

BUSINESS PLAN
LUSO MEAT SHOP



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CONTENTS

ACKNOWLEDGEMENTS.....	Error! Bookmark not defined.
TABLE OF CONTENTS	iii
LIST OF FIGURES	v
LIST OF TABLES.....	vi
EXECUTIVE SUMMARY	vii
CHAPTER 1: INTRODUCTION	1
1.1 Business Description	1
1.2 Problem Statement	4
1.3 Mission.....	6
1.4 Vision	6
1.5 Objectives.....	6
1.6 Business Model	7
1.6.1 Luso Meat Shop Value Chain	7
1.6.2 Luso Meat Shop Business Model Analysis	8
1.6.3 Small scale local Farmers	10
CHAPTER 2 : INDUSTRY ANALYSIS	13
2.1 Environmental Analysis.....	13
2.1.1 SWOT Analysis	13
2.1.2 PEST Analysis	15
2.2 Industry Analysis	18
2.3 Product and Service Demand.....	18
2.4 Industry/ Target Market Feasibility	19
2.4.1 Industry Attractiveness	20

2.4.2 Target Market Attractiveness.....	20
2.5 Competitive Analysis	25
2.6 Competitive Advantage	26
2.6.1 Michael Porter’s Five Forces Model.....	26
• Bargaining power of suppliers – Low to medium	26
• Bargaining Power of Buyers – Low to medium	26
• Competitive Rivalry – Moderate.....	27
CHAPTER 3: MANAGEMENT PLAN.....	29
3.1 Organizational Management Plan.....	29
3.1.1 Management profile.....	30
CHAPTER 4 : MARKETING AND SALES PLAN.....	33
4.1 Marketing and Sales Strategy	33
4.2 Marketing Plan	36
4.3 Sales plan.....	37
CHAPTER 5: OPERATIONAL PLAN.....	39
5.1 Operational Plan.....	39
5.2 Logistics and Supply Chain.....	41
CHAPTER 6 : FINANCIAL PLAN.....	43
6.1 Capital Budget.....	43
6.2 Salary Estimates	45
6.3 Pay Back Period	52
6.4 Current Status, Use of Proceeds and Milestone	53
6.5 Risk, Evaluation and Control.....	54
REFERENCE.....	56
BIOGRAPHY	58

LIST OF FIGURES

Figure 1: Map of Africa	3
Figure 2: Map of Malawi	3
Figure 3: Value Chain	7
Figure 4: Sample Local Farmers Goats	10
Figure 5: Sample Local Farmer's Cattle	11
Figure 6: Sample Local Farmers Chickens	12
Figure 7: Sample Broiler Chickens By Local Farmers	12
Figure 8: Local Butchers' Sample	28
Figure 9: Organizational Structure	29
Figure 10: Area 23 Map	35
Figure 11: Logistics and Supply Chain	37
Figure 12: Sales Forecast	50

LIST OF TABLES

Table 1: Animal Prices.....	11
Table 2: Livestock Production Estimates	20
Table 3: Competitor Analysis	25
Table 4: Competitor Price Comparison	34
Table 5: Marketing Budget.....	Error! Bookmark not defined.
Table 6: Operational Plan	39
Table 7: Start-Up Capital Assets.....	43
Table 8: Start - Expenses	44
Table 9: Start-P Capital Estimates	45
Table 10: Salary Estimates For Year 1	46
Table 11: Salary Estmates Year 2.....	46
Table 12: Salary Estimates Year 3.....	47
Table 13: Income Statement	48
Table 14: Projected Cash Forr 3 Years.....	49
Table 15: Balance Sheet.....	51

EXECUTIVE SUMMARY

Luso Meat Shop business is a start-up modern meat shop with a capital of US\$30,240. The business will be selling fresh and good quality three most preferred meat types by Malawians (Beef, Goat and Chicken) to be offered in a variety of attractive cuts, chicken parts or whole. Target customers will have options of making orders through email, phone and WhatsApp or walk into the shop. Furthermore, delivery services will also be available giving chance to our big customers target customers and those with busy schedules. The business will be located in Area 23, Lilongwe, capital city of Malawi. The shop will be strategically located along the main road.

