

Feasibility Plan

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Feasibility Plan

A feasibility plan is “an independent and objective assessment of whether and under what circumstances a specific proposal or project is capable of being implemented” (Lord et al., 2012 & Kuratko, 2016). A feasibility plan provides information to make a decision on proceeding or not with a given business undertaking. The difference between a feasibility plan and business is that for a business plan the assumption is that the company is going ahead, therefore, has a greater focus on identifying the means and ways to increase chances of implementation and long-term sustainability (Lord et al., 2012). Developing a feasibility plan is a requirement for any new business to increase the chances of success and make the entrepreneur understand the various risks and challenges that could arise in the implementation stage. The feasibility plan also helps the entrepreneur estimate the capital requirements and other resources to achieve the goal. This report provides a feasibility plan for Savannah restaurant, a sole proprietorship that is to be set up in three months at Detroit, Michigan. Owning a successful has always been a dream and putting it in the paper to determine its viability in light of the available resources and considering the industry economic and social environment is the focus of this feasibility plan.

I. Executive Summary

Savannah Restaurant seeks to be among the leading restaurants in Warren Avenue, Detroit within two years of its establishment. The product offering for at Savannah will include full course meals, soft drinks, specialty coffee, snacks, among other foods as may be required by the diverse customer base. Savannah will focus on delivery quality food in a serene atmosphere and excellent customer service. The restaurant is located in near Wayne University to attract students, teachers, community members, and visitors. The high population in the area shows low competition between the restaurants and increasing need for quality foods opens a platform for

the business to succeed. The company requires an injection of 40,000 dollars loan at 9% interest to finance setting up the business.

II. The Business Concept

The business concept that forms the basis of this feasibility analysis is a restaurant business to be set up in Detroit in January 2018. The restaurant will be located at 48202 Warren Avenue, Detroit and will be registered as a sole proprietorship under the Michigan business names. The business aims to get a loyal customer base within three months of its establishment of the Wayne University students, teachers, and visitors owing to its close proximity. This will help the business utilize word of mouth advertising to reach more clients and gain market share in the area. The primary focus of the company in the beginning stages will be gaining customer knowledge of the business and generating discussion about the business among teachers, students, and visitors. These aspects will be achieved through excellent service delivery, quality products and consideration of customer feedback to improve satisfaction.

The nature of business of Savannah Restaurant will be providing food meal and services to consumers with a variety of food varieties, coffee, soft drinks, and services including excellent customer services and deliveries to hostels, hotel rooms, and homes. The customers to Savannah will comprise mainly of teachers, students and visitors of Wayne University, tourists, and others from different locations and institutions visiting the area. Savannah will take all measures to attract and retain these customers to make the restaurant the choice destination for them at all times. This will allow the business to have a loyal customer base and sufficient word of mouth advertising by satisfied customers. The growing population and student enrolment numbers at Wayne University provide the restaurant a platform for growth. Quality provision and excellent

service also give the restaurant an upper hand allowing for better client attraction improving chances of growth and creation of a loyal customer base.

Keys to success

Savannah will focus on various aspects to ensure the business achieves profitability and other goals within the set timelines. The keys to success will be quality, excellent customer service delivery, and innovation. The measures that will be taken to achieve these goals include:

- a. All the members of Savannah will make a commitment provide excellent service to the customers at all times
- b. The organization members will at all times to maintain professionalism regardless of the circumstances
- c. Training the employees on presentation skills and customer service to achieve the goal of excellent service delivery at all times. Employee training is considered an essential requirement for efficient service delivery and gives employees competence to make decisions. Training also ensures the employees feel respected and are inspired to make decisions that augment customer satisfaction.
- d. Make it a culture of quality provision and excellent service delivery from the start of the restaurant and inculcate the culture in new employees and other company policies.
- e. Competitively price the drinks, foods, and services provided at the restaurant while providing excellent service and quality products to allow the company to compete effectively with established restaurants in Detroit.
- f. Strategic location is the other key to success for the restaurant from the high population of at least 50,000. Students, teachers, visitors, residents and tourists in the Wayne area form the primary customer base for the business.

The focus of the company to deliver quality food and drinks, excellent service at all times, maintain professionalism by employees and managers and provide variety of food and beverages served (Ford, 2007). These aspects will enable the business to differentiate itself from the other restaurants in the area and compete well to achieve higher market share. In line with trends in the industry, the business will focus on fast-casual and quick service sales to meet the needs of an increasingly busy customer. Consumers are frequently replacing home-prepared food with restaurant food but are not willing to compromise on quality hence the need to be the best to attract a loyal client base within a short time. Creating a memorable experience for the clients will be the focus of Savannah.

