

CHAPTER I

BUSINESS SUMMARY

Business Overview

“Aroy Dee” Fruit Ice Cream Shop is a new food service business that will be constructed, developed, and operated at the Science Faculty Canteen of Kasetsart University, Bangkhen Campus, Bangkok. The projected opening date is March 15th, 2010. Because of the Science Department’s reputation and high enrollments, the spot is considered one of the highest potential for customer traffic.

“Aroy Dee” shop’s target groups are people who will visit the canteen where the shop is located. Of this population, there are approximately about 1,000 students from the Science Department, 200 – 300 students from other departments visiting the Science Library, 1,500 Engineering Faculty members, and 900 Humanity Faculty members.

The shop’s main focuses are on the healthy-eating trend and on promoting close friendship among students. The selected ice cream will be topped with various fruits and whipped cream in various cup sizes. The shop is expected to gain 20% of the total dessert market shares of the Science Faculty Canteen by the end of the year. The sales volume should ramp up fairly quickly during the summer period after the shop opens.

The initial budget of 600,000 Baht for the first year will be spent on renting the space, building and decorating the shop, and promoting the store. It will also be used to obtain the initial ice cream supplies and equipment. There is also a reserved amount to pay the recurring salary of the 5 staff members totaling 43,000 Baht per month.

March thru May is the university’s summer semester. That is when the shop expects to ramp up sales volume. In May, the shop will start the promotional program to create brand recognition for “Aroy Dee” brand. The shop’s action plans include focus group survey, distributing sample sized ice cream, advertising on the faculty boards, and loyalty coupon systems.

The shop creates strategic plan using balanced scorecard strategy mapping. The ultimate goal is to be the most famous ice cream and snacks shop, and the most popular and healthy dessert at the university by using key opportunities, owner's involvement, internal process, and financial management.

Aroy Dee Ice Cream Shop Profile



Figure 1 At Sciences Faculty Canteen

Note: Survey by author on September 1st, 2009

“Aroy Dee” Ice Cream Shop is an SME business composed of 5 staff members and the owner of the business. It is a start-up fruit ice creams kiosk located just inside the entrance of the Sciences Faculty’s Canteen at Kasetsart University. The University was chosen because of its large enrollment of over 45,000 students, which should translate to higher volume of ice cream sales. The estimated opening date is March 15th, 2010.

The nature of business is a sole proprietor business. The store has initial investment budget of 600,000 Baht. The first 150,000 Baht will be spent on renovating the kiosk for ice cream sales and acquiring furniture such as diner-style chair and tables for customers to gather around. The store will spend 50,000 Baht on the freezer with windows to store and display the ice cream being sold, refrigerator to store sliced fruits and other raw materials, and miscellaneous tools to assemble and serve the products. Another 50,000 Baht will be used to obtain the initial raw materials for the product such as ice cream, fresh fruits, and whipped cream. The shop will have 5 employees on hand during the initial promotion period of 6 months at the cost of 43,000 Baht per month. At least three employees will be on location to serve customers during the busy lunch hour and early afternoon hours when the traffic is expected to be heaviest. During early morning hours and late afternoon hours when average traffic is expected, two of the employees will be on location to serve customers. The remainder of the cash of about 52,000 Baht will be used as reserve for incidentals and unforeseen expenses.

The shop’s mission is to sell the quality and healthy ice cream to the clients. The vision is to be the most famous ice cream and snacks shop in the area which students and faculty members will use as meeting place.

“Aroy Dee” Fruit Ice Cream



Figure 2 Fruit Ice Cream picture in glass cup and “Aroy Dee” Fruit Ice Cream Shop’s Logo

“Aroy Dee” product is the fruit ice cream of the following flavours: Chocolate, Vanilla, Strawberry, Green Tea, Coconut milk, Coffee, and Blueberry. It will be topped with mixed fruits offerings of the customers’ choosing. The choices are banana, Thai melon, apple, strawberry, blueberry, and other seasonal fruits. Choices of syrup flavours are Rambutan, Lychee, Sweet mango, and other fruits that are in season. Every ice cream is topped with whipped cream unless the customer requests that it be omitted.