Luso Meat Shop aims to offer its meat at a competitive moderate price to meet the demand of the medium to higher income target customers within and surrounding areas. Operation time will be longer than any of the competitors giving target customers flexible buying time. Our marketing plan has put in place strategies to create the right awareness in the minds of target customers in order to win a larger market share. The business will be observing and maintaining high levels of hygiene and abide by the industry's regulations and necessary health standards required by the responsible authorities.

The staff team is very competent with wide experience in butchery shop operations and we would make sure that our employees are paid adequately by Malawi labour standards and work place safety practices are observed. My co-director has over ten years working experience in butchery management at senior position giving our business an added advantage.

During the first year, the business have revenue projections of 72,614US\$ of meat sales and the net profit after tax for first year is 695.80 US\$, this is so because of the larger start-up expenses. There is an increase on projected revenues of 17,280 US\$ and 34,464 US\$ in the second and third year respectively. It is assumed that there will be sales increase in all the years considering that food is a necessary commodity and meat is a much preferred part of the meal by most human being. This plan will be implemented in April, 2018. Start-up capital will be financed by savings which I and

my fellow director (my brother) have been making since we came up with the business idea.



CHAPTER 1

INTRODUCTION

This business plan intends to serve as a starting point for a meat shop business named Luso to be launched in Area 23 a high densely residential area in Lilongwe the capital city of Malawi. This business plan talks about the overall description of the business, it outlines reasons for the launch through description of products and service offered which was spotted as a gap on the market which gave us an idea to venture into it. It provides the vision, mission, and an outline of the business model which will be implemented.

A thorough industry analysis evaluation of strengths, weaknesses, opportunities and the technological factors which would affect the business is done. Analysis on the competition levels with main competitors on the market is also conducted. The plan also identifies the target market and gives a full description of the niche which Luso Meat Shop business will be operating.

The business will further give the management a plan with a hierarchy of key human resource positions which Luso meat Shop will have which will be working in collaboration in order to accomplish the business goals and objectives. The marketing strategies which will be used to achieve these goals and objectives will be outlined and lastly will look onto the feasibility of the financial plan by outlining the income statement, balance sheet, the cash flow statement the breakeven point for the business and concludes with the viability of the whole business plan.

1.1 Business Description

Luso Meat Shop is a new business that will provide quality freshly slaughtered meat to its customers. Because we want to create sustainable business, we will work towards creating reliable source of income in line with our core business concept so as to generate profit and create a sustainable business growth and also to operate as required under laws of Malawi and within our business ambition which is offering the best quality fresh meats at a reasonably medium price whilst observing high hygiene standards. Therefore, types of meat and service which Luso Meat Shop intends to be offering includes; Beef, Goat meat and Chicken. The beef will be sold either the whole

carcass or in a variety of cuts, sausage, ground beef, trotters and offal. Goat meat will also be sold either whole carcass or in variety of cuts and offal whereas chicken will be in a choice of parts or whole from a range of broilers, old/spent layers and free range chickens. Accordingly, all the meat will be sold in cuts of different sizes which would be either pre packed or loosely displayed in refrigerators for its freshness and customers' wide choice. Special and custom made cuts would also be arranged according to customers' specifications on request. However, Luso Meat Shop will be offering meat on both retail and wholesale to meet customers' demand. All the three types of meat will be sold in one shop providing customers with a wide choice of quality fresh meat in one shop at their convenience saving time of moving from the residential locations to the city centre to buy meat and also saving customers from hustles of moving from one shop to the other looking for these commonly consumed and preferred meat types which is also a reliable source of protein for human beings.

Target market includes the local households, hospitals, boarding schools, small and medium business operators such as; hotels, lodges restaurants and drinking joints. The local households represent a large target market due to its affordability in terms price and location accessibility. Furthermore, meat is commonly consumed as part of the main meals or snack at any time of the day.

