Over recent years legal regulations and norms which organizations are required to operate within have been expanded. Compliance and regulations have become an issue of great importance.

- Human exploitation (Modern slavery act 2015)
- Financial regulation
- Equal rights
- Company law
- Employment law
- Child labour abuse
- Tax policy
- Advertising standards
- Military conflicts

(Paul, Cadle, & Yeates, 2014, pp. 85-87)

It is clear that in order to fairly and successfully trade, organizations need to realise how to conduct their business in legal and ethical way. This becomes a very complicated task in case an organization trades globally due to the fact that each country has its own set of rules and regulations an organization needs to follow.

## 2.2 Porter's five forces analysis

Porter's Five Forces is a business analysis model that determines the structure of an industry and identifies the power of five competitive forces in that particular industry. This model is essential because it enables to evaluate the strengths and weaknesses of a company's current competitive position on the market and the strengths and weaknesses of a position that the company is going to take. The model may be extremely useful in formulating the company's

strategy as it reveals the real power of each of the five key competitive forces of a particular industry (Porter M. , 2008, p. 29).

It is important to consider that the point of the analysis is not only to declare whether the industry is attractive or unattractive but to understand the basics of competition and the root causes profitability. The power of the Porter's forces affects prices, costs, and the investments required to compete with industry participants. Moreover, proper analysis does not only list pros and cons but sees an industry in more systemic and overall terms (Dobbs, 2014).

### **2.2.1 Threat of new entrants**

According to Michael Porter (2008, p. 26), the threat of entry is directly dependent on the height of barriers to entry and on the reaction newcomers would expect from entrenched competitors of the industry. Newcomers would like to move into the industry if the barriers to entry are low enough and if they expect a little retaliation from the incumbents. In that case, the threat of entry would be high and industry profitability would be moderate (Paul, Cadle, & Yeates, 2014).

Advantages that incumbents have relative to newcomers, i.e. barriers to entry:

- Brand awareness
- Supply-side of economies of scale
- Demand-side benefits of scale
- Capital requirements
- Product differentiation
- Unequal access to distribution channels
- Expected retaliation
- The existence of patented processes
- Government policies (need for regulatory approval)

### **2.2.2 Negotiation power of suppliers**

This force indicates how easily suppliers with power, including suppliers of labour, are able to capture more value by demanding higher prices, limiting the quality of products and services they provide, or shifting costs to industry participants. That negotiation power gives suppliers the opportunity to squeeze profitability out of an industry they operate in (Porter M. E., 2008).

Sources of negotiation power of suppliers are:

- The supplier group is more concentrated than the industry it sells products and services to.
- The supplier group does not heavily depend on the one particular industry for its revenues.
- There are relatively high costs of switching to another supplier.
- There is lack or no other substitutes for the products and services that supplier group provides.
- Suppliers offer differentiated products.
- The suppliers group offers highly specialized products which cannot be easily substituted.
- Forward vertical integration.

### **2.2.3 Negotiation power of buyers**

Powerful customers, on the contrary to suppliers, are able to capture more value by forcing the prices down and demanding quality improvements, thereby increasing costs of production.

A customer group has bargaining leverage if it meets the following criteria:

- Buyers face low switching costs to purchase from the other supplier.
- There are few customers on the market and high level of their concentration.
- Alternative supply sources are easily available on the market.
- There is a high level of customers' awareness about other suppliers on the market.
- The industry's products are common or undifferentiated.

(Porter M. E., 2008)

### **2.2.4 The threat of substitutes**

A substitute performs a similar or the same function as a sector's products or services by different means. It refers to the likelihood of your consumers finding another way to satisfy their wants and needs. Substitute products limit a sector's profit potential by creating an upper bound on prices and lower bound on quality, i.e. if the prices for particular goods and services are too high or the quality of them is too low, these goods and services would be replaced by the alternatives (Porter M. E., 2008).

The threat of substitutes is high if:

- The customer's switching costs to the substitutes are low.

- Substitute offers attractive price-performance compromise (alternative, trade-off) to the sector's product or service.
- The customer's sensitivity to price changes of goods and services is high, i.e. the price elasticity of demand is high (elastic).

### **2.2.5 Rivalry among existing competitors**

Rivalry among existing competitors takes many well-known forms such as positive and negative reinforcement, new product introduction, family branding, licensing, PR and advertising campaigns, quality and service improvements and many other money consuming tactical exercises. High rivalry among existing competitors drives innovation that, in turn, limits the profitability of a sector.

Porter (2008, p. 32) suggests a number of factors that determines intensity of competition:

- High exit barriers.
- Many competitors in the industry.
- Competitors are roughly equal in size and power.
- Rivals offer almost identical goods and services.
- Size of fixed costs is high.
- Slow growth of the industry

## **2.3 Stakeholder analysis**

Firstly, it is important to identify all the individuals or groups that are able to affect the organization's objectives or being affected by an organization. All the stakeholders need to be considered in order to manage any potential conflict and help to visualize and understand the stakeholders' main motives, that in turn, will enable to implement strategies depending on the particular stakeholder's needs, wants and interests (Rawlins B. L., 2006).

For the successful identification of all the stakeholders related to the organization the Gruning and Hunt's (1984) linkage model will be considered. Table 4 demonstrates the enabling, diffused, normative and functional linkages.

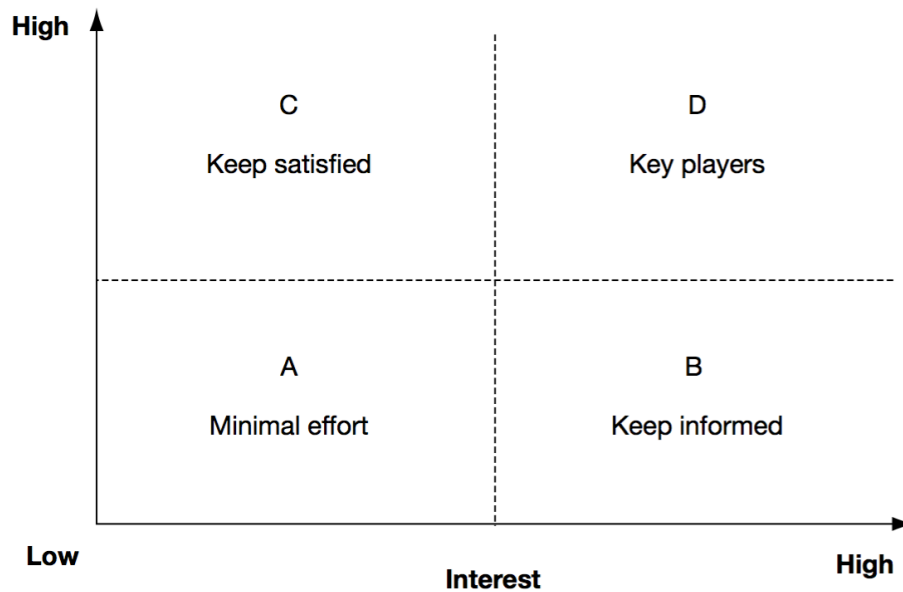
Table 4: Linkage model

Enabling Linkage	Normative Linkage	Diffused Linkage	Functional Linkage	
			Input	Output
Shareholders Government Legislation	Competitors Associations Political groups Professional societies Peer institutions	NGOs Community residents Voters Media Special interest groups	Employees Unions Suppliers	Consumers Retailers Distributors

Source: Rawlins B. L. (2006)

In order to classify and prioritize publics according to the level of interest and the amount of power they have, the power/interest matrix will be considered (Figure 1). The use of the matrix will help to identify key players, which are extremely important for the organization due to the fact they have the highest power and the highest interest among all the publics (Gregory, 2015, p. 118).

Figure 3: Power/interest matrix



Source: Gregory (2015)

### 3 Customer analysis

#### 3.1 Segmentation

The entire marketing strategy is mainly based on three concepts of segmentation, targeting and positioning. An organization identifies groups of potential customers, who share identical or similar needs, targets those it can satisfy in a superior way, and then developing a strong brand

positioning so the target market recognizes its distinctive offerings and images (Karliček, 2013, p. 105).

*Figure 4: Three main activities of target marketing*



*Source: Karliček (2013)*

Effective market segmentation enables an entrepreneur to divide the market and delineate segments whose members share a similar set of characteristics and differ from the members of other segments (Solomon, Bamossy, Askegaard, & Hogg, 2006, pp. 8-9). If a company does not ignore distinctions among market segments by implementing mass market strategy, it is essential to determine the appropriate number and nature of segments. That, in turn, will help to decide which segments to target. It is also important to bear in mind that segmentation process is valid only if: (1) customers' needs are homogeneous within one segment and heterogeneous compared to other segments, (2) the segment is large enough to be profitable, (3) members of the segment can be reached by an appropriate marketing mix (Kotler & Keller, 2016, pp. 214-216). The major variables of market segmentation are summarized in Table 5.

Kotler & Keller (2016, pp. 216-228) distinguish four main categories of marketing segmentation:

- **Demographic segmentation** measures observable aspects of population.
- **Geographic segmentation** divides the market into geographical units.
- **Psychographic segmentation** divides customers into segments based on their values, personality traits and lifestyle.
- **Behavioural segmentation** divides customers into segments based on their knowledge and attitude towards the particular brand.



Table 5: Major segmentation variables for consumer markets

Category	Variables
Demographics	Age, gender, social class, occupation, income, ethnic group, religion, education, family size
Geographic	Region, country, city, street
Psychographic	Lifestyle, self-concept, personality
Behavioural	Usage situation, benefits desired, brand loyalty status, frequency of use

Source: Kotler & Keller (2011); Solomon, Bamossy, Askegaard, & Hogg (2006)

## 3.2 Targeting

As I mentioned above in the segmentation section, at the moment when a company has determined its market-segment opportunities, it needs to select an appropriate number of segments and decide which ones to target. By combining several segmentation variables mentioned in Table 5, marketers try to narrow down large segments to small and better-defined target groups (Kotler & Keller, 2016, p. 231).

To bring the most value, market segments have to satisfy following conditions (criteria):

- **Measurable.** The size, characteristics, and purchasing power of the segments can be measured.
- **Substantial.** The market segments are large enough to be profitable.
- **Accessible.** The market segments can be easily reached
- **Differentiable.** The market segments' reaction to different marketing-mix activities is different.
- **Actionable.** Potential and existing market segment members can be attracted and served by an effectively formulated program or activity.

(Kotler & Keller, 2016, pp. 231-232)

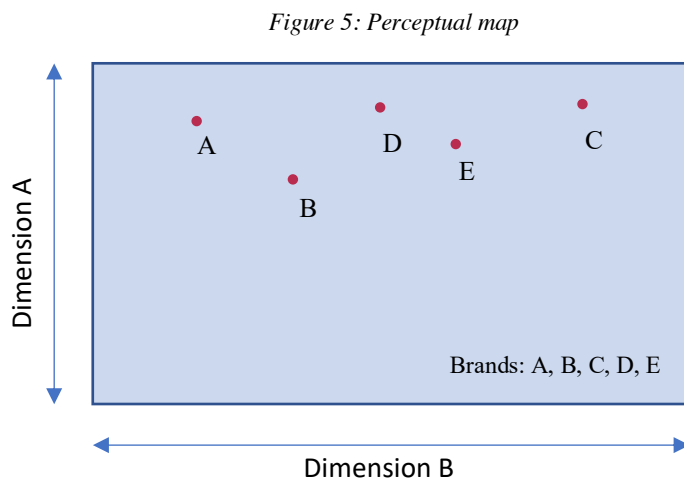
## 3.3 Positioning

According to Kotler & Keller (2016, p. 297), "Positioning is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market". The aim of brand positioning is to locate the brand in the minds of its consumers.

A well-designed brand positioning has a positive impact on marketing strategy by helping to interpret and clarify the brand's core, setting desirable objectives it helps the customers to achieve

and providing customers with its own, unique, way how it is going to achieve them (Kotler & Keller, 2016, pp. 297-298).

One of the positioning tools being used in that business model would be a perceptual map (Figure 4). By determining the most relevant and important dimensions and then asking customers to allocate competitors within this range, some pivotal strategic questions might be answered. The main advantage of perceptual map is that it provides a visual picture of how customers see different competitors (Solomon, Bamossy, Askegaard, & Hogg, 2006, pp. 38-39).



Moreover, due to the fact that purchases are usually made in order to achieve some value-related goal, it is extremely important to create a customer-focused value proposition with the convincing reason why the target audience should purchase your product or service (Berry L. , 2000).

### 3.4 Buyer persona

Buyer persona is extremely important especially in the early-stage business. With the help of segmentation and real data from primary and secondary market researches, marketers are narrowing down a company potential customers' characteristic, values and desires, and create a semi-fictional representation of an ideal customers. As a result, it is possible to attract the most valuable visitors and customers to the business (Kusinitz, The Definition of a Buyer Persona [in Under 100 Words], 2018).

## 4 Competitor analysis

As mentioned by Linda Pinson (2008, p. 48), after comprehensive identification of your target audience, it is crucial to assess the level of competition of the selected segment. A good

starting point in the identification of competitors would be defining a competitive frame of reference i.e. defining which other organizations a brand competes with and which of them need to have a closer look. That will help to allocate potential competitors in accordance with their power and be aware of closest substitutes (Kotler & Keller, 2016, p. 298).

In this business plan competition will be examined from both a market and an industry perspective. An industrial competition is represented by a group of brands that offer easily substitutable range of product and services and satisfy customers' particular wants (Shocker, 2002). Using the market perspective, I will define competitors, whose product will diverse from our but will satisfy the same customer needs (Kotler & Keller, 2016, p. 299).

Linda Pinson (2008, p. 49) and Phillip Kotler (2016, p. 312) both suggest (1) to monitor general health of our competitors, (2) to assess the competitors' approach to marketing, (3) to check the competitor's share of the target market, (4) to monitor share of customers mind (what is the first company that comes to customers mind), and (5) share of customers heart (what are the customers' preferences).

To expand on the above and summarize all the information a competitive benchmarking will be used. The following table is recommended to be adopted to visualize the most useful variables.

*Table 6: Competitive benchmark*

Characteristic	Your company	Competitor A	Competitor B	Competitor C
Geographic Boundaries				
Target markets				
Market segmentation procedures				
Marketing Strategies and Tactics				
Marketing Assumptions				
Marketing Mix				
Program/Products/Service Offered				
Operating Costs/ Assumptions				
Market Share				
Share of Mind				
Share of Heart				
Marketing Entry/Exit				

*Source: Gerson (1991, p. 19)*

## 5 Marketing strategy

### 5.1 Marketing objectives

In order to achieve and maximize success of this marketing plan it is essential to break down the overall aims into concrete, measurable steps and set realistic objectives based on SMART principle (Gregory, 2015, p. 104). Moreover, in order to build a strong relationship with all the publics involved the objectives will be designed around Grunig & Hunt's (1984) three level concept of: Cognitive, Affective and Conative to understand the nature of each objective and enable a well suited strategy is in place. That will help to select appropriate activities based on the readiness of target publics to process information and either to create awareness or form a particular attitude towards the brand, or to encourage targeted publics to behave in a certain way (Tench & Yeomans, 2017, p. 182).