After the initial ramp up period, “Aroy Dee” ice cream is expected to sell over 6,000 scoops per month which is about 3 – 6 boxes of Wall’s ice cream per day. The ice cream price starts at 25 Baht for a small cup to 80 Baht for the largest ice cream bowl for 4 – 5 people to share.

“Aroy Dee” will create posters explaining the health benefit of fruits and affix them to the wall of the shop. The information about the health benefits of fruits will also be printed into brochures that customers who come to the shop can see and take

with them. For instance, Lychee is a great source of vitamin C which is good for healthy skin, strong bones, and has properties to relieve cold symptoms, fever, and sore throat (HealthMad n.d.).

Product Life Cycle

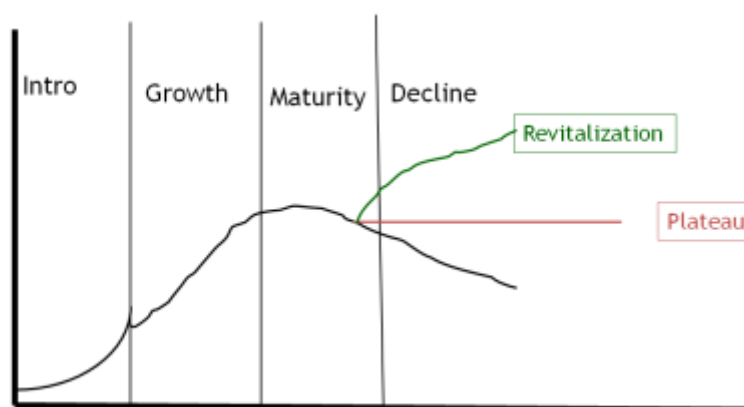


Figure 3 Product Life Cycle

First stage - “Aroy Dee” ice cream will be opened on March 15th, 2010, one month before the summer semester starts. There are fewer students who take the summer classes, but because of the heat and humidity, it is the best opportunity for selling ice cream. In the introduction stage, the shop expects to gain a huge sales volume, the shop only projects to gain continuous sales volumes from the smaller number of students who has difficulty finding desserts and food kiosks that are open during this period.

Second stage - After the summer, the business expects to gain sales volumes through larger enrollments in May. The shop will use this opportunity to promote “Aroy Dee” Ice Cream shop.

Third stages - Ice cream is the product that can sell well throughout the year except during short period of Thailand’s winter (November to December). The sales volume is expected to be a bit lower but still profitable.

During the third stage, the store is planning to offer other healthy snack food or light meals to the customers to increase the store’s offerings. If the store’s sales

meet the projected numbers during the test period, the store will also look for opportunity to open at another location at either another cafeteria in the university's huge compound or just outside the campus at the opposite side of the university to make it convenient for students whose classes are not near the Science Department canteen.

Market Analysis

Industry Benchmarking

There are many University students who will be seeking sweet desserts and fruit drinks to refresh themselves from the exhaustion resulting from their studying. The landmark shops like an ice cream shop can be break times meeting area for groups of friends. Ice Cream Shop will provide them with delicious ice cream and give them opportunity to mingle and build relationship among their friends.

Selling ice cream is a low cost business which is projected to provide quite high profit compared to other businesses. A kind of instant products that is only bought and sold with minor modifications simplifies the management of the business and reduces times for the staff training.

Because the model can be copied by other vendors, "Aroy Dee" plans to sign exclusive rights with Wall's Ice Cream, the supplier of the base for the product, to sell ice cream in the area. The company will also commit to buying certain volume of product from the supplier in exchange for this exclusivity. This will be done after the company observes growing success in the first three months of sales.

The entrepreneur uses "Aroy Dee" as the shop name because it is easy to remember and enhances the image of the shop's ice cream taste. The total enrollment at Kasetsart University of over 45,000 students would improve the potential for the sales of ice cream (China-Asian Information Network n.d.).