Luso Meat shop will be situated in Area 23, one of the high densely populated residential areas of Lilongwe, the capital city of Malawi. Within the residential area, there is a designated market place where small to medium scale businesses and shops are located. At such markets, there are meat sellers popularly known as local butchers who operate business on small scale. Despite their existence within the residential areas, Luso Meat Shop will open its business in the same area in order to provide a solution to the problems that the residents and other target customers are currently facing because of the rising demand for meat due to ever growing population in the cities and also giving customers an opportunity to access good quality fresh meat within the locality whose premises observe high hygiene standards, the meat sold would pass through all the necessary health checks. Finally the shop will be within customers' convenience such that less will be spent on travel to access same meat quality like what our meat shop is offering.

Business hours for Luso Meat Shop will be 6.00 am to 23.00 pm from Monday through Saturdays as for Sundays, the shop will be opening from 10.00 am to 22.00 pm and for festive seasons like Easter, Christmas and on new year Luso Meat shop will be open for 24 hours. The shop is scheduled to open in April, 2018.



Figure 1.1 Map of Africa

The above figure 1.1 is map of Africa showing where the country Malawi is located.



Figure 1.2 Map of Malawi

Above figure 1.2 is map of Malawi and other surrounding countries showing the location of Lilongwe city.

1.2 Problem Statement

Many Malawians migrate from rural to urban areas of the country to work, do businesses or both and Lilongwe being the capital city it is the most preferred destinations. This results into rising population in the cities further contributing to high populations in residential locations hence the higher demand for essential commodities such meat.

Currently, Supermarkets and Local butchers are the main players supplying meat on the market. The problem is that none of the current players on the market stock these three preferred meat types ; beef, goat meat and chicken in one shop, often times they specialize in selling beef and Chicken or either of the two. This leaves out a certain group of customers such as the Asian community who represents a substantial population of market share whose preference is goat meat and chicken as compared to beef due to cultural or religious beliefs. These potential customers and people have no reliable access of their preferred meat from the trusted shops such as the supermarkets. The other factor is the location of the supermarkets which are mainly located in the city

centre or in commercial towns giving customers trouble to travel quiet longer distances to have access to quality meat.

Local butchers specialize in selling one meat type either goat, chicken or beef. Meat is low priced and their shops are within the locality. Despite convenience of location, the problem lies on offering of low quality, unhygienic premises and poor meat handling procedures, this pose to be an issue of great concern by target customers. Often times, Local butchers buy animals from unreliable sources resulting into purchasing animals in compromised health status in search of very low prices. In the process they are prompted to bypass veterinary and healthy standards certification as required by the City Council Health Department and Veterinary Department of Animal health respectively fearing that any defects detected on the meat would mean losing the whole carcass or part of it may be declared not fit for human consumption hence a loss on their business. Finally, sometimes local butchers sell meat of stolen animals from the villages, for this reason, certain class of target customers does not like buying meat from them because they always want to disassociate themselves from such type of meat sellers.

Since supermarkets and local butchers are currently the markets' main players, customers are facing a number of problems such as; none of the competitors stock all the three most consumed and preferred meat types in one shop, unavailability of decent meat shops within the locality of Area 23 area and other residential areas with the following qualities; offering fresh and good quality meat and meat cuts at fairly low price, operating longer and flexible business hours, with experienced personnel with good customer care skills, where customers have an option of placing orders through internet, phone and whatsapp, one that offer delivery services and able to meet higher meat demands on the market due to the growing population in Lilongwe city. In the absence of such from the current market players, there is a gap on the market which needs to be filled in order to make it convenient for target customers to have access of buying the preferred meats from one shop within the locality thereby saving time, cutting on travel expenses, avoiding hustles with heavy traffic getting to the city centre and also inconveniences of moving from one supermarket shop to the other looking for these preferred meats. Currently none of the competitors, either Supermarkets or Local

butchers offer such. Luso Meat Shop has identified this problem on the market and wanted to utilise it as an opportunity by filling the gap currently on the market.

However, a number of factors will also be considered like; necessary licenses to operate the business. This is a requirement by Malawi government through Registrar Generals' Department that business operators in the country should first register and obtain a business operating licence. Besides, the organization structure has included the position of Quality Assurance Supervisor who will be looking at products/services quality and will also be in constant contact with Veterinary Department of Animal Health for necessary health checks before putting the meat on the market. Experienced Butchers and meat cutters will also be employed to ensure availability of good quality meat cuts and all other meat products being offered.