Figure 6: Objectives set at one of three levels

<b>Cognitive</b> (means related to thoughts, reflection, awareness)	Encouraging the target public to <i>think</i> about something or to create awareness. For example, local government might want the local community to be aware that it is holding a housing information day. The whole community will not need the service, but part of local government's reason for making them aware is so that they know what a proactive and interested local council they have
<b>Affective</b> (means related to feelings, emotional reaction)	Encouraging the target public to form a particular attitude, opinion or feeling about a subject. For example, a pressure group may want moral support for or against gun ownership
<b>Conative</b> (means related to behaviour, actions or change)	Encouraging the target public to <i>behave</i> in a certain way. For example, the local hospital may use television to ask for emergency blood donors following a major incident

Source: Pople & Turnbull (2012, p. 532)

### 5.2 See-Think-Do-Care Model

The See-Think-Do-Care model was developed by Avinash Koshyk. The main feature of this model is that it is aimed not only at regular customers but at people who may become potential customers of companies.

#### See

Audience "See" is the widest of all four. It includes people who do not plan to use the products of your company, but at the same time, use similar products from another company.

## Think

At the stage “Think” there are people who use similar goods and services and plan to try something new.

## Do

Audience “Do” is the main target audience of your company. At this stage there are people who use goods and services and at the moment want to purchase more from other companies.

## Care

Audience “Care” is a regular customer of your company who has used the products or services of the company more than twice.

Also, in this model, it is necessary to specify the company's goals for each audience, as well as how the company is going to achieve these goals (Kaushik, 2013).

## 6 Marketing mix (4 P's model)

Establishing a properly formulated marketing mix is the central task of your marketing department. The marketing mix is a set of tools and activities conducted by marketing professionals that the organisation applies in order to achieve its goals in its target markets. The standard marketing mix is based on four main pillars of: Product, Price, Promotion, Place (Baker, 2003, pp. 287-288). The key elements of 4P's model demonstrated in Figure 5.

Figure 7: The marketing mix



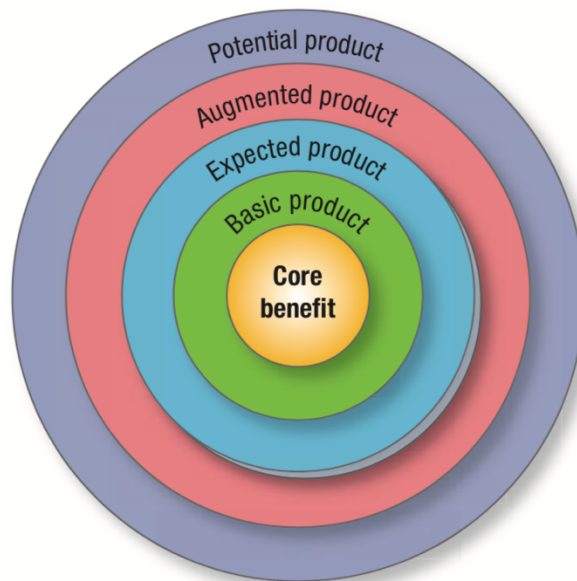
Source: Baker (2003)

## 6.1 Product

The characteristics of the product play a pivotal part in its position on the market, promotion and price tags. It is also important to realise that in this section a product will be considered not only as a tangible product, but as everything that is offered to a marketplace to satisfy customers' needs and desires (Kotler & Keller, 2016, p. 389). In order to plan its offerings to a market, it will be useful for the company to address the five product levels illustrated in Figure 6.

- Core benefit – benefit a consumer is buying (customers buy a drill because they want to make a hole in the wall).
- Basic product – basic characteristics a product has.
- Expected product – set of functional attributes expected by the purchasers.
- Augmented product – process of exceeding expectations the consumers have.
- Potential product – organizations make an effort to find another way of how to satisfy customers' needs and distinguish their offer from others.

*Figure 8: Five product levels*



*Source: Kotler & Keller (2016, p. 391)*

## 6.2 Price

Price setting is a constantly updating activity that can be affected by many factors such as competition, quality of the product and service, fluctuation of the raw materials' prices used in production etc.

Kotler & Keller (2016) suggest following six main steps in when setting the price:

### Step 1: Selecting the price objective

- ***Survival*** – Price level where the company covers variable costs per unit and some fixed costs per unit. Applicable in the short-term period.
- ***Maximum current profit*** – Price level where the company efforts to predict the demand and costs choose the price that produces maximum current profit.
- ***Maximum market share*** – Price level where the company sets the lowest price assuming that the market is price sensitive. Applicable in the long-term period if the higher volume of product leads to lower costs per unit (economies of scale).
- ***Product-quality leadership*** – Price level where the company sets relatively high price and provide its customers with a quality product.

(Kotler & Keller, 2016, p. 491)

### Step 2: Determining demand

With the help of surveys, questionnaires, statistical analyses and primary and secondary market researches companies estimate price sensitivity and price elasticity of demand and set prices based on these estimations (Kotler & Keller, 2016).

### Step 3: Estimating costs

Price setting based on the demand, as a rule, sets a ceiling, maximum price the business can charge for its products and services. Costs, on the other hand, set the minimum available price (Kotler & Keller, 2016).

### Step 4: Analysing competitors

Price setting based on the market demand and costs of production but also takes into account prices, costs, offerings and possible reactions of competition (Kotler & Keller, 2016).

### Step 5: Selecting a pricing method

- Mark-up pricing

- Target-return pricing (based on break-even analysis)
- Perceived-value pricing
- Value pricing

#### Step 6: Selecting the final price

### 6.3 Promotion

Marketing communications is a properly constructed set of promotion strategies an organization implements in order to achieve its marketing goals. The process of setting those strategies includes identification of appropriate product characteristics to be promoted, and selection of the marketing channels to convey the message to your target audience (Karliček, 2013, p. 190). Marketing communication mix includes the following activities:

- Direct mailing
- Social media
- Traditional media
- Public relations also called earned media
- Sales promotions
- Advertising also called paid media
- Events and experiences etc.

(Kotler & Keller, 2016, pp. 596-597)

The marketing communication channels that will be predominantly used in the promotional strategy of this business plan might be explained in more details.

- **Media relations: Traditional and Social media**

“Media relations involves managing relations with the media – all writers, editors and producers who contribute to and control what appears in print, broadcast and online media” (Tench & Yeomans, 2017). Businesses today progressively turn to old and new methods of media relations to increase their competitiveness within the harsh globalized environment (Papasolomou, Vrontis, & Thrassou, 2014). Media relations also have the ability to create conversation between communities through the use of clever imagery, emotions and functionality. Nonetheless, it should be made aware that traditional media relations such as TV and Radio lack in quality as you cannot dictate who will be listening or watching, therefore it is unknown to whether it is hitting the correct audience and may not be very useful (Natarajan, Palaniappan, Natarajan, & Palanivel, 2006).

Magazine media has a positive effect on creating customers who stay with the brand even after one year of running the advertisement campaign and can create high brand awareness (Feng &



Park, 2015). Print media can be selective. The type of magazine in which to advertise in can be chosen and therefore can be directed straight to the target audience. Conclusively, this suggests that magazines create a comfortable learning environment for information to be absorbed, enabling emerging companies not only to cover a larger portion of their target audience but also for the information to be recognized and remembered.

Social media enables marketers to communicate with thousands of customers at any one time, magnifying the impact of customer communications at a low cost rate (Mangold & Faulds, 2009). The power of social media can positively effect brand awareness, word of mouth and purchase intentions vital for the launch of new organization. It will create knowledge surrounding the enjoyment of a healthy lifestyle. The use of social media is highly effective for attracting new customers at a vast quantity. Social media provides a platform for brand communities where brands can be discussed and information to be spread to a wider audience, with this in mind, attitudes towards the brand can be defined alongside the brand image (O'Keeffe & Clarke-Pearson, 2011). However, content that social media users share about a product cannot be controlled and therefore can create a negative Word of Mouth (WOM).

- **Events:**

High involvement events increase the positive attitudes towards a brand and can lead to purchase intentions. This is due to a higher extent to which they are susceptible, sensitive and vigilant towards the event stimuli of the experience itself. However, such events need to have strict management and one end goal, aligning all event members to ensure the correct message and brand image is being interpreted of product differentiation, as well as consumer preferences (Glover, Farris, Van Aken, & Doolen, 2011).

## **6.4 Place**

Miroslav Karliček (2013, p. 211) determines Place as the means of how the product is conveyed to the final customer. In order to make that transition from the producer to final consumer more efficient and effective it is essential to identify a suitable strategy (push or pull) and based on that strategy select the appropriate distribution channels (Kotler & Keller, 2016, pp. 515-516).

## 7 Financial plan

The financial plan is the most vital part of any business plan model. It is a quantitative representation of all the tangible (physical set up of the operations) and intangible (marketing strategies, market researches etc.) which have been established above, not to mention, it will serve as a decision point for potential lenders and investors either to invest in or decline your offer (Pinson, 2008, p.78; Berry 2004, pp. 18.1-19.2). A financial statement is recommended to be carried out by establishing the following financial documents:

- Start-up costs
- Cash Flow Statement
- Break-Even Analysis
- Balance sheet
- Income statement

### 7.1 Start-up costs

Initial cash requirements needed to cover all the expenses incurred before business launch. All the so called post-launch costs will be entered in the income statement.

*Figure 9: Initial start-up costs*

Facilities	Land purchase, building purchase, initial rent, deposits (security, utilities, etc.), improvements/remodelling
Equipment	Furniture, production machines/equipment, computers/software, cash registers, telephone/telecommunications, vehicles
Materials/supplies	Office supplies, stationery—business cards, brochures/pamphlets, other descriptive material
Fees and other costs	Licenses/permits, trade or professional memberships, attorneys, accountants, insurance, marketing/management consultants, design/technical consultants, advertising/promotional activities

*Source: Haag (2013, p. 26)*

## 7.2 Cash flow statement

The assessment of the cash inflows and cash outflows of the company are extremely important especially at the early stage of the business. During that stage businesses heavily rely on liquidity and solvency, and the availability or non-availability of cash and cash equivalents that the business needs for expenditure (Pinson, Anatomy of a Business Plan: The Step-by-Step Guide to Building Your Business and Securing Your Company's Future, 2008, p. 84). It is crucial to distinguish your sales with the actual amount of cash received (e.g. account receivables).

All cash flows are divided into three categories: cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

## 7.3 Break-Even Analysis

Break-even analysis identifies the point at which an organization's total revenue meets total costs. At break-even point a business does not make any profit or loss but this is a pivotal point at which your company will become profitable (Harvard Business Press, 2007, p. 84).

It also useful to calculate your (1) targeted profit i.e. how much products it is necessary to sell in order to gain a certain amount of profit, (2) price reducing i.e. minimum price it is necessary to sell your product or service in order to break even and (3) maximum of variable cost per unit (Macáková, 2010, pp. 96-99).

### *Mathematically*

$$\text{Break-even point} = \frac{\text{Fixed costs}}{\text{Revenue per unit} - \text{Variable cost per unit}} = \frac{\text{Fixed costs}}{\text{Contribution margin}}$$

$$TR=TC$$

$$Q \cdot P = FC + VC$$

$$Q \cdot P = FC + Q \cdot v$$

$$Q = FC / (P - v)$$

Targeted profit	$Q = [FC + NP_{\text{targeted}}] / [P - v]$
Price reducing	$P = v + [FC + NP_{\text{targeted}}] / Q$
Maximum of VC per unit	$v = P - [FC + NP_{\text{targeted}}] / Q$

**FC** – total fixed costs which do not change with the volume of production fluctuation (fixed overheads, sales and administrative expenses etc.)

**VC** – total variable costs which are dependent on the volume produced ( $P \cdot Q$ )

**v** – variable costs per unit of production (direct material consumption, direct labour etc.)

$NP$  – budgeted net profit

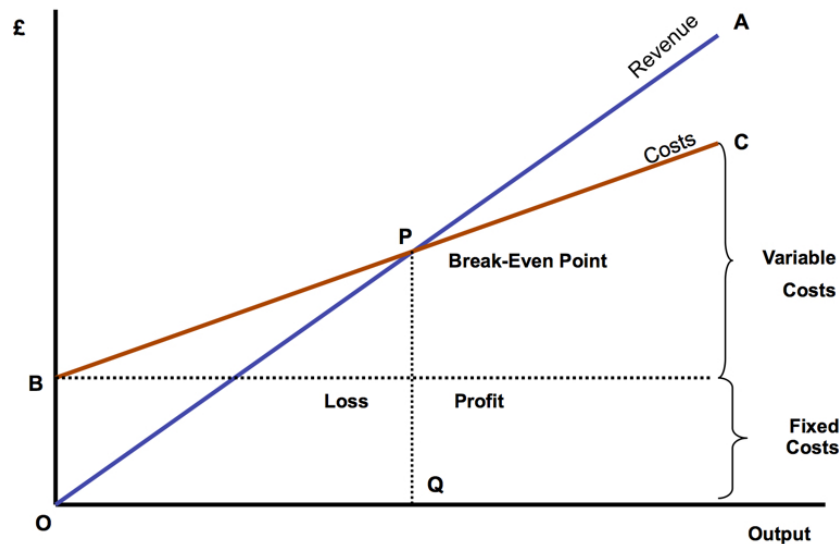
$NP_{\text{targeted}}$  – profit to be achieved

$(P-v)$  – contribution margin

(Drury, 2017, pp. 180-183)

### Graphically

Figure 10: Break-even chart



Source: Drury (2017)

## 7.4 Balance sheet

The statement of financial position is one of the most pivotal financial statements used by entrepreneurs. The balance sheet is a demonstrative representation of every position that your business owns and owes at a certain point in time (Pinson, 2008). All statements of financial positioning are broken down into three main categories: Assets, Equity and Liabilities where Assets must be equal to the sum of Equity and Liability.

## 7.5 Profit & loss statement

The income statement basically determines a company's budgeted profit during a particular period of time by matching all the revenues with inquired expenses (Pinson, 2008, p. 96).

# **Practical Part**

## **1 Executive summary**

Slices is an emerging company in a quick service restaurant sector which will be launched at the beginning of 2020 in Moscow. It will serve as a convenient and reliable source of healthy food in any situation consumers may find themselves in.

The restaurant will be located in Afimall City, one of the biggest shopping centres in Moscow, which in turn is located in the heart of Moscow International Business Centre.

## **2 Mission statement**

“We work hard every day to function as a reliable source of organic food, rich in vitamins beverages and to provide our customers with excellent services and an individual approach. Our goal is to help you realise the full potential of your body and to become a better version of yourself”

## **3 Vision statement**

“To become the world’s most loved, reliable, and healthy quick service restaurant chain.”

## **4 Mantra**

“Eat well. Feel well.”

## **5 Company analysis**

### **5.1 Product description**

Slices is a unique quick service restaurant chain for active people who care about their health and image. It offers to its customers both health-conscious options and speed at a very attractive price and serves as a great example that “fast” does not necessarily mean “bad”. The new concept of fast food and nutrition will allow people to eat tasty meals and perhaps more importantly healthy ones, even in the frantic pace of modern life.

The product alternatives provided by Slices will be divided into five main categories of: main dishes, salads, soups, smoothies and beverages which will consist of fresh and organic ingredients. Moreover, the menu will have special offers in the form of fit-menus that would satisfy sports oriented customers. Thus, for people who want to gain, lose or keep weight it will be offered different types of products in accordance to customers preferences and wants.

Furthermore, being located in the biggest business centre in the city Slices will serve as a reliable source of food for entire offices. A wide range of dishes and drinks made from natural ingredients will allow employees to eat various meals on a daily basis. Special eco-packaging preserves the freshness and taste of natural products for an average of 12 hours. For corporate orders it will be offered to sign a contract and provide lunch menus (main dish, soup and drink) to the company's cafeteria every working day of the week.