Market Strategy

The company will use both traditional and modern marketing methods to market the products and create brand awareness.

1. Traditional Marketing Methods

The company plans to invest a lot of time and resources to market the store and the product amongst the students and staff at the university. The first and most obvious method is to make the store sign colorful and brightly lit so it can be seen from a distance. The picture of the product with bright color fruits will be displayed on the sign.

The second marketing tool is the product itself. Most ice cream are sold in waxed paper cup or opaque plastic cups. “Aroy Dee” will spend a little more on the packaging of the product by purchasing clear plastic cups to put the ice cream and fruits in. This will make the product much more attractive and enticing to the customers and potential customers. When the customers leave the store area and walk around with their ice cream, they will also be advertising for the company as they enjoy the ice cream.

Next, the company will use a method called obligation marketing. The theory is to give something to the potential customers to make them feel obligated to purchase something from the store. To achieve this, the company will have sample sized product available at the store and offer them to potential customers. Many of them will feel obligated to purchase the product after they have sampled it.

The company will also print small colorful pamphlets displaying the product, the location of the shop, and information about the health benefits of different fruits that are parts of the product offerings. These pamphlets will be available for customers to take with them. The pamphlets will also be posted on bulletin boards in buildings in the surrounding area.

2. Modern Marketing Strategy

The company will market the products and create brand awareness for the store. The shop will have employees who are Kasetsart University’s students to participate in several students’ chat boards and blogs related to food service and leisure activities at the university.

The company will also create a web site to promote the products. The students who visit the kiosk will be encouraged to visit the website and register themselves to the site. They can register their cell phones on the site to receive SMS message with discount coupon that is valid for three days after the coupon was sent to their phones. They can bring the phone with the message to the shop and receive a discount. By doing this, the company will have created a permission marketing channel for its products. Most university students will generally go with a group of friends. If one of them comes to the store for discount ice cream, many of their friends would come to the store with them. Most likely, a few others will purchase the product as the result of peer pressure.

In addition, the shop will also use the technique that had proven to be successful in multi-level marketing to increase sales and improve brand recognition. The shop's website will allow registered users to become product promoters. These product promoters can send discount coupons to their friends email address from the company's website to users who had not registered with the website. After these users bring their coupons to the store and use them, the persons who send the coupon will also receive discount coupons to use for themselves. The promoters will be allowed to track their own coupons that were sent and their coupon banks. Additionally when their friends also register to be promoters, the persons who introduced the new promoters will get smaller valued coupons for their own use also. Only three levels will be tracked to keep the system simple.

Using this technique, "Aroy Dee" expects many customers to help promote its stores and products amongst their friends and families. There are enough margins on the products that 10 – 20 percent discounts are still profitable for the company. Ideally, the coupons will be used to draw new customers to the shop. "Aroy Dee" expects 30 – 40 percent of the promoters are going to send multiple coupons to the same users with multiple email accounts. Even though this will not be aligned with the original goal of this promotion, this action will still generate more sales for the store. Because the sales with 20% coupons still maintain sizable profit margin for the company, the promotion is still deemed a good investment for the company. If these customers and promoters continue to visit the stores because of the discount coupons, the company will still generate enough profit for those sales.

Key Financial Objectives

“Aroy Dee” plans on having breakeven monthly sales within three months of operation. For that to happen, the shop has to sell at least 293 of the smallest cups per day. Based on the previous study, the canteen has at least 2,000 customers per day during the summer period. That is approximately 15% of the visitors, which is very achievable, especially for a small priced item such as ice cream.

The second objective is to recover the initial investments within the first 30 months of operation. If the projected sales volume is achieved, “Aroy Dee” will have approximately 565,000 Baht of cash balance by the end of 21 months of operation. The owner expects to draw 300,000 Bahts in the third and fourth year of operation.

The next financial objective is to be profitable in the first year of operation not including the initial capital investments. Based on the projected sales volume minus all the expenses for the sales volume, the company will make approximately 155,600 Bahts in net profit for the first year of operation.