1.3 Mission

To procure fully grown health animals and sell high quality meat, offering good customer care services with commitment to maintain quality and freshness while observing maximum hygiene standards meeting customer satisfaction at the best possible competitive prices.

1.4 Vision

To become the preferred meat shop and win a larger market share in Lilongwe by 2019 by ensuring that we offer our customers best quality meat at medium prices possible

1.5 Objectives

- To be a medium cost provider of quality and fresh meat
- To be stockist of the three most preferred meat in one shop within the locality
- To be operating business in a very hygienic premise
- To be the only convenient meat shop through provision of email, phone and whatsApp ordering and delivery services.

1.6 Business Model

This describes how the business will be carried out starting from the source. We will be going to the local farmers or to their local animal markets, live animals will be purchased then taken to the slaughter houses for slaughtering, thereafter, the meat undergoes inspection by veterinary officer and necessary certification issued. The carcass is then taken to the shop where the meat is cut into different sizes of then ready to be sold to customers.

1.6.1 Luso Meat Shop Value Chain

This shows how the business will get the value out this chain right from the source where the animals are purchased.

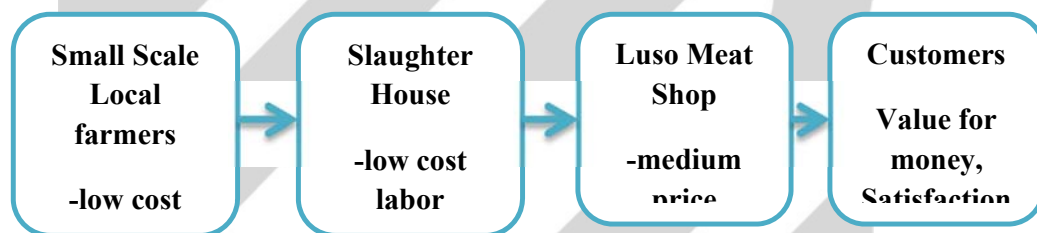


Figure 3 Value Chain

The above Figure 1.3 shows how the business will get value through the value chain process. From the suppliers who are the Small Local farmers, we will be buying the animals at a cheaper price. The slaughtering services will be acquired from slaughter houses whose services are offered at a lower cost, it would give value and an advantage to the business. High quality meat will be offered to customers at medium prices. This has been necessitated by the low expenses incurred when procuring the animals and acquiring of slaughtering services at a lower price. Customer satisfaction and value for money will be enhanced through offering high quality meat at reasonable medium prices.

1.6.2 Luso Meat Shop Business Model Analysis

Suppliers for the business will be small local farmers. Live animals will be purchased straight from them without involving any middle men then transported to the slaughter house for slaughtering thereafter, the carcasses will be taken to our meat shop where it will be cut into quality meat cuts which will be either be both pre-packed in different portion sizes for customer's choice and just displayed in refrigerators for customers' choice. The same will be done with the beef and goat meat products such as sausage, ground meat, offal and trotters whereas chicken will be sold whole and in parts.

The main competitors, Supermarkets' get their meat supply through the intermediate suppliers who purchase the animals from the medium to large commercial animal farmers. They buy the animals in bulk slaughter and re-sell to the supermarkets then the supermarkets further process and sell the meat to its customers. Since these intermediate suppliers buy the animals in bulk the small local farmers are not recognized as being part of their suppliers.

The other competitor, the local butchers buy animals also from the small local farmers too but in very small quantities this leaves an opportunity for Luso Meat Shop to have a ready supplier market to buy from.

Since the small local farmers' supplier market is not saturated with buyers it gives us an opportunity for more bargaining power resulting in buying quality fully grown animals at a relatively lower price coupled with fair and low selling price than our competitors, the super markets. Furthermore, selling price will be slightly above the local butchers who are also located within the same area with Luso Meat Shop but we believe we will win a big market share and make profit because;

- Luso Meat Shop will be established to make profit by selling choice meat cuts, meat products and fresh tasty chickens to its customers at a relatively lower price.
- High hygiene levels will be observed and conform to standards as set by the City Council and also our own personal high level standards will be observed.