In terms of individual delivery, when ordering meals to the office, our customers will have the opportunity to develop individual lunch boxes for a week/fortnight/month so it could be delivered to the same customer at the same time every workday.

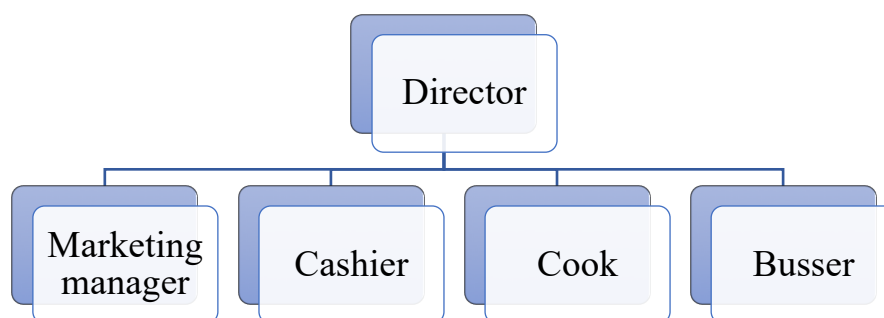
## 5.2 Legal structure

As a type of business entity the most appropriate for running our quick service restaurant would be Limited Liability Company (LLC) with the simplified taxation system. When starting professional commercial activities in the Russian Federation, legal entities can choose one of two options for the tax system: common or simplified. The simplified taxation system is an alternative to the common taxation system which is aimed at encouraging small and medium-sized businesses by adopting a VAT free and low corporate income tax rate (15%). There are several conditions that need to be fulfilled so the system could be applied. The overall number of employees must be lower than 100 and the total annual revenues must be lower than 150 million rubles (Federal'naya Nalogovaya Sluzhba, 2019). Slices will meet all the requirements.

## 5.3 Management

Considering the fact that Slices is an emerging company, it will have a flat organizational structure. That will help to lower operational costs since it will not be necessarily to hire low-level and mid-level managers. The saved money could be spent on other important aspects such as advertising and marketing.

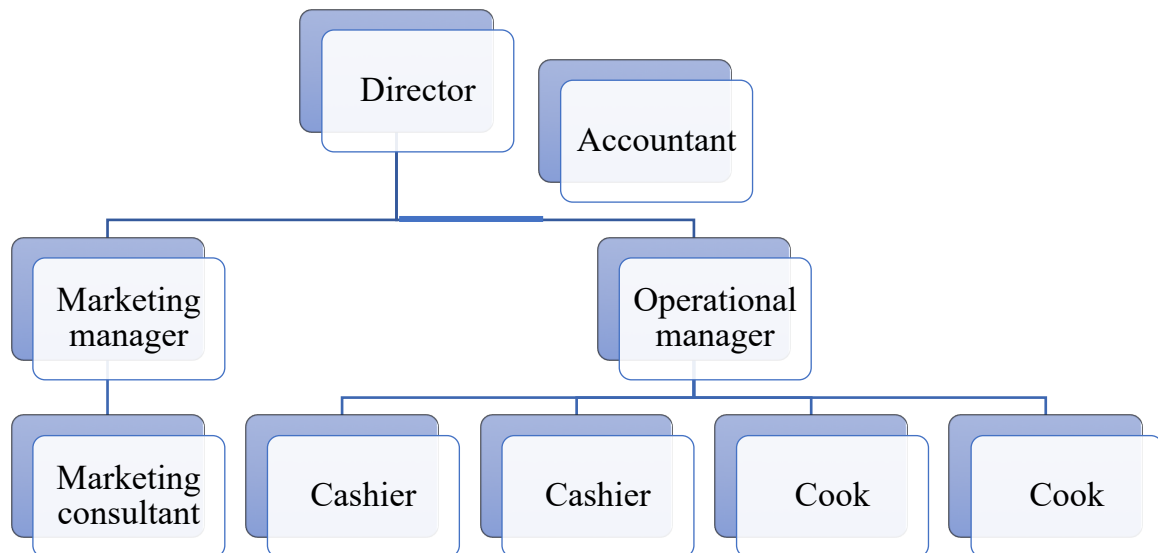
*Figure 11: Organizational Structure*



*Source: Author*

As for the future expansion I would recommend a hierarchical organizational structure in which all the employees will subordinate to a manager responsible for a particular area of the business. In that case all the responsibilities will be evenly distributed through the whole organizational structure and make the decision-making processes faster and easier.

*Figure 12: Organizational Structure*



*Source: Author*

## 5.4 Personnel

In order to ensure effective and efficient operation of our restaurant it is essential to clearly distribute duties and responsibilities among employees. The initial group of employees will consist of six people: the director, marketing manager, two cashiers/baristas and two cooks.

The director of the company will be responsible for the overall development of the business, creating a comprehensive competitive strategy, negotiation with suppliers and other parties involved, managing employees, recruiting and dealing with all accounting and legal necessities.

Marketing manager's duties were identified as follows: maintenance of website, creating a blog content, organize social network pages and manage all of the promotional activities.

Among bussers responsibilities will be maintaining cleanliness, clean tables, taking trays, take out the garbage, reset tables for the next service and close distance deliveries to the office buildings.

Cashiers/baristas will be responsible for taking the orders and delivering them to the tables. They will be the only employees who interacting with the customers. Customers have to always feel welcomed and experiencing only friendly atmosphere.

Based on the information received from the secondary researches the following table has been prepared. All the estimations considering monthly payments was based on the information provided by one of the most popular recruitment portals (Rabota.ru, 2019). Since wages and salaries of the Moscow region are quite different than in the rest of the Russian Federation, all the information provided in the table is related to the Moscow region only.

Furthermore, in order to calculate the real amount of money the company would have to spend on the employees it is important to include insurance premium taxes (Kontur, 2019). Thus, an employer is required to pay:

- Compulsory pension insurance (22%)
- Compulsory social insurance (2,9%)
- Compulsory medical insurance (5,1%)

*Table 7: Employees' Salaries*

<b>Position</b>	<b>Salary (RUB)</b>	<b>Number of employees</b>	<b>Total costs (RUB)</b> (Salary + Insurance premium)
Director	90 000	1	117 000
Marketing manager	50 000	1	65 000
Cashier	35 000	1	45 500
Busser	35 000	1	45 500
Cook	37 000	1	48 100
<b>Total</b>	<b>334 000</b>	<b>5</b>	<b>321 100</b>

*Source: Author*



## 5.5 SWOT analysis

Table 8: SWOT Matrix

<b><i>Strengths</i></b>	<b><i>Weaknesses</i></b>
<ul style="list-style-type: none"><li>• The uniqueness of offer</li><li>• Food quality</li><li>• Favourable prices for all budgets</li><li>• Superior location</li><li>• Public transport accessibility and car parking</li><li>• Strong communicational mix</li></ul>	<ul style="list-style-type: none"><li>• The product is easily imitated</li><li>• Fierce competition</li><li>• Lack of brand awareness</li><li>• High employee turnover in the industry</li></ul>
<b><i>Opportunities</i></b>	<b><i>Threats</i></b>
<ul style="list-style-type: none"><li>• Increasing number of health-conscious consumers</li><li>• Opportunity to franchise</li><li>• Healthy lifestyle trends</li><li>• High overall supply and large number of suppliers on the market</li></ul>	<ul style="list-style-type: none"><li>• Low international stability</li><li>• Increasing number and quality of substitute products</li><li>• Competitive retaliation</li><li>• Low switching costs</li></ul>

Source: Author

## 5.6 Lean canvas

Figure 13: Lean Canvas

<b>Problems:</b>  1. Lack of brand awareness	<b>Solutions:</b>  1. Special offers and discounts 2. Strong marketing promotions 3. Loyalty programs 4. Superior location	<b>Unique value propositions:</b>  1. Completely natural and healthy food 2. Good value for money	<b>Unfair Advantage:</b>  1. Consultation in the store 2. Discount cards for regular customers 3. Wide variety of healthy alternatives	<b>Customer segment:</b>  1. Affimall visitors 2. Office workers 3. Healthy food lovers 4. Sport engaged people with the membership in the nearby area
	<b>Key metrics:</b>  1. Reviews on the website 2. Analyse volume of sale 3. Control leads and customer retention rates		<b>Channels:</b>  1. Restaurant 2. Online Delivery	
<b>Cost structure:</b>  Initial iinvestments 1 693 036 RUB		<b>Revenue streams:</b>  1. Direct sales at the restaurant 2. Delivery to the office buildings		

Source: Author

## **6 Market analysis**

### **6.1 PESTLE**

#### **6.1.1 Political factors**

The Russian Federation is a federal semi-presidential republic, whose legal structure is based on the Constitution of the Russian Federation and the federal constitutional law. From the internal perspective, the political situation of the country, with Vladimir Putin being a president for 18 years, is relatively stable.

In terms of relationships with other countries, the development of the food industry is in a relatively difficult condition. That was mainly caused by the EU sanctions against the Russian Federation when the country lost many suppliers of raw materials, cattle feed and equipment for the food industry overnight.

As a result of the international political conflict and its economic downturn, many small and medium-sized catering establishments were forced to change their menus and began to cooperate only with domestic suppliers. Since imported products used in food production were cheaper than its domestic alternatives, the ban for some of them led to the increase in costs associated with production, which in turn, increased prices and decreased revenues of the restaurant industry companies. Moreover, the fact of the mass closure of catering establishments was noted (Bordunova, 2016).

#### **6.1.2 Economic factors**

The economic factors are the most crucial factors of the PESTLE model. The food and beverages industry are strongly affected by any major changes in the economy, as the purchasing power, product and service consumption rates, consumer price indexes (CPI), and the fluctuations of capital inflow entirely depend on the economic stability of the country.

- **Growth rate**

Due to the collapse of the Russian ruble, the decline in prices of oil, staggering capital flight and Western trade sanctions against Russia between the years of 2015-2016 the Russian economy was performing in negative values, but since 2017 the economic situation of the country more or less stabilized and returned to steady and modest growth. According to IMF (2018), the economic

growth of 1.7% GDP was mainly caused by the increase in disposable income, effective policy response of authorities and the increase in oil prices.

- **Inflation**

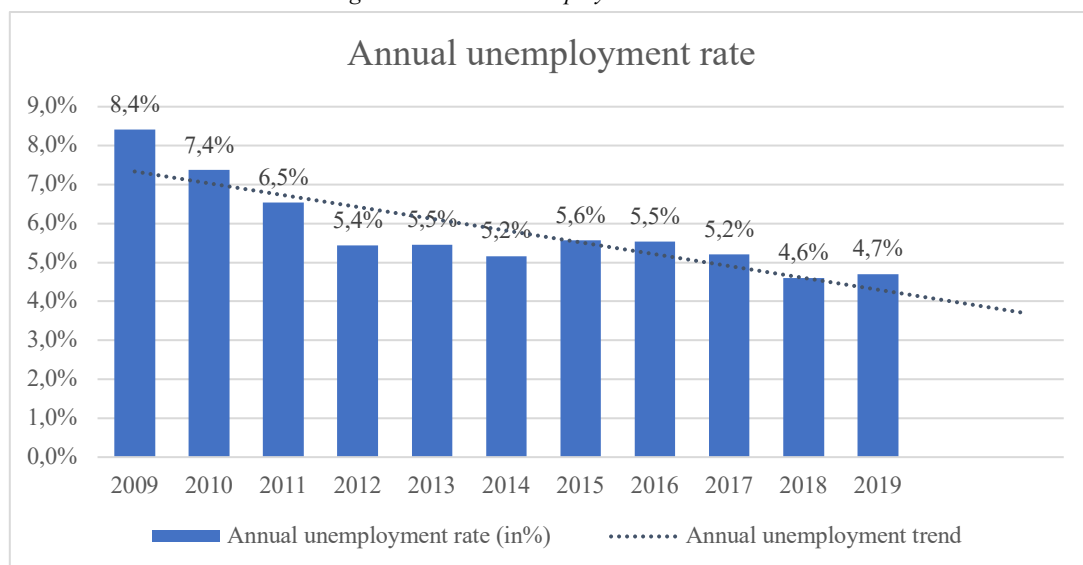
Between 2014 and 2016 The Russian Federation experienced the highest level of inflation (including food inflation) in the past 10 years. From 2016 Russia's consumer price inflation decreased from 7.1% to 2.8% in 2018 but bounced back to 5.3% in 2019. According to Trading Economics macro global models and analysts' expectations, the inflation rate is expected to decrease down to 4.6% by the end of 2019. In the long-term, with the regard to the following year, Russian inflation rates are most likely to be around 3.9% by the end of 2020 (Trading Economics, 2019).

- **Labour market**

Due to the fact that unemployment directly affects customers' purchasing power and spendings, unemployment rate is one of the most essential aspects of our economic situation analysis.

In September 2018, the absolute figures of people in long-term employment increased by 200 000 compared previous 73 million. High numbers of employed people, in combination with a steady decrease in the working-age population, caused a further decline in the unemployment rate. The Russian unemployment rate fell to 4.6 percent in the third quarter of 2018 (The World Bank, 2018).

Figure 14: Annual unemployment rate



Source: Trading Economics (2018)

As we can see on the chart, since 2009 the unemployment rate of The Russian Federation has been falling constantly. That factor would be considered as an absolute advantage for our restaurant.

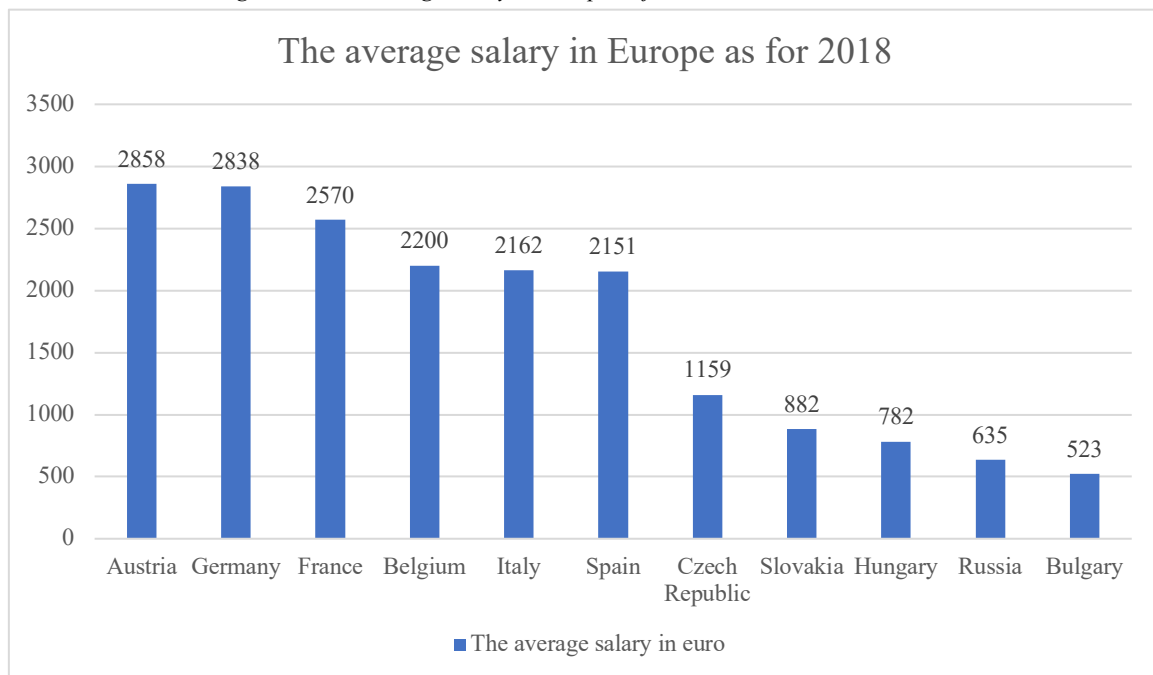
### 6.1.3 Social factors

- **Income**

In the Economic section of our PESTLE analysis we identified the main trends and condition of The Russian Federation's economy. From now on, we will consider the effects of such conditions on the country's population. The socio-cultural factors encompass characteristics ranging from consumer attitudes towards product quality and purchasing habits to population size, life expectancy and the purchasing power of buyers.