III. Industry/Market Analysis

The restaurant industry has been in a steady recovery from the 2008 financial crisis. According to the National Restaurant Association (2017), “a gradually improving economy will help restaurant-industry sales continue to advance in 2017.” This is despite the restaurant operators facing continued pressures on margins, lingering consumer uncertainty, and tightening labor market. The National Restaurant Association projects a 4.4 percent gain in the restaurant-industry sales to \$798.7 billion in 2017 from \$766 billion in 2016. The improvement is still positive of 1.7 percent when adjusted for inflation showing a positive outlook for the industry. The projected growth in the sector in 2017 represents the 8th consecutive of sales’ growth following the economic recovery. The fast-casual and quick service sales are fast-growing segments with a projected increase of 5.3 percent in 2017. The growth is attributed to a shift in the dining preferences of consumers to modern casual social experiences. The restaurant industry remains strong and is poised to be stronger with changing working conditions that have made it impossible for workers to prepare their own meals and have to eat it. According to the National

Automatic Merchandising Association, there will be a 53% increase in away from home meals. The demand away from home quality food served in a serene environment is increasing.

The trends in the industry include a challenging business environment from the complex legislative, regulatory landscape both at the local and federal level and rising labor costs. Despite these challenges, the restaurant industry posts an optimistic outlook, and there is a projected increase in demand as the economy continues to recover increasing consumer confidence and spending. Recruiting remains a top challenge in the industry with attraction and retention of qualified employees more competitive as employment levels rise with economic recovery. Cautious spending by the consumers is also evident in the industry with consumers wary of the financial situation causing the need for innovative techniques and social media marketing to depict quality to promote spending. Incorporation of technology in restaurant services is another trend in the industry with online ordering and mobile payment on the forefront. The focus is convenience and timesaving for the consumers improving the overall experience and allowing restaurants to reach a broad customer base. The other trend is the development of menu options that meet the dietary preferences of the consumers. The shift from ingredient-based to concept-based menu options is happening in the market and consumers have become more involved in menu decisions to augment healthy living.

Savannah will face competition from hotels, fast foods outlets, other restaurants, and beverage shops. Early market entry, customer loyalty, and market share are the main strengths of the competition but have weaknesses including lack of specialization and poor marketing. Savannah will compete on two fronts; quality and service and these aspects will be improved every year to keep increasing market share and enhance the business position in the market. The business will also focus on social media marketing to enhance its market share offering and

engage with consumers on different fronts including menu development, pricing, and customer service.

PESTLE and SWOT analyses

PESTLE and SWOT analysis are tools that help in understanding the internal and external environment of a business to manage risk, make informed choices, minimize the effect of threat and weaknesses, and capitalize on opportunities to achieve predetermined objectives.

This section provides the SWOT and PESTLE analysis of Savannah.

PESTLE

Pestle analysis “is a technique that facilitates a wide scan of the context and actual or potential factors that would affect objectives if left unmanaged” (Murray-Webster, 2010).

PESTLE analysis helps in identifying the macro-environment forces that currently affect or could affect the business in the future. PESTLE analysis focuses on the key factors that could affect the business considering the industry of operation. The PESTLE analysis of the restaurant industry allows Savannah to make decisions that will promote the effective running of the business. PESTLE is “an acronym for the political, economic, social-cultural, legislative, and ecological aspects of the wider environment” (Allen, 2001).

Political

The restaurant industry is profoundly affected by political factors considering the significant influence the health of the population plays in economic development, expenditure, social well-being, and growth. The government has to intervene often in the restaurant industry through setting regulations that seek to ensure healthy food for the population. Labor laws, tax rates, and standards are the political factors that affect the restaurant industry. The government is involved in ensuring low cholesterol levels, and healthier foods are provided in all food outlets

affects the industry. Savannah focuses on providing healthy foods and will not be affected by the requirement for low cholesterol levels requirement by the government and other political actors including protest groups. Employment restrictions including maximum working hours for the employees are also another political factor in the restaurant industry. Savannah will employ enough employees to allow for sufficient rotation and adherence to employment regulations while ensuring the employee morale is not affected. Employees will also be involved in creating a working schedule that will enable them to collaborate effectively to achieve excellent service delivery and professionalism.