- The shop will be situated at a convenient place within area 23 residential area giving the households and other target customers opportunity to buy their preferred meats within the location at a competitive low price while saving their travel time and expenses.
- The shop will be the first meat shop business of its kind in Area 23 and the entire Lilongwe City that will be offering delivery services within city boundaries to big customers and all customers whose purchase exceeds ten kilograms.

The selling system will be two ways, first is the traditional way whereby customers will be coming to the shop to choice from the wide variety of meat cuts and chicken's portions or whole. Second option, customers will be placing orders by email, phone, or through mobile application whatsapp or email. Order verification with the customers will be done on the meat type and required quantities thereafter delivery will be done and payment will be cash on delivery basis.

Since Luso Meat Shop business will be buying the animals straight from the suppliers at lower price, meat prices will be set a bit lower than the main competitors, supermarkets. We will be selling good quality fresh meat cuts and meat products from fully grown cows and goats also quality chickens to customers who will get value for money from their purchases.

Because of larger numbers of animal purchases by Supermarket suppliers from the medium to high commercial farmers, they don't recognise the small local farmers to be part of their suppliers but only the local butchers who buy animals from the small local farmers but in very small quantities due to small capital structure. This group of potential small scale local suppliers is the target for Luso Meat Shop business whereby our staff responsible will be buying the animals direct from them in the villages and by doing so, will help the business have continued relationship with them. Since the small local farmers have no reliable market for their animals, Luso Meat Shop will become key partners that we will be buying from these readily available suppliers.

1.6.3 Small scale local Farmers

Suppliers of cattle, goats and chickens will be the small local farmers. These are farmers in the villages whose animal farming is on small scale such that they are not recognized by the bulk buyers who buy animals slaughter and supply the supermarkets. As such, it gives an added advantage to our business because small local farmers offer their animals at a fairly low price as compared to the big commercial farmers. The animals bought from the small local farmers are fully grown and mature animals. This makes it easier to trace the origin of our meat and even making it easier to track the meat quality right from the source, giving us a distinct advantage because our meat will be of great quality and taste but selling at a relatively lower price than competitors on the market.

Below figures 1.4 and 1.5 demonstrates animals by Small Local Farmers



Figure 1.4: Sample Local Farmers Goats



Figure 1.5: Sample Local Farmer's Cattle

Table 1: Animal Prices

Description	Small Local Farmers (US\$)	Commercial Farmers (US\$)
Cattle	280.00	340.00
Goats	40.00	52.00
Chickens	3.00	4.00

Above table 1. is animal price comparison table for Small Local Farmers, suppliers for Luso Meat Shop and Big Commercial Farmers, suppliers for Supermarkets. This shows that the business will be buying cattle, goats and chickens at a relatively low price compared to the major competitors, the Supermarkets will necessitate our business to sell meat at a relatively lower price than them hence attracting more customers, win a larger market share, sell more and realise more profits.



Figure 1.6: Sample free range/ local Chickens by Local Farmers



Figure 1.7: Sample Broiler Chickens by Local Farmers

The above Figures 1.6 and 1.7, are samples of free range (local) and broiler chickens respectively by the Local Farmers suppliers, for Luso Meat Shop.

CHAPTER 2

INDUSTRY ANALYSIS

2.1 Environmental Analysis

A number of tools will be used for the purpose of determining the feasibility of Luso Meat Shop business. It is aimed towards analysing the situational factors that will impact Luso Meat Shop business. A SWOT analysis was performed to evaluate the internal and external factors that may be favourable or not for our business. Secondly, a PESTEL analysis prepared for a better understanding of the external factors in Malawi. Additionally, Porters five forces, analyses the competition levels which is currently there in the meat industry.

2.1.1 SWOT Analysis

Strengths

- The distinguishing characteristics which are there for our business from the rest of the competitors; despite all players industry selling meat, meat products and services, there is still some distinguishing factors which can't be recreated especially the human capital who have more experience in the field and the special strategies employed to out compete the others in the industry, this becomes the driving force for Luso Meat Shop. Our Strengths also lies in hygienic and attractive shopping environment within easy reach of our wide range of customers. The shop is up to standard with fridges and freezers to enable attractive display of the meat whilst maintaining its freshness. Business's financial base which enables the business to have capacity to meet demands of our customers even the wholesale purchases.