Due to the low inflation rate real wages continued to grow. In the year 2018 the real salary growth reached 7.6%, compared to the same period of 2017. Thus, the average monthly earnings reached 45 030 RUB/month at the peak (Rosstat, 2018). Despite the decreasing numbers, the average salary of the Russian population is one of the weakest among European countries.

Figure 15: The average salary in Europe as for 2018



Source: Rosstat (2018)

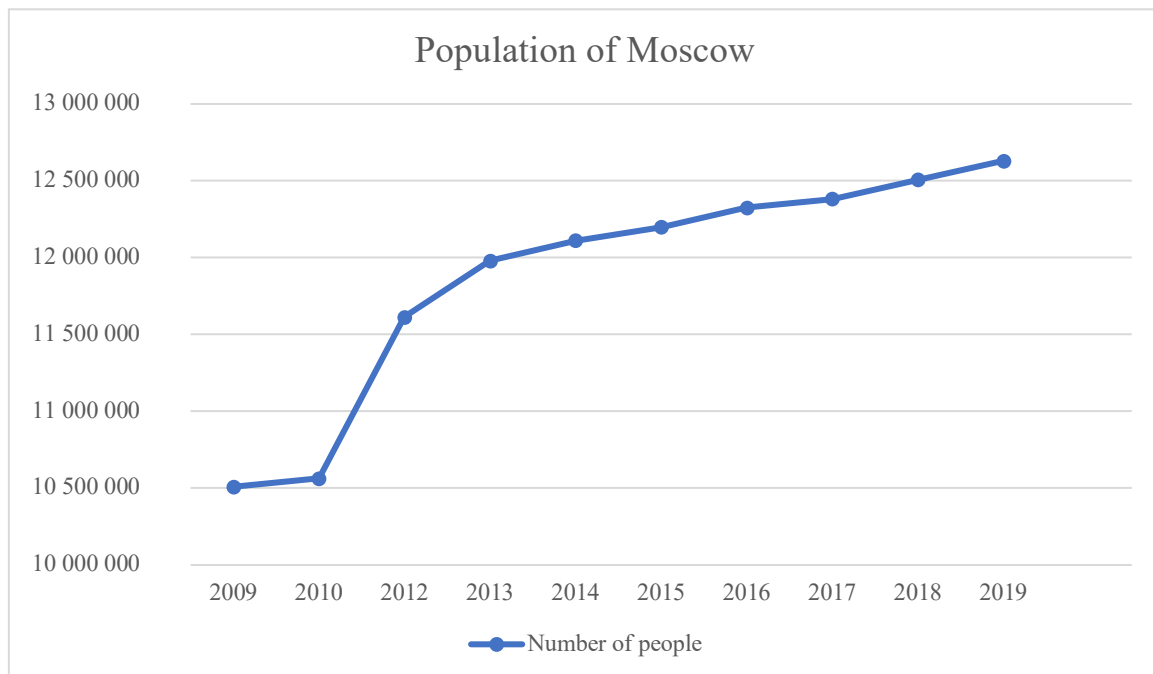
The fact that the Russian population has a relatively low income does not necessarily have to be considered as a disadvantage, rather it serves as an indicator for price setting.

Furthermore, since the company is planned to be launched in Moscow, it is essential to consider the fact that salaries of the Moscow region are significantly higher than the rest of the country. According to Rosstat (2019), the average salary in Moscow in the year 2018 was calculated as 80 881 RUB/month which is twice as much as other regions.

- **Population**

As you can see on the graph, the population of Moscow is continuing to grow. This growth, alongside the increasing salaries, provides a good opportunity for our restaurant because a greater population means a greater number of potential customers. The growth is mainly affected by such factors as urbanization, migration and expansion of the city's borders.

*Figure 16: Population of Moscow*



*Source: Trading Economics (2018)*

- **Healthy patterns of eating**

According to the research data prepared by INFOLine (2018) specialists, one of the key trends Russian food market is experiencing is the public desire for healthy nutrition. For some people, this trend is associated with the desire to be healthy and beautiful, for others, it is a way to save money, because the quality of food directly affects the health of the consumer, and, consequently, his expenses for treatment or disability in future.

The number of Russians involved in sports increased from 38% in 2006 to 60% in 2018. At the same time, in 2018, the number of people sticking to their diet reached the highest it has ever

been: 7% follow a diet recommended by a doctor, 12% choose their own diet, 41% of the population generally try to eat healthy food (INFOLine, 2018).

#### **6.1.4 Technological factors**

The technological developments are an essential aspect of all contemporary businesses. They create more opportunities for business development and growth, moreover, the entire marketing and product mix structure depends on the access people have to technological improvements or the developments a company uses itself.

The Russian market of telecommunications is considered to be the largest in Europe, supported by more than 144 million inhabitants of the country. The telecommunication segment is not an exception and it is mainly dominated by western regions where the major cities and economic centres are concentrated. All sectors are relatively liberalized, although, there is a threat of governmental restrictions in favour of localized internet.

According to Russian Search Marketing (2019), the overall share of internet users formed 76% of the whole population in 2019. The number is constantly growing and the prices for internet connection are falling. That is why, one of the most standardized aspects of any corporation in the restaurant industry nowadays is their ability to provide all their customers with complimentary Wi-Fi, regardless of the location. A notable technological advancement is the ability of quick service restaurants to install self-ordering services, pre-ordering applications and make use of delivery. Self-ordering kiosks allow consumers to place their orders without talking to an employee which, in turn, saves the corporation employment costs by reducing the costs connected to salaries and staff trainings. Pre-ordering apps is a service that enables customers to make an order and pay for it in advance using an application on their cell phones. This is not only a solution for time saving customers, who simply do not want to waste time in a queue, but also works as a marketing solution where restaurants can place their new offerings and commercials. This service has recently been implemented by Starbucks and may be useful for our restaurant as well. Finally, technological developments are relevant to the restaurant with the recent popularity of food delivery apps. These apps include but are not limited to Uber Eats, Yandex food and Delivery club. The new developments have not aided or hurt the restaurant industry yet, but rather changed the structure of it altogether.

#### **6.1.5 Environmental factors**

Concerns over environmental wellness are becoming more and more popular nowadays. People tend to be more selective in their purchasing processes and pay extra attention to the material used

in production of the goods they consume. The demand for healthy food is significantly increasing not only from the consumers' perspective, but also due to the increase in health regulations maintained by the Russian government. That, in turn, leads to the increase in popularity of organic and environmentally friendly products.

#### **6.1.6 Legal factors**

According to the latest annual ratings of the World Bank (2019), the Russian Federation achieved an overall ease of doing business score of 77.37 and is ranked 31 among 190 countries. During the previous year the position of Russia improved from 35<sup>th</sup> place in 2018 to 31<sup>st</sup> place in 2019. In other terms, the Russian business regulatory environment has become clearer and more conducive of establishing and the operation of the company. The development was mainly caused by such factors as reducing the time needed to obtain building permits, reducing the time needed for getting electricity, making trading across borders more convenient and allowing higher tax depreciation rate for fixed assets.

With regard to Moscow, in 2012 it was considered to be the most complex city in terms of doing business. This tendency was mainly caused by the costs and time associated with construction permits obtaining (Subnational Doing Business, 2012). In the year 2019 the situation has changed, and Moscow has entered the list of top 10 Russian cities with the most favourable conditions for conducting business (World Bank Group, 2019).

Furthermore, in order to expand the scale of activities of small and medium-sized enterprises (SME), increase their contribution into Russian overall economy and ensure social stability, the government implemented a systematic and comprehensive approach of how to support SME's at federal, regional and municipal levels (Zhelezovskaya & Polyakova, 2017, p. 92). The major responsibilities of state and local governments include the coordination of performance of various structures in the SME area, development of small and medium-sized businesses, promotion, analysis and evaluation of development programs in a particular industry, and development of recommendations for attracting foreign investment.

All mechanisms of the state support of small and medium-sized businesses:

- Legal regulatory mechanisms
- Mechanisms of financial support (simplified and patented tax systems, governmental subsidiaries, low interest loans etc. )



- Mechanisms of governmental property support (governmental property is transferred to SME for time limited use or permanent possession on paid or free of charge basis)
- Mechanisms of infrastructure solution services (ISS)

(Levchenko & Epanchincev, 2018)

## 6.2 Trends

A healthy lifestyle has become a global trend, the scale of which is determined by a whole complex of social, environmental and many other factors. More and more customers choose products without harmful food additives, GMO's or trans fatty acids isomers. The dynamics of consumer preferences have an impact on the development of the food industry; therefore the want for healthy food products is gaining momentum. This trend is most clearly seen in the example of developed countries, where the promotion of a healthy lifestyle and proper nutrition is supported by the government. In Russia, the formation of a healthy lifestyle policy also occurs at the state level, as evidenced by the implementation of the strategy "Development of Healthy Lifestyles and Prevention of NCD in the Russian Federation". The project, which oversees the Ministry of Health of the Russian Federation, will implement the program-targeted method of healing the nation. A special place in the program is given to recommendations for a healthy diet. Among other things, it was noted that it is necessary to displace products with an excessive content of saturated fats and trans-isomers of fatty acids from the market. They can be replaced by products with a mixed fat composition, which can be enriched with vitamins, phytosterols and biologically active additives. The benefits of products in this category are confirmed by the international and Russian scientific communities (Ingredients.pro, 2018).

## 6.3 Porter's five forces analysis

Now that the PESTEL analysis has been conducted the focus can be shifted toward the micro environments. For this analysis, the focus will be on the current position of the fast food industry in the Russian Federation. In turn, this will aid in the discovery of the strengths and weaknesses within the industry, forming a better understanding of the potential strategic measures Slices can or should take. To start with, it is important to note that the fast-food industry in Russia can be categorized as a non-cyclical industry. This is because during periods of economic downturn, the industry tends to thrive since convenience and low prices allow consumers to save money and time.

### 6.3.1 Threat of new entrants (moderate force)

Scale	Low	Moderate	High
Level of investment		✓	
Costs of running business		✓	
Economies of scale			✓
Switching costs	✓		
Cost disadvantage		✓	
Government regulations			✓
Expected retaliation			

1. The level of initial investments needed to open a restaurant is moderate to low compared to other businesses, making it relatively easy for new entrants to enter the market industry.
2. The moderate fixed and variable costs associated with running a business may pose a financial challenge for newcomers.
3. New entrants do not have a strong positive brand awareness or a high sales volume to benefit from economies of scale.
4. Customers face low switching costs within the fast food industry. In other terms, it is relatively easy for customers to transfer from one restaurant to another. However, this positive factor is offset by the high cost of brand development. Even if the switching costs of consumers are low, consumers tend to be brand loyal in the fast food sector. This means that consumers are more likely to stick to the brand they know rather than trying a new one.
5. Newcomers face a considerable level of cost disadvantage since they are not able to benefit from supply-sided economies of scale.
6. The restaurant industry is one of the most regulated industries in Russia, especially, in Moscow.
7. Companies continually monitor products of their competition and create their own products. It is extremely hard to compete as a new entrant because of the cash flow large companies can spend on research and development, and marketing.

### 6.3.2 Negotiation power of suppliers (Low force)

Scale	Low	Moderate	High
Number of suppliers			✓
Switching costs	✓		
Overall supply			✓
Uniqueness of the supplied product	✓		
Forward vertical integration		✓	

1. The food segment of the Russian Federation is in a state of favourable condition nowadays. There are plenty of suppliers that can provides restaurants with all the ingredients needed for production.
2. Due to the high numbers of suppliers and low product differentiation they provide, the switching costs are relatively low.
3. There is an abundance of raw materials and ingredients overall to supply the fast food sector.
4. The majority of suppliers of the industry have low forward integration, which corresponds to their level of control over the distribution and sale of their products to large restaurant chains.

### 6.3.3 Negotiation power of buyers (Low force)

Scale	Low	Moderate	High
Switching costs	✓		
Substitute availability			✓
Customer awareness about other sources of the similar product or service			✓
Level of product differentiation	✓		

1. Customers can easily decide to go to another restaurant if they dislike something about one they initially preferred.
2. The bargaining power of customers is further strengthened by the wide variety of substitutes which are easily available. For example, microwaveable meals are arguably even more convenient for consumers than leaving their house to stop at their local restaurant.
3. Nowadays, with the help of the internet and other informational sources it is very simple to find new catering places.
4. As a rule, quick service restaurants offer the same or similar range of products.

#### 6.3.4 The threat of substitutes (Strong force)

Scale	Low	Moderate	High
Switching costs	✓		
Substitute availability			✓
Satisfactory performance of substitute			✓

1. Due to the low switching costs consumers can easily transfer from restaurant to substitutes
2. As I mentioned above, there are lots of substitutes on the market. Beginning with microwave meals and protein bars and culminating in home cooking.
3. The majority of these substitutes are satisfactory in terms of taste, cost and quality.

#### 6.3.5 Competitive rivalry (Strong force)

Scale	Low	Moderate	High
Switching costs	✓		
Number and size of competitors			✓
Level of product differentiation	✓		
Fixed costs		✓	
Exit barriers		✓	

1. In terms of quick service restaurants, the switching costs are extremely low, which correspond to consumers' ease in transferring from one firm to another.
2. The corporations within the industry are not only numerous, but also large. This can be partially attributed to the high brand loyalty of consumers towards fast food restaurants, thus smaller firms end up either expanding or pulling out of the industry altogether.
3. There is a high aggressiveness of firms within fast food industry. This means that the large and numerous corporations' market their products aggressively and are flexible to react to any changes in price or variety that their competitors may employ. This makes it difficult for companies to differentiate themselves since each player in the industry is highly reliant on each other and willing to imitate any changes almost immediately.
4. The exit barriers for a fast food company depends on its size and performance. Thus, if the restaurant initially acquired high amount of investments and serves as an employer to a large number of people, it would be relatively complicated, more importantly costly, to leave the market. In terms of small business with a few people on board, the exit procedure would be easier.

### 6.3.6 Stakeholder analysis

For a successful launch of Slices all stakeholders must be considered in order to manage potential conflict, understand their key focuses and adopt plans depending on the stakeholder (Rawlins B. , 2006). Table 9 demonstrates the primary, secondary and key stakeholders.