Economic

The economic factors that have an impact on the restaurant industry include fiscal policies set by the government including imposing taxes on consumers that affects the ability to pay and inflation rates. An increase in the inflation rates results in increased general prices concerning the pricing of food in the restaurant causing a reduction in the profit margins for the business. A recovery of the economic condition will allow Savannah to overcome impacts of the economic factors. A focus on providing the best alternative for the consumers for their food purchases enable Savannah to overcome the challenges and reduce the emphasis on pricing as a decision factor for visiting the restaurant. The stable economic environment also promotes growth and provides an essential platform for Savannah to takeoff and achieves market and profitability goals.

Social-cultural

The social-cultural factors including health-conscious consumers are also a factor. The consumers are willing to pay higher prices for quality food that promotes healthy well-being, which was a stable platform for starting Savannah. The business will seek to ensure quality food

at all times is provided to the consumers to meet their requirement for nutritious quality meals. A policy allowing consumers to check the ingredients and nutritional content of the food will be implemented to ensure the customers understand the dedication to quality food provision. Increasing population growth in the region also promotes the demand for food providing Savannah a basis for improvement and access to market share. There is also an increased preference for outdoor dining in the community, which has led to an elevated demand for restaurant services in the area improving the chances of success and profitability for the business.

Technological

Technology offers a platform for businesses to improve and compete effectively in the market. The restaurant industry has mainly benefited from technological developments that have made the booking, service, and customer service easier and more efficient. Savannah will incorporate technology in achieving set outcomes including creating a website that allows customers to see detailed information on the products offered and the availability of the food at a given time. The site will also aid in collecting feedback from the customers, promote the business, and create awareness in the community. Savannah will also use social media to reach the consumers and interact with daily offers presented to the consumers. An inventory system will be implemented, online purchases, and messaging services will also be used to communicate with the consumers. An application for accessing the menu and ordering food online will be developed to allow customers convenience and allow deliveries to be efficiently facilitated with tracking options.

Legislative

The regulation on the supply and quality of food also affects the restaurant industry. Savannah will adhere to the rules on the supply of food, the wages payments to employees and

their welfare. Savannah will also be set up in adherence to laws regulations and gain licensing as a business and food preparation. Savannah will take into consideration tax obligations and employment standards.

Ecological

Environmental issues affect the restaurant industry and have to be considered for the efficient operation. Savannah will adopt sustainable strategies and source food from farmers and suppliers that respect the environment and use environmentally conscious production strategies. The business will also adhere to policy and regulations by the government on environment protection in its decisions. Savannah will organize community cleaning day as a corporate social strategy in collaboration with the environmental club at Wayne University.

SWOT

SWOT analysis involves the analysis of the strengths, weaknesses, opportunities, and threats of the organization. According to Ritson (2011), “the central purpose of SWOT analysis is to identify strategies that align, fit or match an organization’s resources and capabilities to the demands of the environment in which the organization competes.” SWOT analysis is then used to focus decisions in an organization on strategy, structure, staff, shared values, skills, style of management, and the management system (Information Resources Management Association, 2014).

Strengths

The main strength of Savannah is strategic location allowing the business access to large customers considering its proximity to Wayne University. The location is convenient for teachers, students, and other staff of the university, visitors, and visiting students. Diversification and innovation of the product range offered at Savannah is also the additional strength. The

consideration of the diversity in student and teaching population at the university led to a diverse product offering at Savannah allowing the business to attract a large customer base. Quality food offering and excellent customer service also ensure the business attract and retains many customers hence strength for the company. Savannah will also create a culture of professionalism and positive attitude by the employees to create a harmonious environment for quality and service provision. A serene atmosphere with reading materials is also the strength of Savannah allowing the customers to have a memorable experience.

Weaknesses

The main weakness for Savannah is that is a new business with no market share and seeks to compete with established restaurants that have a loyal customer base. This weakness will be overcome by providing innovative, unique quality meals and excellent service delivery. The other weakness that could affect Savannah is sourcing supplies for the diverse food offering for the business. The diverse community in Wayne area offers a challenge in meeting the demands of the customers. This difficulty will be overcome by directly sourcing from farmers in addition to reliable suppliers from the locality to improve variety. Another weakness is the high turnover rate in the industry, which will be overcome by training employees well, providing competitive wages, and involving the employees in management.

Opportunities

One of the opportunities available for Savannah is offering healthy foods to take advantage of the trends towards healthier foods in the community. The other possibility for growth of the business is offering discounted prices for customers during the afternoon to allow new customers to experience primarily for students who have a high elasticity of demand. This will help to generate interest in the restaurant and convince new clients to visit and be wowed by

the experience. From the start, Savannah will offer delivery services to the clients creating an opportunity for a drive-through section to be established in the future to serve on the go customers visiting the restaurant. The part will be achieved through training of personnel on quick service provision and efficient packaging to ensure satisfied customers and generate loyalty. The economic recovery is another opportunity for the business to access new customers by promoting spending in the restaurant industry in general and improving the ability to pay by consumers. The impact is the increased willingness to pay for the higher prices at Savannah compared to other food outlets in the area.