- Offering of the three most preferred meats in one shop would give customers a chance to access meat of their choice within same convenient place saving customers time of moving from one shop/ butchery to the other buying the meat.

The offer for delivery services to restaurants, hospitals, boarding schools and other bigger purchases within the Lilongwe city distinguishes the business from that of the competitors.

- One of the management team members of Luso Meat Shop have over ten years of experience in butchery management at senior level and the chief butcher has over fifteen years of on the job experience and of course the entire friendly dedicated team. This knowledge will allow the team to implement the appropriate strategies we believe will help the business success.

- Longer Opening hours being implemented by our business gives the customers flexibility to buy meat of their choice at any particular time of their convenience.

- Offering of lower prices than the Supermarkets gives the business an upper hand as customers would want to have value for money from the purchase of quality meat at a relatively lower price.

Weaknesses

- Despite having a good start up capital base and good workforce, our weakness lies in the limited medium capital base causing us not to compete effectively with the supermarkets whose financial capacities are high.

Opportunities

- The greatest opportunity for the business is the higher demand for meat due to higher population which results into high daily consumption regardless of financial aspect.

- More food offering businesses opening are on the rise which requires meat as part of their raw materials. Such businesses like; the snack shops, the mobile meat vendors selling ready cooked meat and small scale restaurants gives it more opportunities to increase the market share.

- Easy accessibility to Luso Meat Shop gives it a more growth opportunity as more households from the neighbouring residential areas would be patronising the shop giving it more chance for growth.

Threats

- The biggest threat that Luso Meat Shop have are rivals, direct competitors who are offering similar products like us such as the Supermarkets and the Local Butchers. Because of Supermarket's large financial base, it is easy for them to expand to different areas where they spot an opportunity.

- New entrants in the same location with to business with larger capital base who can out-compete our medium capital operating business considering that the business is very rewarding as such many would want to venture into.

-The other threat is the other policies imposed prohibiting the growth of small businesses for instance the higher tax rate policies.

2.1.2 PEST Analysis

Luso Meat Shop will also operate in an environment with some external factors which can affect operations of the business analysed as follows;

Political Factors

- Since Malawi's independence from the colonial masters it has been a politically stable country. Early in the 90's after the adoption of the multiparty government system, there have been other politically administrative and regulatory uncertainty issues by the government which have impact on operations of some businesses for instance frequent changes on taxable commodities. This has often brought about changes on tax regulations that frequently affects business profitability the in the country.

-Good political will by current government policies in encouraging small and medium business operators to cut down on unemployment rates through provision of start-up loans.

Sometimes chaotic and property damaging by angry political party members when there is any sort of misunderstanding between them resulting into loss by businesses.

- Restrictive tax policies and trade regulations by government causing small and medium scale businesses struggle to survive.

Economic Factors

- Higher interest rates by financial institutions restricting businesses access to loans to enhance their capital base.

- Higher inflation rate which have currently being at 23% being the highest tax rate in southern Africa causing consumers to have low disposable income due to economic hardships hence affecting businesses.

- Government initiatives and reforms on loan accessibility for small businesses with little interest repayment rates of 5%. These economic policies will encourage the unemployed youth, and small medium scale businesses to access to loans to operate businesses. These business operators will be able to employ other people hence helping government in reducing unemployment rates and successful businesses will help people have more disposable income.

Social Factors

- Increase in population causing demand for essential goods like food to increase.

- Changes in eating lifestyle and trend. Socially people would want to adopt new health eating habits for their good health.

- Education level plays a role as consumers are more cautious of what they eat.

Technological Factors

- New technological discoveries and innovations having great impact on businesses. Malawi as an underdeveloped country is not much advanced in terms of technology as compared to the neighbouring countries. Most of the small to medium businesses doesn't use sophisticated technology in its business operations.

- Rate of technological advances and innovations making businesses operations easier and faster.

Environmental Factors

- Enacted laws on the protection of environment through good waste management practices to help reduce pollution. With respect to the business, all wastes will be managed properly to maintain the hygiene standards of the business place.