*Table 9: Primary, secondary and key stakeholders*

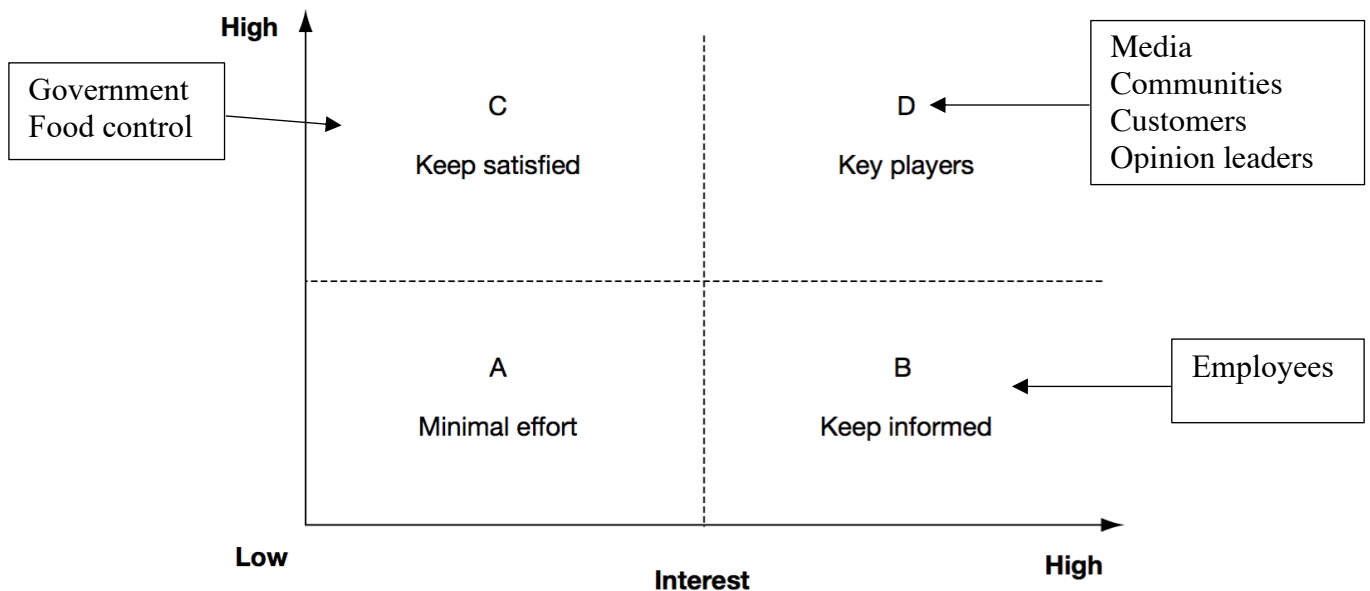
<b>Primary stakeholders</b>	<b>Secondary stakeholders</b>	<b>Key stakeholders</b>
Employees	Government	Customers
Suppliers	Media	Media
Competitors	Opinion leaders	Opinion leaders
Customers	Special interest groups	Local communities
Investors	Food regulatory agencies	

*Source: Author*

Furthermore, Mendelow's Power and Interest matrix helps to identify key player positioning as each stakeholder group will inevitably be different (Freeman, 2007). For the launch Figure 14 identifies the high power and high interest players in order for the strategies within the plan to be successfully communicated. The stakeholder group most critical for the launch of Slices

are the socio-cultural players consisting of local communities, media, customers and opinion leaders. These key players will help to magnify and increase awareness of the product.

Figure 17: Power/interest matrix



Source: Author

## 6.4 Competitors

The competition within the fast food industry, as well as in restaurant industry in general, is extremely vast and varied. There are more than 7000 restaurants around the whole city and 103 restaurants within the Moscow-City complex (Afisha, 2019). In order to properly identified and prioritize all competitors within the industry according to the similarity of the services they provide compared to Slices, it would be necessary to divide all of the potential competitors into three main groups: direct, indirect and others. In terms of our direct competitors, I selected catering establishments that are located nearby our establishment, predominantly in the shopping centre Afimall City, and will share two main features: quick service and a healthy menu.

All of the indirect competitors will be situated nearby and will have only one of two features mentioned above. As a third group I determined all the other restaurants around the city that are aimed at satisfying the same customer needs as us regarding food consumption and leisure time spent.

Thus, McDonalds, which is located in Afimall City, for instance, will be considered as our indirect competitor since it only provides its customers with a quick service but, as perceived by customers, relatively unhealthy meal options. It is also important to point out that the majority of

quick service restaurants that provides its customers with healthier product alternatives are usually Uzbek, Turkish and other regional cuisines which are quite specific and perceived by customers as a sort of entertainment rather than an everyday source of food (Restoclub, 2019). The table below represents direct and indirect competitors of Slices and the main information that needs to be considered during the process of price, service offered and marketing strategy setting.

Table 10: Competition benchmarking

Company and Distance	Overall market presence (№ of places)	Average check size	Services	Menu options	Years on the market	Marketing channels
<b>Slices</b>	-	800 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> <li>• Delivery</li> <li>• Catering</li> <li>• Wi-fi</li> </ul>	<ul style="list-style-type: none"> <li>• European cuisine</li> <li>• Vegetarian</li> <li>• Fit-menu</li> <li>• Business lunch</li> <li>• Smoothies</li> <li>• Packed meals</li> </ul>	-	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Web-cite</li> <li>• VKontakte</li> <li>• Magazines</li> </ul>
<b>Direct competitors</b>						
Prime (120 meters)	99	850 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> <li>• Delivery</li> <li>• Wi-fi</li> </ul>	<ul style="list-style-type: none"> <li>• European cuisine</li> <li>• Vegetarian</li> <li>• Smoothies</li> </ul>	10 years	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Web-cite</li> <li>• VKontakte</li> <li>• YouTube</li> </ul>
Ploft (25 meters)	1	750 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> </ul>	<ul style="list-style-type: none"> <li>• Uzbek cuisine</li> </ul>	2 years	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Facebook</li> </ul>
Bowler Fresh Bar (45 meters)	1	600 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> <li>• Delivery</li> </ul>	<ul style="list-style-type: none"> <li>• European cuisine</li> <li>• Street food</li> <li>• Vegetarian</li> </ul>	1 year	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Web-cite</li> </ul>
Misha Fisher (200 meters)	1	550 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> </ul>	<ul style="list-style-type: none"> <li>• Street food</li> <li>• Vegetarian</li> </ul>	1 year	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Facebook</li> </ul>

						<ul style="list-style-type: none"> <li>• VKontakte</li> </ul>
<b>Indirect competitors</b>						
Jaffa (300 meters)	1	1300 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> <li>• Wi-fi</li> <li>• Catering</li> <li>• Delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Jewish cuisine</li> </ul>	2 years	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Facebook</li> <li>• Web-cite</li> <li>• Twitter</li> </ul>
McDonalds (0 meters)	263	350 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> <li>• Delivery</li> <li>• McAuto</li> <li>• McCafé</li> <li>• Wi-fi</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional McDonad's menu</li> <li>• Small variety of healthy alternatives</li> </ul>	29 years	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Facebook</li> <li>• VKontakte</li> <li>• Web-cite</li> <li>• Twitter</li> <li>• YouTube</li> </ul>
KFC (0 meters)	141	400 RUB	<ul style="list-style-type: none"> <li>• Credit card machine</li> <li>• Delivery</li> <li>• Wifi</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional McDonad's menu</li> <li>• Small variety of healthy alternatives</li> </ul>	18 years	<ul style="list-style-type: none"> <li>• Instagram</li> <li>• Facebook</li> <li>• VKontakte</li> <li>• Web-cite</li> <li>• Twitter</li> <li>• YouTube</li> </ul>

*Source: Author*

**Prime** will be considered as our main competitor in the industry. Belonging to the Novikov group, one of the largest restaurant groups in the city, it has a strong brand awareness, position on the market and financial support. It offers a relatively similar range of products and services as Slices and already has loyal customers.

As can be seen from the table, despite the fact that all of restaurants are located in the largest business complex in Moscow, none of them offer to its customers a lunch menu discounts or special offers. Office delivery and pre-order services will also be an advantage other our competitors.



## 7 Customer analysis

### 7.1 Segmentation and targeting

Table 11: Segmentation and targeting

Type of segmentation	Segmentation criteria	Target segment		
Geographic	City	Moscow	Moscow	Moscow
	District	Moscow-City business complex	Whole city	People who live near by
Demographic	Age	Middle-aged adults (ages 35-55 years)	<ul style="list-style-type: none"> <li>Youngsters</li> <li>Young adults</li> <li>Middle-aged adults (ages 13-55 years)</li> </ul>	<ul style="list-style-type: none"> <li>Young adults (ages 18-35 years)</li> </ul>
	Gender	Males & Females	Males & Females	Predominantly females
	Family structure	<ul style="list-style-type: none"> <li>Singles</li> <li>Newly-married couples</li> <li>Nuclear &amp; extended families</li> </ul>	<ul style="list-style-type: none"> <li>Singles</li> <li>Newly-married couples</li> <li>Nuclear &amp; extended families</li> </ul>	<ul style="list-style-type: none"> <li>Singles</li> <li>Newly-married couples</li> </ul>
	Social class	<ul style="list-style-type: none"> <li>Middle class</li> <li>Upper-middle class</li> </ul>	<ul style="list-style-type: none"> <li>Middle class</li> <li>Upper-middle class</li> </ul>	<ul style="list-style-type: none"> <li>Upper-middle class</li> </ul>
	Occupation	<ul style="list-style-type: none"> <li>Professionals</li> <li>Managers</li> </ul>	<ul style="list-style-type: none"> <li>Stay-at-home mothers</li> <li>Professionals</li> <li>Managers</li> </ul>	<ul style="list-style-type: none"> <li>Students</li> <li>Young professionals</li> </ul>
	Size	<ul style="list-style-type: none"> <li>More than 55 thousand people work in Moscow-City complex</li> </ul>	<ul style="list-style-type: none"> <li>Traffic of Afimall City is more than 100 thousand people on a weekday</li> </ul>	<ul style="list-style-type: none"> <li>There are five gyms and one Yoga studio within the range of 2 kilometres having 600-800 members each.</li> </ul>

Psychographic		<ul style="list-style-type: none"> <li>• Positive attitude towards fitness &amp; sports</li> <li>• Positive attitude towards healthy eating</li> <li>• Healthy lifestyle in general</li> </ul>	<ul style="list-style-type: none"> <li>• Positive attitude towards healthy eating</li> <li>• Parents of youngsters who want their children to eat healthier</li> <li>• People who spend their leisure time at the Afimall shopping centre</li> </ul>	<ul style="list-style-type: none"> <li>• Positive attitude towards fitness &amp; sports</li> <li>• Positive attitude towards healthy eating</li> <li>• Healthy lifestyle in general</li> </ul>
Behavioural	Benefits sought	<ul style="list-style-type: none"> <li>• Health</li> <li>• Convenience</li> <li>• Alternative for restaurants</li> </ul>	<ul style="list-style-type: none"> <li>• Health</li> <li>• Convenience</li> <li>• Alternative for McDonalds</li> </ul>	<ul style="list-style-type: none"> <li>• Health</li> <li>• Convenience</li> <li>• Sense of achievement &amp; belonging</li> <li>• Self-expression</li> </ul>
	Occasions	<ul style="list-style-type: none"> <li>• After work</li> <li>• During a day</li> <li>• After the gym</li> <li>• Lunch break</li> </ul>	<ul style="list-style-type: none"> <li>• Every weekend</li> </ul>	<ul style="list-style-type: none"> <li>• Twice-three times a week</li> </ul>

*Source: Author*

Based on general segmentation I identified three main target groups:

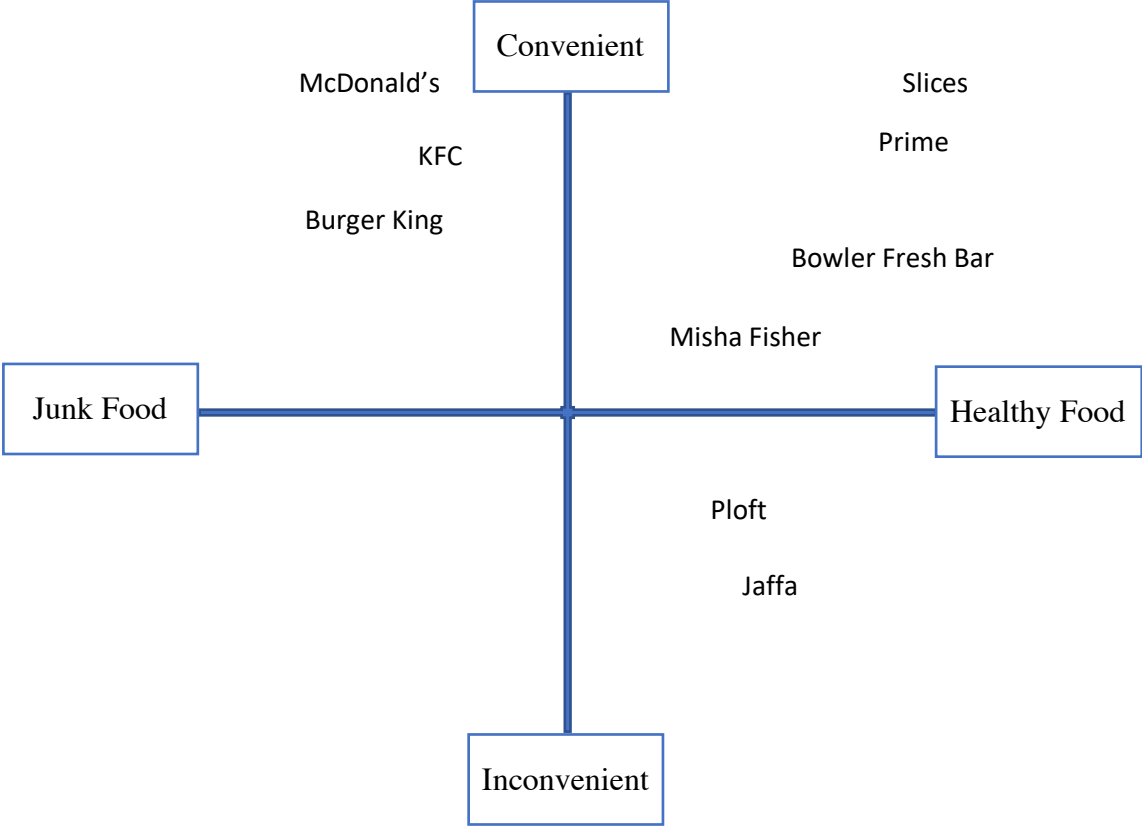
1. Moscow citizens of all ages, who simply go to Afimall City shopping centre in order to spend their leisure time.
2. People who work in Moscow-City complex and do not have enough time or desire to cook at home.
3. People who leave nearby and have a membership in one of the gyms in the area, health conscious and enjoy following new trends.

## 7.2 Positioning

Figure below represents perceived brand positions of our brand with respect to competitors' brands. As I already mentioned, I wish to position Slices as the most reliable and

convenient source of healthy food alternatives offered on the market. The uniqueness of our offer lies in the fact, that Slices will guarantee the freshness of its meal's wide variety of product alternatives. By convenience I take into account factors such as: average ordering time, delivery options, Wi-fi connection, ability to pay by card etc.