Threats

The threats to Savannah include competing restaurants and other food outlets in the area. The increased options for customers on where to dine is a threat to the business. This threat will be overcome by offering quality food and excellent service delivery as a differentiation from the rest. There is also a threat of rising food prices especially healthier food options that will form the focus of the restaurant. The threat will be overcome by signing long-term contracts with suppliers for the delivery of the fresh product within stipulated timelines. Sourcing new reputable suppliers with efficient delivery of quality food products will also aid in reducing the threat of increasing high prices of healthy foods.

IV. Management Team

The management team will aid at the start of the business and ensure the goals are achieved within the set timelines.

Restaurant manager

Mr. William Levi who has 12 years experience at management level in the hospitality industry in Detroit area will serve as the restaurant manager. Mr. Levi has a bachelor in Hospitality and Tourism Management and will be responsible for guiding the daily operations of the business.

Operation manager

Mark Williams will serve as an operation manager at Savannah. He has a wealth of experience in operations having been involved in hotel operations for 15 years and has a master in operations management from Oxford. His functions will include scheduling and run all activities at the restaurant.

Marketing manager

Mary Queen will serve as the marketing manager of Savannah. She has five years marketing experience in the hospitality industry having worked as a marketing manager for McDonald's. She has a bachelor's degree in Accounting and will be responsible for the marketing and promotion of the business.

Training

Every employee hired must undergo one-month mandatory straining to inculcate the culture of excellent service and professionalism despite their position with the company (Burns, 2007). Every employee applying for management level must have a degree in their area of specialty. The compensation and benefit plans for the employees will be based on the qualifications and will be consistent with the Michigan area pay packages and according to set regulations. A consultative decision-making process will be employed with employees encouraged to provide their opinions and participate in important aspects of the business.

Providing training, personal development chances, pay hikes that relate to performance and bonuses are avenues for improving employee morale and motivation to be employed. Training

will be provided for all employees every two months on a rotational basis and frequent evaluation of job descriptions to allow for improvement.

V. Product/Service Development Plan

Quality food in a conducive and clean environment is a requirement for an individual in light of increased workload and reduced time to cook. In my search for a restaurant that offers high-quality foods and excellent service, I was shocked that none of the food outlets met the two requirements adequately. Employee attitude and culture was one of the leading challenges that restaurants faced in delivering quality service to the consumers while others could not achieve high levels of food quality and service excellence. It is from this experience that I started saving with the aim of starting a restaurant that would deliver excellence in service and food quality while ensuring a culture of professionalism is inculcated from the start of the business. The products include a variety of meals, soft drinks, coffee and other beverages, and assorted art and books for customers to sample while they take their meals or relax at the restaurant. The focus of Savannah will be to provide quality and variety to consumers benefiting from reduced junk food consumption, nutritious meals, and better healthcare. Use of fresh produce and supplies sourced from farmers who pay close attention to quality and environment consideration production are other aspects of the restaurant in product plan. The customers will be guaranteed for a refund for any meals that do not meet quality requirements and any mistakes made in completing the orders.

Pricing Plan

To compensate for the higher quality food, excellent service, and conducive environment, Savannah will charge one percent more compared to pricing by other food sellers in the area. A survey of the market revealed that consumers are willing to pay more for quality foods and the

strategic location saves time for students and teachers. Inventory costs, marketing, distribution, and operation costs are the cost considerations. Weekly meetings with managers and employees will help understand the challenges and the successes of the business to provide information to make decisions aimed at improving effective management and incorporation of customer feedback in strategic decisions. There will be no credit policy since all payments will be made in cash to allow the business to meet its margin. A credit policy may be considered in the future once the business has developed a loyal customer base.

Operation plan

The strategic location of the business allows for access to a high population, easy access to supplies, and high visibility to visitors and customers. The importance of fast services was considered in the selection of the location and since the primary customer target is students and teachers proximity to the university was very important. The tax policies that will be considered before starting operations include licensing, ensuring regular health checks on premises and employees, and filing tax returns. The layout of the business previously used as a restaurant provides enough sitting space. Supplies will be sourced from established producers in the area with the selection criteria for suppliers including proper supplies handling, adherence to food safety measures, timely delivery, and excellent reputation. Prompt payment of the suppliers, ethical business considerations, and constant communication will aid Savannah in maintaining good relations with suppliers. The hiring of employees and training will be outsourced to Lucky Human Resource Consultants to allow for reduced costs and the selection of qualified personnel. The fresh product will also be purchased directly from farmers and transported to the restaurant to reduce costs and ensure high-quality supplies. Inventory costs will also be reduced since low inventories will be kept and replenished often through demand forecasting. The current and

detailed production process will also help in understanding the inventory requirements to aid in inventory levels forecasting. Customer feedback will also be collected and used to improve efficiency.