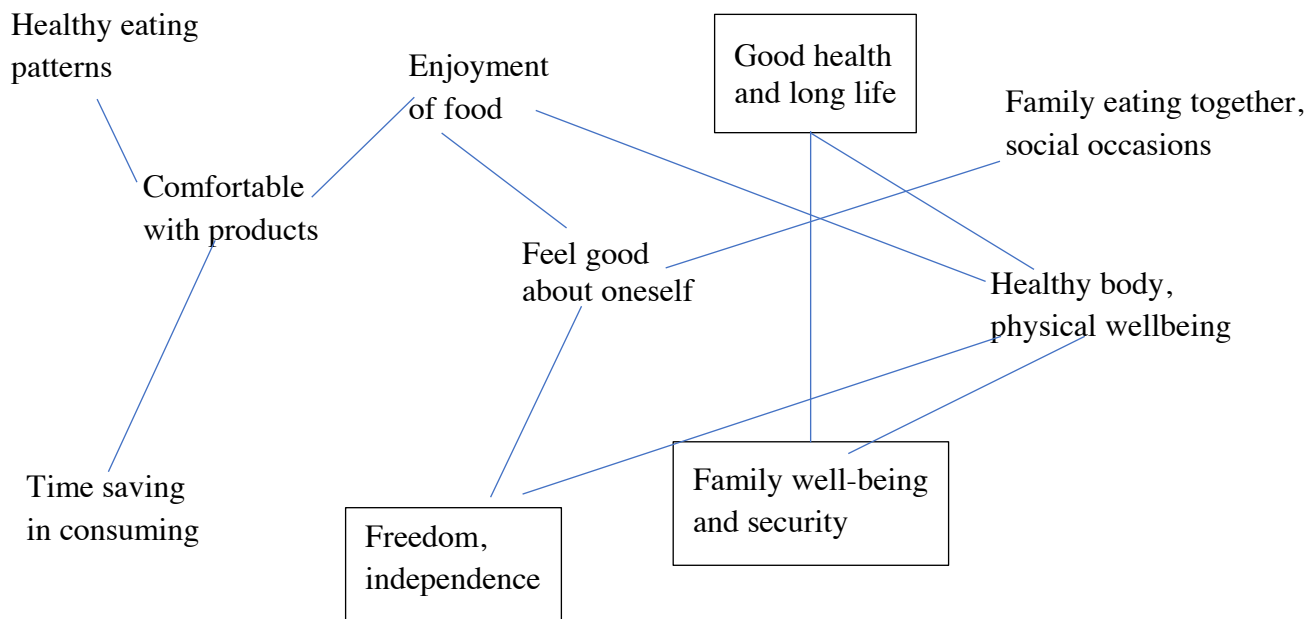
Figure 18: Perceptual Map



Source: Author

Furthermore, assuming that every purchase is made in order to achieve value related goals, products are considered as the means to an end. With the help of the laddering approach, I constructed the hierarchical value map for our restaurant. Thus, when purchasing our product, customers do not just buy the food, they buy health, family well-being and long and happy life.

Figure 19: Hierarchical value map



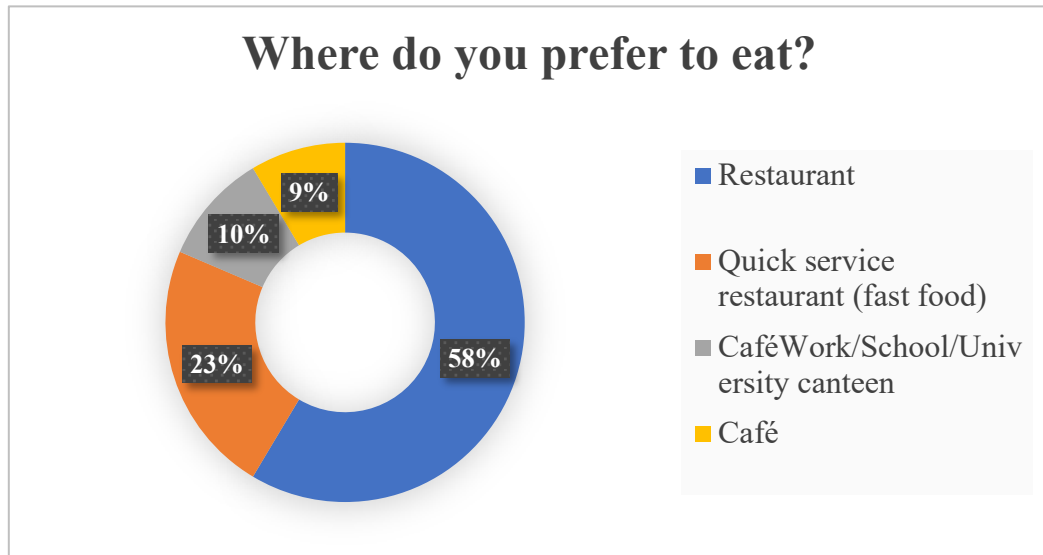
Source: Author

### 7.3 Consumer insights

One of the most difficult questions to be answered is to identify what exactly our customers want. In order to collect the information regarding our potential customers preferences an online survey in the form of questionnaire was conducted. The questionnaire was mainly distributed through social media to a relatively large audience including people far beyond our target audiences, so in order to get relevant and useful information the final survey provided in this bachelor thesis was limited. Thus, people who live anywhere outside Moscow were not considered in the final valuation. In total the sample size consisted of 103 participants who are, predominantly, health-conscious young adults ranging from 18-35 years-old.

Based on the survey it may be assumed, that the majority of our target audience (58%), in case they eat out, prefer to spend their time at fast food restaurants. The main reason of that choice is that fast food restaurants, as we can see from their name, serve as a fast, known and reliable source of food in any situation consumers may find themselves in. This may be related to the rush lifestyle of big city and constant lack of time.

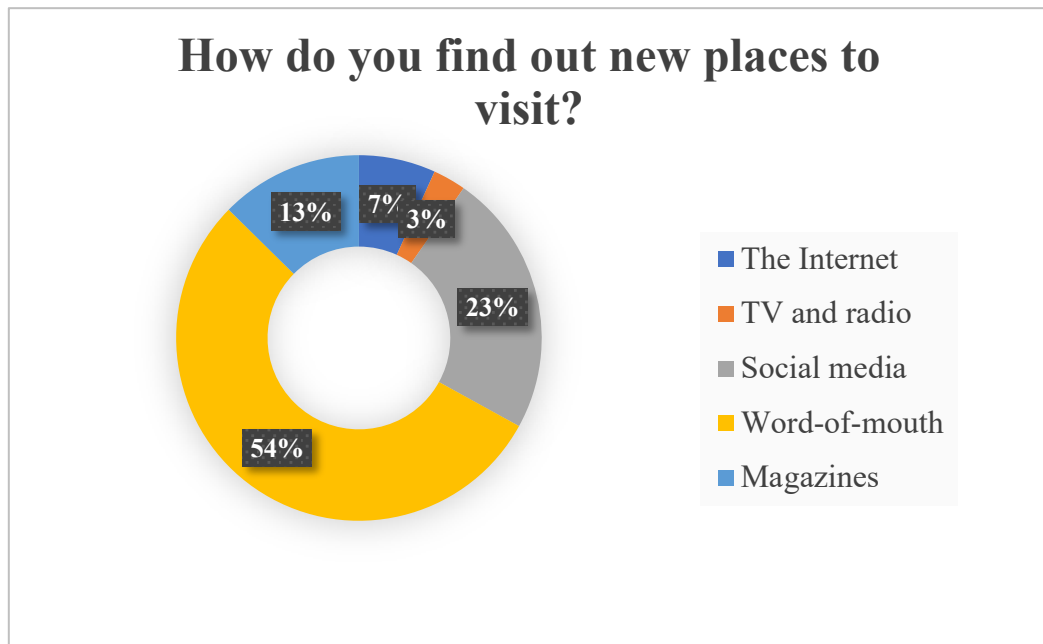
Figure 20: Where do you prefer to eat?



Source: Own Elaboration

When faced with a choice of a place to go, the vast majority of respondents (54%) choose in favour of a restaurant that was recommended to them by people who they actually know and are familiar with. 23% run into advertisement on social media, 13% rely on the information provided by magazines and only 3% trust the commercials seen on TV.

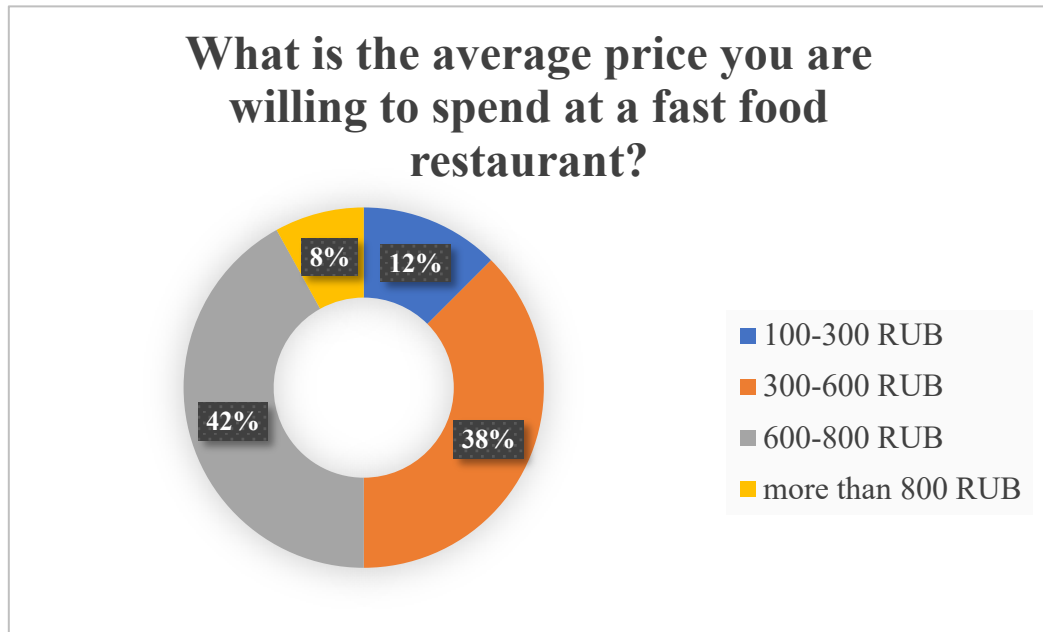
Figure 21: How do you find new places to visit?



Source: Own Elaboration

It is quite interesting, that the prices that customers are willing to pay for fast food are quite high. Thus, 42% of all customers are willing to spend 600-800 roubles per one visit

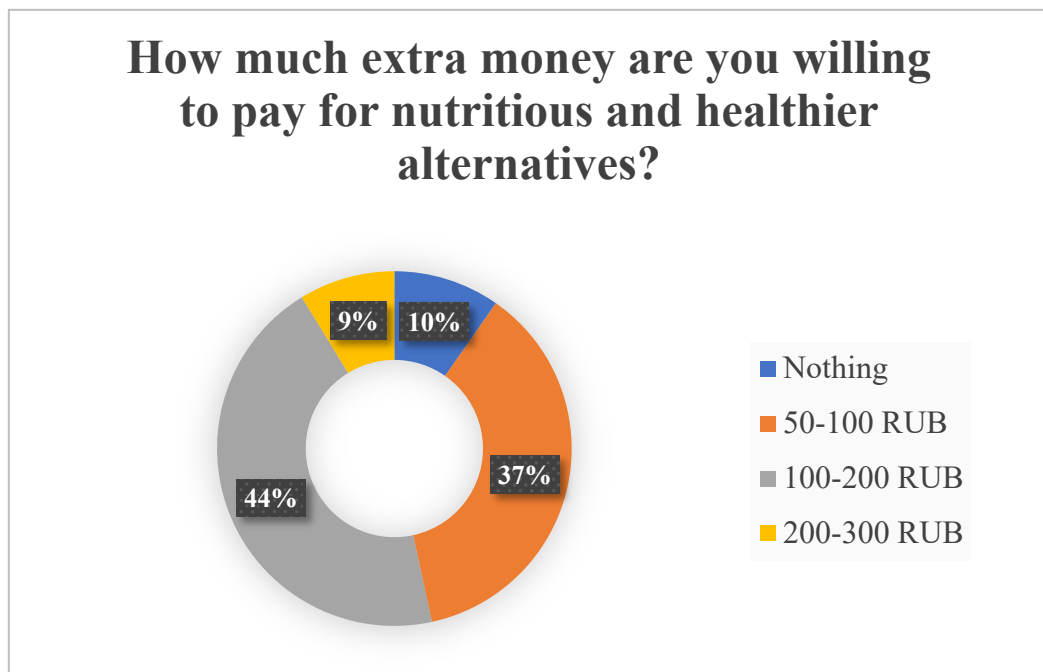
Figure 22: What is the average price you are willing to spend at a fast food restaurant?



Source: Own Elaboration

The next question of the survey was asked in order to assess the customers' willingness to pay extra money for more nutritious and healthy alternatives. Surprisingly, almost half of the respondents (40%) are willing to pay extra 100-200 RUB.

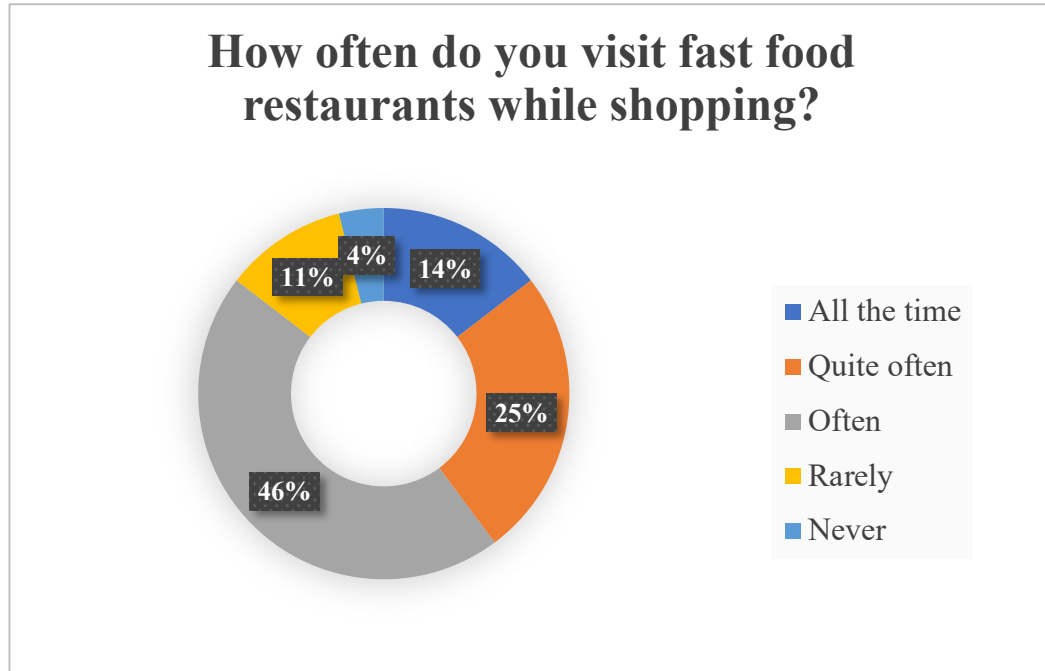
Figure 23: How much extra money are you willing to pay for nutritious and healthier alternatives?



Source: Own Elaboration

Such a small in terms of sample size survey will not give us any certainties but at least could serve as a guide. Thus, with the help of the received information we are capable to set more realistic prices and focus efforts on online rather than TV and radio promotions.

Figure 24: How often do you visit fast food restaurants while shopping?