VI. Financial Plan

Assumptions

The assumptions made in the preparation of the financial projections are presented below

	2018	2019	2020
Current Interest Rate	10%	10%	10%
Long Term Interest Rate	9%	9%	9%
Tax Rate	24%	24%	24%

Projected Cash flows (All projections are presented in dollars)

	2018	2019	2020
Operations Cash Received			
Cash sales	140,365	173,800	198,800
Receivables cash	77,235	148,800	173,800
Total operations cash	217,600	322,600	372,600
New Borrowing	4,000	4,500	7,000
Total Cash Received	221,600	329,500	379,600
Cash Outflow			
Expenses payment	117,630	126,489	134,869.20
Accounts Payable	16,210	134,000	68,500
Total cash outflow	133840	260,489	203,369.20
Cash Balance	87,760	69,011	176,623.80

Projected profit and loss account (All projections are presented in dollars)

	2018	2019	2020
Sales	282,131	384,990	431,548.80
Direct costs of goods	560	700	790
Other costs	180	190	160
Gross Margin	281,391	384,100	430,598.80
Gross Margin %	99.73%	99.77%	99.78%
Expenses			
Salary	80,000	90,000	100,000
Sales and marketing	20,000	9,000	4,000
Equipment Depreciation	1000	1000	1000
Rent	3000	3000	3,000
Utilities	1500	2200	4400
Insurance	200	200	200
Leases	600	800	1000
Total expenses	106,300	106,200	113,600
Profits before interest and Taxes	175091	277,900	316,998.80
Interest Expense	400	405	630
Taxes	42,021.84	66,696	76,079.71
Net Profit	132,669.16	210,799	240,289.09
Net Profit/Sales	47.02%	54.75%	55.68%

The projections show solid increase in the sales and profitability of the restaurant depicting a good financial future for the business.

Break even analysis: The projections show that the business is expected to breakeven within the first year of operation. The profits will be low in the first year but is projected to grow with time.

Projected Balance Sheet (All projections are presented in dollars)

	2018	2019	2020
Assets			
Current Assets			
Cash	87,760	69,011	176,623.80
Inventory	50,000	64000	74000
Total current Assets	137,760	133,011	250,623.80
Fixed Assets			
Equipment	10,000	10,000	10,000
Other assets	96,841	96,841	214,464.29
Depreciation	(1000)	(1000)	(1000)
Total Assets	242,601	238,852	356,464.80
Liabilities			
Current			
Borrowing	4,000	4,500	7,000
Accounts Payable	3000	4000	6,000
Total Current	7,000	8,500	13,000
Liabilities			
Long-term Liabilities	40,000	19,553	10,000

Total Liabilities	47,000	28,053	23,000
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Retained Earnings	0	132,669.16	210,799
Earnings	132,669.16	210,799	240,289.09
Paid in Capital	62,931.84	0	0
Total Capital & Liabilities	242,601	238,852	474,088.09

I. Timeline

The activities that will be undertaken and aimed towards starting Savannah are indicated in the table below.

Date	Activity
November 1-15 2017	Undertaking Research
November 15-20 2017	Surveying the target market
November 10-30 2017	Developing a plan
December 1-5 2017	Planning finances
December 5-10 2017	Choosing a business structure
December 11 2017	Picking a business Name
December 11-15 2017	Applying for licenses
December 15 2017	Choosing the accounting system
December 16 2017	Leasing the business location
December 16-20 2017	Hiring employees
December 20-30 2017	Sourcing supplies

December 20-31	Promoting the business
January 1 2018	Start of the business

VII. Conclusion

Feasibility analysis shows that there is a strong potential for the restaurant business to succeed in Wayne area. The conditions including high population, increasing demand for quality food, and low competition are present for the business to succeed. The external environment affects the restaurant business and will be considered in setting up the business as evident in the PESTLE and SWOT analysis. A strong management team and attention to employee requirements are the other aspects that will allow the business to achieve the profitability and growth goals. The focus of Savannah will be on providing quality foods and excellent service to succeed in the market.

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