Source: Own Elaboration

## 7.4 Buyer persona

### 7.4.1 Oleg Menshikov

**Name:** Oleg Menshikov

**Age:** 29

**Gender:** Male

**Marital status:** Single

**Location:** Moscow, Russia

**Occupation:** Professional

**Personality:** Oleg is a hard-working ambitious young professional who wants to be a better version of himself. He is primarily interested in maximizing the value of his money that is why in the vast majority of cases all the purchases he makes are rational and goal oriented.

**Motivation:** Oleg works in the Moscow-City complex and commutes to work every day. Quite often, due to his tight schedule, he has no time to go home for lunch and eats out. Oleg has a relatively high income but due to the high frequency of eating out it is getting expensive to eat at restaurants every day. He does not like fast food restaurants because of their unhealthy product alternatives so he has recently started to bring to work his leftovers from dinner or cooks in the morning. So, if it there was a fast, inexpensive and healthy option Oleg would be able to save both time and money.

**Group membership and media consumption:** As a main source of information Oleg prefers digital newspapers and magazines such as Economist or RIA news. Although he makes an effort to minimize the time spent on social media Oleg uses Instagram quite often. In terms of sports engagement, Oleg visits swimming pool twice a week straight after work.

#### **7.4.2 Katerina Aksyonova**

**Name:** Katerina Aksyonova

**Age:** 45

**Gender:** Female

**Marital status:** Married

**Location:** Moscow, Russia

**Occupation:** Stay-at-home mother

**Personality:** Katerina is a married woman who chose family over career. She used to work as a pharmacist, but when she gave a birth to her first son, she reconsidered her priorities in life and decided to fully devote herself to the family, so nowadays she is leading her family's household and currently unemployed.

**Motivation:** Katerina has two children she spends most of her time with them. At least once a week they visit a shopping centre to enjoy the recreational activities that it offers. Being a health conscious mother she tries to avoid the unhealthy options available at these attractions such as burgers, hotdogs, sweets etc. Having a restaurant like Slices in the shopping centre would make it easier for her to give her children a healthy meal instead of the junk food currently on offer.

**Group membership and media consumption:** In terms of social network activities Katerina predominantly use VKontakte. She is subscribed to a various number of groups about food recipes, healthy lifestyle and psychology, where she can find relevant information and share her opinion.



Moreover, quite often Katerina spends her leisure time reading fashion magazines and even has Cosmopolitan annual subscription

### 7.4.3 Natalya Rudova

**Name:** Natalya Rudova

**Age:** 27

**Gender:** Female

**Marital status:** Single

**Location:** Moscow, Russia

**Occupation:** Student, part time job

**Personality:** Natalya is a young and active woman who follows a healthy way of life. She is studying law and have an internship in a law firm what makes her extremely purposeful and independent. Natalia is fully supporting the quote “healthy mind in a healthy body” and cannot imagine her life without sport activities.

**Motivation:** Natalya is extremely sophisticated and demanding in terms of food consumption and she always sticks to a diet. She hates to carry food in plastic containers and have no time to go home for a lunch that is why she prefers to go somewhere out and eat tasty and fresh meals. Unfortunately, there are no many offers of healthy and nutritious food currently on the market, so she is forced to visit the same places almost every day.

**Group membership and media consumption:** Three times a week Natalya visits yoga club and consider yoga as an integral part of her life. The same as a majority of people of her age, Natalya is an active user of social networks and has more than 6 thousand followers on Instagram. Recently she started to write a blog where she shares her opinion on various topics such as healthy nutrition and active lifestyle.

## 7.5 Marketing strategy

### 7.5.1 Objectives

- To achieve sales of 17 000 meals within the first 12 months
- To build strong brand awareness through the development relationship via social media
- To change attitude and behaviour towards fast food consumption process
- To ensure 30% of customers retention with the help of loyalty programs and customer relationship management
- To increase the number franchisee in the second year of operations

### 7.5.2 See-Think-Do-Care Model

Table 12: See-Think-Do-Care Model

	<b>See</b>	<b>Think</b>	<b>Do</b>	<b>Care</b>
Priority	<b>4</b>	<b>2</b>	<b>1</b>	<b>3</b>
Purpose	<u>Drive awareness</u> Make potential customer aware of you	<u>Drive interest</u> Make potential customer think of you	<u>Drive conversation</u> Convince potential customer to buy from you	<u>Drive loyalty</u> Make customer to come back
How to achieve the goal	Increase brand awareness by constantly advertising and promoting the brand through social and traditional media	Educate, inform and inspire our potential customers by demonstrating benefits, customers may get by using the product	Discounts for first order in the restaurant Create a favorable environment for new visitors	Provide quick, seamless and reliable purchasing as well as post-purchasing experience
Target audience	Largest addressable audience	Audience with some commercial intent	Audience with strong commercial intent	Current customers

How do we want our customer to behave in this phase	I see that Slices exists on the market and that it offers healthy food alternatives	I start investigating more so I could understand the range of the products Slices offer and decide either to try it or not	I maintain healthy lifestyle, I keep	I am now a committed customer with high level of involvement
KPI	Track number of viewers and interactions	Online searches Number of page views	Sales Number of new visitors	Retention rate, Recommendations and feedbacks
Marketing channels	Instagram, VK, You Tube, Website, Magazines	Social media, Official website, emailing	Social media, Official website, emailing	Social media, Direct mailing,

*Source: Author*

## 8 Marketing mix

### 8.1 Product

In order to create an offer that would meet all potential customer needs and demands as accurately as possible, it is essential to start with the fundamental need and gradually narrow down the characteristics of the product to get the final shape.

**The fundamental level:** The product will serve as a satisfaction of the customers' basic physiological needs for nutrients (utilitarian need).

**The basic product:** The product alternatives provided by Slices will be divided into five main categories of: main dishes, salads, soups, smoothies and beverages.

**The expected product:** According to Elina Barklon (2015), restaurant guests minimally expect a relative degree of comfort, fresh ingredients, knowledgeable staff, quick service, ability to pay by card, and sincerity and communication.

**The augmented product:** Slices is an ideal place to have a quick and high-quality snack throughout a day. The product alternatives provided by Slices will be divided into five main categories of: main dishes, salads, soups, smoothies and beverages which will consist of fresh and organic ingredients. For the more sophisticated and demanding customers it will be offered to create their own tailored meals and drinks using all of the ingredients available from the kitchen. The price of customized offers would vary depending on the quantity and type of ingredients used in production but will not vary widely. Moreover, customers who are interested in delivery options

would be able to make an order either using the web-site or by phone. When ordering meals to the office, our customers will have an opportunity to develop an individual lunch boxes for a week/fortnight/month so it could be delivered to the same customer at the same time every weekday.

To expand on the above, I assume that product line of Slices will serve as a solution to approach-avoidance conflict. Essentially, fast food restaurants are perceived to be unhealthy (Quora, 2018) so for people who desire to have a quick and tasty meal, but wish to avoid the negative consequences such as health related issues or gaining weight, Slices will offer its healthy nutrition options.

## **8.2 Price**

The process of selecting the price is based on the average production costs, competitors' prices and consumers' willingness to pay.

The idea of slices is not just to provide its customers with quick service and healthy product alternatives, but to do it in a most qualified and convenient way. Thus, due to the high rental expenses and high-quality ingredients, the costs associated with production are expected to be at a relatively high level.

The competition in the fast food restaurant sector, as well as restaurant industry in general is fierce that is why Slices will limit its focus and set prices in accordance with our primary competitors rather than with the whole industry in general. Thereby, our prices will be influenced only by restaurants that are situated in the Afimall City shopping centre.

In the consumer analysis we estimated that the average amount of money consumers spend at fast food restaurants is equal to 750 RUB per visit. Moreover, the majority of them are willing to spend extra 150 RUB for more nutritious and healthier alternatives.

Considering all the information above the average price for a main dish will vary from 290 RUB to 450 RUB, a drink from 100 RUB to 320 RUB and soups from 160 to 200 RUB.

## **8.3 Promotion**

Considering the fact that Slices is an emerging company, the promotional strategy will not include such expensive marketing activities such as sponsorship and celebrity endorsement. Moreover, as we can conclude from the questionnaire (Appendix), TV and radio product placements utility derived from implementing these activities is extremely low.

Furthermore, the promotional strategy will be divided into two main phases of creating brand awareness and ensuring customer retention.

### **8.3.1 Website**

The website of Slices will provide its existing and potential customers with all the information about the company such as its mission, vision, goals and values. The website will contain the information related to the current offers, restaurant menu, product descriptions and services provided by the company. Moreover, the website will serve as a pre-ordering platform predominantly used by Moscow-City complex employees, who will be able to make an order in advance for a certain time period that suits the customers the most. That option will save customers' time especially during rush lunch hours. The website creation and maintenance will be held by a web development platform called Wix, what will make it extremely easy to manage and will decreased costs associated with website running and development.

### **8.3.2 Blog: The brand generated content**

One of the best ways to build a relationship with customers is to create a blog around questions that people might have or issues that people who enjoy a healthy lifestyle might be experiencing. Initially, company owners did not combine blogs and websites together and ran them separately but, in my point of view, having them both together will make it easier for employees to manage, as well as easier for visitors to access. Recommended topics:

- How to gain/keep/lose weight
- How to eat right
- Nutritious meals
- When is the right time to do sports?
- Healthy snacks etc.

By providing all the relevant information and letting people communicate with one another and discuss their topics of interest, Slices will create a strong relationship with our key public (customers).

### **8.3.3 Magazine promotion**

In order to achieve maximum value for money it is important to link our promotional strategy to a specific target audience. Thus, magazine promotions will be addressed to the third target audience which predominantly consists of women aged 16-50 who live an active lifestyle, have a positive attitude towards beauty and healthiness, and who are engaged in sport activities

Cosmopolitan magazine has this a circulation of 545 000 copies and an exclusive audience of almost 4 million readers across the whole country and around 1 million readers in Moscow. The target audience of Cosmopolitan is young and middle-aged women 16 to 55 years old who lead an active lifestyle, interested in fashion trends and consider shopping as a recreational activity. Among them are a large percentage of female students, housewives, junior and middle managers. Moreover, the magazine contains a lot of articles concerning sports, health, diets and good nutrition (Informexpress, 2019).

As you can see Cosmopolitan's target audience strongly overlap, sometimes even reflects ours. The magazine has appropriate content and plenty of loyal readers who consider it as a source of useful and reliable information. All these characteristics make Cosmopolitan an ideal marketing channel the usage of which will be extremely beneficial for Slices.

Other recommended magazines: Elle, Maxim, Women's Health

### **8.3.4 Social media**

Considering the fact, that social media enables marketers to communicate with thousands of customers in a most convenient and a relatively low-cost way it is being one of the most powerful marketing tools in our promotional strategy. In order to focus our effort, we will select only a couple of social media outlets to launch our marketing campaigns on. VKontakte and Instagram are Russia's most popular social media platforms so we will concentrate our marketing efforts predominantly on these two.

In terms of Instagram Slices will establish a hashtag and company account to help generate brand awareness, moreover in order to benefit from already formed target groups of other accounts we will promote our products through the Instagram opinion leaders.

As for VKontakte, we intend to use it differently. Slices will set up an account on VK for blog posts, customer comments etc. Perhaps more importantly, we intend to use VK's targeted advertising campaigns which will only be shown to our target audience.

### **8.3.5 Local business**

There are a lot of businesses located in the Afimall City shopping mall where flyers and discount coupons may be distributed. This activity will be focused on the visitors of recreational and entertaining businesses such as the amusement park *Kosmik*, cinema *Formula Kino City* and fitness centre *5<sup>th</sup> Element*. For instance, in the cinema coupons with a special offer will be distributed alongside with the movie ticket directly into the customer's hands.

### **8.3.6 Loyalty program**

The customer loyalty program will be introduced in the form of loyalty cards using a fixed-ratio reinforcement technique. In other terms, customers will be rewarded for particular behavioural patterns. Every time our consumer buys products in a total amount of 500 RUB and more, his/her loyalty card will be stamped. After receiving 5 stamps on their loyalty card they would be able to exchange that loyalty card for a 20% discount. This loyalty program would be ideally suitable for Moscow City office workers, who will be collecting stamps every weekday and get a discount of 20% on Monday of the following week. Then the process starts all over again.

## **8.4 Place**

Slices will be located in one of the most popular shopping centres of Moscow called Afimall City, which in turn is located in the heart of the biggest Moscow International Business Centre also known as Moscow City. The business centre provides more than 50 000 working places and the number is rapidly increasing (mos.ru, 2017).

The shopping centre is surrounded by Mezhdunarodnaya, Delovoy Tsentr and Vystavochnaya subway stations what makes this location extremely beneficial in terms of transport accessibility. Moreover, there are four fitness clubs and one yoga centre within a 2-kilometre radius which could serve as sources of our potential clients and marketing channels. The human traffic of the shopping centre accounts more than 100 000 people every weekday. On weekends the amount of people increases by approximately 22% (New Retail, 2018).

Taking into consideration all the information mentioned above, I assume that the location of shopping centre as well as shopping centre itself ideally reflect to our main three target audiences.

It may be extremely useful for people who work in the Moscow City business centre, attractive for Afimall City visitors and may be considered as a reliable source of healthy and quality products by the health-conscious public.

## 9 Financial plan

### 9.1 Initial costs

*Table 13: Initial costs*

<b>Item</b>	<b>Price</b>
Registration of the firm	13 000 RUB
Refrigeration equipment	90 760 RUB
<b>Food preparation counters</b>	12 000 RUB
<b>Slicers</b>	32 780 RUB
<b>Mixers</b>	20 860 RUB
<b>Ovens</b>	13 440 RUB
<b>Kitchen display system</b>	47 000 RUB
<b>Ice makers</b>	23 000 RUB
<b>Wi-fi modem</b>	2 990 RUB
<b>Restaurant POS system with kitchen printer</b>	64 000 RUB
<b>Smart terminal for credit card payments</b>	42 000 RUB
<b>Self-service kiosk</b>	480 000 RUB
<b>Commercial restaurant shelving</b>	23 000 RUB
<b>Griddles</b>	238 950 RUB
<b>Juicers</b>	140 013 RUB
<b>Blenders</b>	12 500 RUB
<b>Gas steamer</b>	260 343 RUB
<b>Vegetable cutter</b>	13 000 RUB
<b>Coffee machine</b>	126 650 RUB
<b>Decorations</b>	22 760 RUB
<b>Trays</b>	13 990 RUB
<b>Tables, chairs and appliances</b>	160 000 RUB
<b>Total</b>	<b>1 693 036 RUB</b>

*Source: Author*



### 9.1.1 Fixed costs and Variable costs

In order to identify all of the variable costs associated with production we must consider two main components: the average amount of ingredients needed for one meal and the packaging. These are the costs which directly depends on the volume produced. The table below represent the cost structure of two main meals to serve as an example of cost assessment. As you can see the price is mainly based on the type of core ingredient and the ingredient weight. Thus, smaller portion meals such as salads, wraps and soups would lead to lower costs of production.

*Table 14: Average variable costs of a main dish*

<b>Steamed Salmon</b>			
Ingredients	Price per kg	Kg needed for the meal	Variable costs
Salmon	700 RUB	250 g	175 RUB
Salad mix	45 RUB	50 g	2,25 RUB
Rice balls	30 RUB	100 g	3 RUB
Avocado	130 RUB	30 g	3,9 RUB
Topping	30 RUB	10 g	0,3 RUB
Other ingredients	40 RUB	20 g	0,8 RUB
<b>Total</b>		460 g	185,25 RUB
<b>Grilled Chicken</b>			
Ingredients	Price per kg	Kg needed for the meal	Variable costs
Chicken	210 RUB	300 g	63 RUB
Corn	90 RUB	100 g	9 RUB
Potato	30 RUB	100 g	3 RUB
Other ingredients	60 RUB	20 g	1,2 RUB
<b>Total</b>		470 g	76,2 RUB

*Source: Author*

The average variable costs for drinks, predominantly smoothies, fresh juices and lemonades, were estimated to be 78 RUB. In this case, the production price mainly depends on price of the fruits and vegetables used in production.

*Table 15: Average variable costs of smoothie*

<b>Smooth 1</b>			
Ingredients	Price per kg	Kg needed for the meal	Variable costs
Mango	88 RUB	200 g	18 RUB
Orange	70 RUB	200 g	14 RUB
Strawberry	300 RUB	100 g	30 RUB
Pitaya	250 RUB	150 g	38 RUB
<b>Total</b>		650 g	99 RUB
<b>Smooth 2</b>			
Ingredients	Price per kg	Kg needed for meal	Variable costs
Carrot	35 RUB	200 g	7 RUB
Apple	60 RUB	150 g	9 RUB
Celery	96 RUB	100 g	10 RUB
Lychees	397 RUB	100 g	40 RUB
<b>Total</b>		650 g	65 RUB

*Source: Author*

Table 17 provided below projects the final amount of both fixed and variable costs. It is essential to point out that some of the fixed costs, for instance, marketing expenses, will change over time due to expansion.

*Table 16: Fixed and Variable costs*

<b>Fixed costs</b>	
Rent	220 000 RUB
Utilities	18 000 RUB
Marketing	150 000 RUB
Wages & Salaries	321 100 RUB
Internet connection	1 290 RUB
Garbage collection	2000 RUB
<b>Total</b>	<b>712 390 RUB</b>
<b>Variable costs of main dish</b>	
Ingredients	105 RUB
Wrapping	3 RUB
<b>Total</b>	<b>108 RUB</b>
<b>Variable costs of soup</b>	

Ingredients	58 RUB
Wrapping	3 RUB
<b>Total</b>	<b>61 RUB</b>
<b>Variable costs of drink</b>	
Ingredients	78 RUB
Cup	4 RUB
<b>Total</b>	<b>82 RUB</b>

*Source: Author*

### 9.1.2 Sales forecast

*Table 17: Sales forecast for the first year*

	Office delivery	Restaurant sales	Total
January	16	32	48
February	30	65	95
March	55	128	183
April	70	200	270
May	112	224	336
June	240	320	560
July	272	960	1232
August	320	1120	1440
September	368	1200	1568
October	480	2500	2980
November	480	2880	3360
December	1120	3200	4320

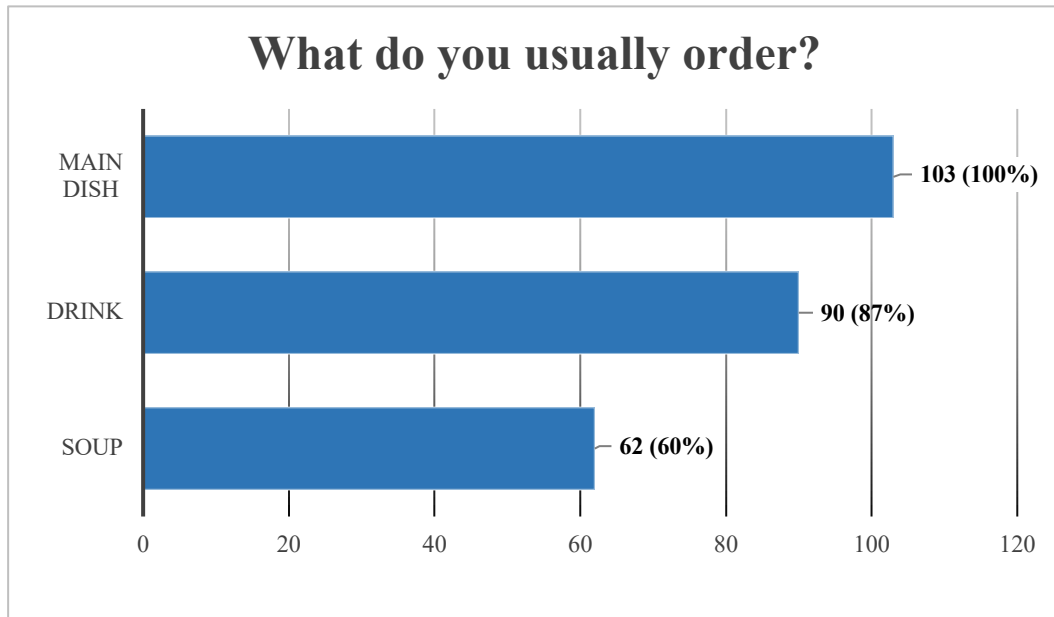
*Source: Author*

### 9.1.3 Break-even point

	Price	Variable costs	Contribution margin
Main dish	390 RUB	108 RUB	282 RUB
Soup	190 RUB	61 RUB	129 RUB
Drink	280 RUB	82 RUB	198 RUB

In order to make our calculations more accurate I made some adjustments. Based on the responses from the questionnaire we can assume that 100% of all customers order a main dish, 87% of all customers order a drink and only 60% of the customer's order a soup we can calculate the average contribution margin for all of the products:

Figure 25: What do you usually order?

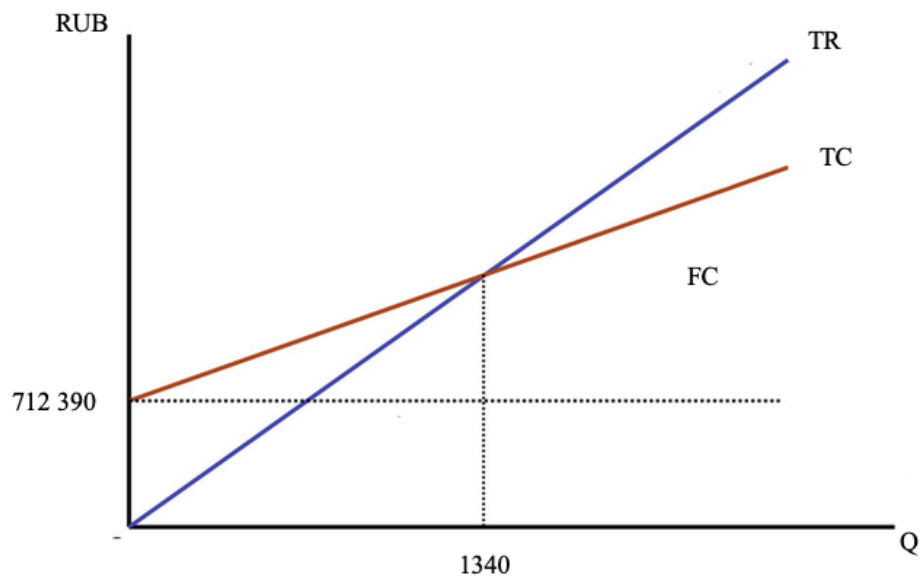


Source: Author

Average contribution margin =  $282 \cdot 1 + 129 \cdot 0,6 + 198 \cdot 0,87 = 531,66$  RUB

BEP =  $712\,390 / 531,66 = 1339,95$  i.e. 1340 customers

Figure 26: Break-even point



Source: Author

### 9.1.4 Income statement

Table 18: Income Statement as for January

<b>Income Statement as for January (1 month)</b>				
	Main dish	Soup	Drink	Total
Revenues	18 720	5 472	11 692,8	35 8845
Variable costs	5 184	1 756	3 424	10 365
Contribution margin	13 536	3 715	8 268	25 519
Production fixed costs				(66 100)
<b>Gross profit margin</b>				- 40 580
Fixed sales & admin. expenses				(646 290)
<b>EBIT</b>				- 686 870
Tax payments (15%)				-
<b>Net loss</b>				- 686 870

Source: Author

- Revenues and variable costs are calculated based on expected number of restaurant sales and deliveries.
- Production fixed costs consist of utilities and cook salary
- Fixed and administrative expenses consist of marketing manager salary, director salary, cashier and busser salaries, marketing expenses, internet connection and garbage collection services (since they are not involved into the direct production).

Table 19: Income statement for the first operating year

<b>Income Statement for the first operating year</b>	
Revenues	12 703 219
Variable costs	3 669 252
Contribution margin	9 033 967
Production fixed costs	(793 200)
<b>Gross profit margin</b>	8 240 767
Fixed sales & admin. expenses	(7 755 480)
<b>EBIT</b>	485 287
Tax payments (15%)	(72 793)
<b>Net income</b>	412 494

Source: Author

## 9.2 Cash flow statement

Table 20: Cashflow statement as for the end of first year

	January	February	March	April	May	June
Revenues from restaurant sales and delivery	35 884	71 022	136 810	239 232	288 573	456 036
Initial investments	(1 693 036)	-	-	-	-	-
Fixed costs	(862 390)	(862 390)	(862 390)	(862 390)	(862 390)	(862 390)
Variable costs	(10 365)	(20 514)	(39 517)	(69 100)	(83 352)	(131 723)
Tax (15%)	-	-	-	-	-	-
Cash flow	-2 529 906	-811 882	-765 096	-692 258	-657 169	-538 077
	July	August	September	October	November	December
Revenues from restaurant sales and delivery	1 033 183	1 151 304	1 246 996	2 227 848	2 586 696	3 229 632
Initial investments	-	-	-	-	-	-
Fixed costs	(862 390)	(862 390)	(862 390)	(862 390)	(862 390)	(862 390)
Variable costs	(298 429)	(332 547)	(360 187)	(643 501)	(747 152)	(932 860)
Tax(15%)	(44 764)	(49 882)	(54 028)	(96 525)	(112 072)	(139 929)
Cash flow	-172 400	-93 515	-29 609	625 431	865 080	1 294 452

Source author

## 9.3 Balance sheet

Table 21: Balance sheet as for the end of the year

Assets		Equity	
<b>Non-current assets</b>		Common capital	6 300 000
Equipment	1 693 036	Retained earnings	412 494
<b>Current assets</b>		<b>Liabilities</b>	
Cash in hand/at bank	5 019 964	LT bank borrowings	-
		ST bank borrowings	-
Total	6 712 494		6 712 494

Source Author

## Conclusion

The aim of this bachelor thesis was to create a comprehensive business plan that will be able to adopt to the constantly changing market circumstances. The purpose of the theoretical part was to create a strong and solid framework based on academic literature, while practical part were aimed at implementation of learned principles in practice.

Slices was described as a quick service restaurant which offers to its customers both health conscientiousness and quick and reliable service.

During external market analyses Moscow was identified as having the highest level of income, the highest density of population and having a favourable conditions for running a business, however the overall situation of the Russian market

With the help of segmentation and targeting all the potential customers of Slices were divided into three main target groups of office workers, Afimall shopping centre visitors and young adults who leave nearby and have a membership in one of the fitness centres in the area. Moreover, in order to understand customers' references and wants an online survey in the for of questionnaire was conducted.

Porter's analysis helped us to assess microenvironments of the Russian fast food industry and has shown that the industry is extremely competitive, the threat of substitutes is strong, threat of new entrants is moderate and the bargaining power of suppliers and customers is relatively low.

Stakeholder analysis identified all the primary, secondary and key stakeholders. Thus, customers, opinion leaders, media and communities represent the most essential stakeholder groups for our restaurant.

Lastly, financial plan has shown that in order to start and keep business running it will be required to invest 6 300 000 RUB in order to cover all the initial investments (1 693 036 RUB) and also will be able to cover losses in first eight months.

Complex and comprehensive assessment of the market, company's capabilities analysis and detailed financial assessment identified company as a potentially profitable and competitive in the fast food industry.

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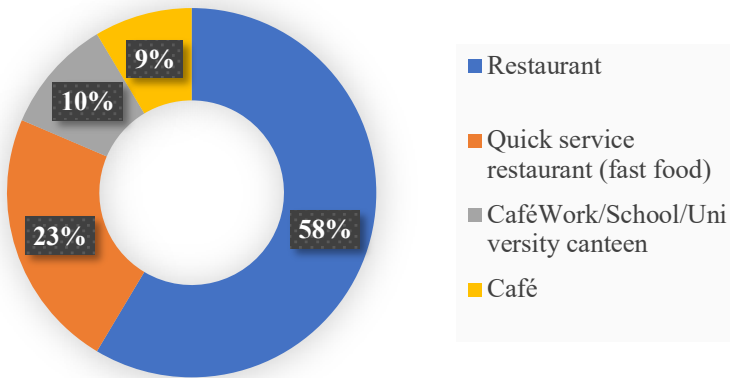
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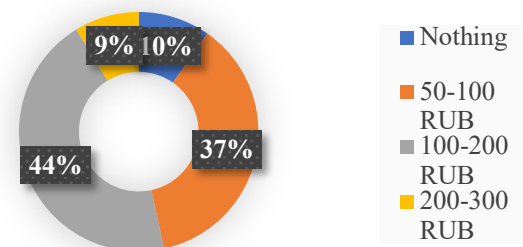
## Annex

### Appendix 1

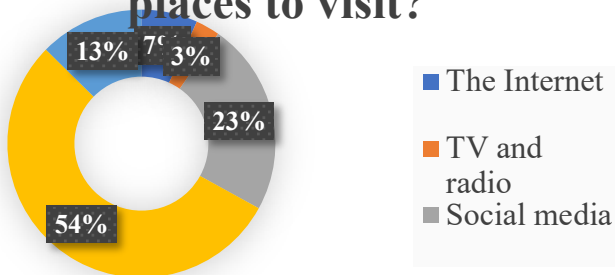
#### Where do you prefer to eat?



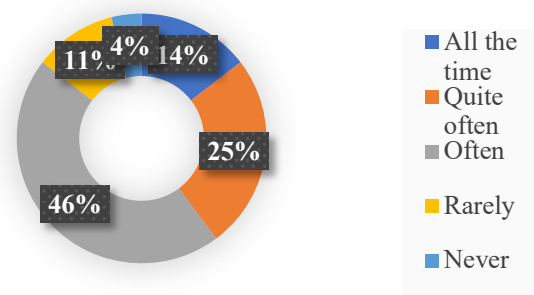
#### How much extra money are you willing to pay for nutritious and healthier alternatives?



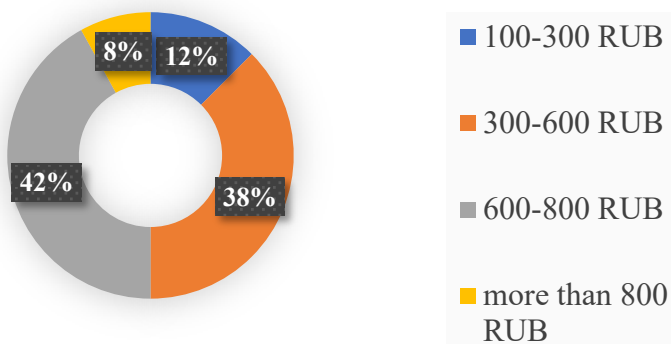
#### How do you find out new places to visit?



#### How often do you visit fast food restaurants while shopping?



#### What is the average price you are willing to spend at a fast food restaurant?



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