- Blackouts causing businesses to suffer because of low power generation due to deforestation which causes low water levels hence low electric power generation. The start-up capital has an allocation for generator purchasing for backup in case of power outage.

- Natural disasters like floods and disease outbreak leading to death of animals and relocation of farmers.

Legal Factors

- Mild penalties guided by legal acts causing increased number of animal theft in some parts of the country for instance very little changes on cattle theft like 100US\$ or three to six months' jail sentences.

- Healthy and safety regulations to safeguard employees and citizens and other businesses. Set regulations on certain products

Conclusion: Looking at the external factors, Luso Meat Shop business can still operate and be able to win a large market share, make good profits and promote growth despite the economic hardships due to higher inflation rates, government is doing its best to bring it down to at least a single digit this will enable businesses borrow money and conduct businesses hence improvement in economic status of the country. The business have all necessary safety measures in terms of protective clothing are well taken care of like for instance overalls, gumboots and protective gloves and other safety and protective measures will be taken care of.

As regards to other government policies, some which are being implemented are beneficial to the business community since it encourages people to operate business which employs other people helping the government reduce rate of unemployment. As for the low power supply, our start up budget has provided for the purchase of stand by generator.

2.2 Industry Analysis

Meat is the most preferred part of the meal and source of protein for human beings. Meat industry has a number of meat types such as ; beef, goat meat, mutton, pork and chicken and also other varieties of poultry like duck, turkey, pigeon and quails. In Malawi, meat business is rather an old industry because meat is basically consumed by many people especially now that the alternative commodity fish is insufficient supply due to some seasonal environmental factors hence the high demand for meat which is available throughout the year in both urban and rural areas.

The meat industry is unique in the sense that it is reliant on live animals as its raw materials. Within the livestock production industry, there are changes in the price cycle due to a number of factors such as, instability of local currency Malawi Kwacha against the major currencies like the British pound, Euro and the United States dollar, which results in low supply on the market and high demand for the products and other unforeseeable problems.

However, demand for meat in town and cities is high due to increased population and changes in eating habits/life style. The big supermarkets like Shoprite, Peoples Supermarket, Chipiku Plus, the City supermarket and the local butchers who are currently main players in the industry which often times fail to meet demand, still more there is a growing need for selling of speciality meats to the target customers who finds it difficult to access but have desire for it as they are not served well by the supermarkets because of higher prices, far located resulting in going through heavy traffic to reach the supermarkets in the city centre, restrictive opening hours, travelling distance to access the commodity and also failure to meet the products higher demand on the market by the current players. As for the local butchers, it is because of low stocks due to lack of strong financial capacity to scale up their businesses, low quality meat which is mostly because of purchasing very cheap substandard animals, unhygienic standards of selling premises and meat handling processes and also failure to conform with safety health checks as required by the responsible authorities.

2.3 Product and Service Demand

The driving force for Luso meat shop products and service will be high quality, medium lower, convenience of location accessibility and long business hours. Prices

will be cost and market driven, business will be offering lower prices than Super Markets because animals will be purchased straight from the small local farmers at a relatively lower price. The prices will be set accordingly to fit various income levels of target customers while maintaining good profit margin whilst creating demand for meat by various target customers. As a way of meeting demand of different classes of the households and other target customers, the shop will be stocking wide selection of meats which is pre-packed or a choice from the cuts which is in different portions and grades and custom made cuts by demand on purchases in excess of ten kilograms.

2.4 Industry/ Target Market Feasibility

Luso Meat Shop business will launch its modern and hygienic shop offering high quality services in the steadily growing market segment of the meat industry which have a number of direct and indirect competitors. Though it will operate within the competitive industry, target customers will be excited to have such a meat shop because of its easy accessibility and less travel time as compared to travelling to the city centre or town enduring the longer motor traffic to access good meat from our competitors, the Supermarkets. Longer opening hours will also close the gap which is currently there on the market as it will be offering target customers longer and more convenient buying time. Furthermore, Luso Meat Shop will try to close the gap which is currently there by offering target customers with value for money fresh quality meat and services at reasonably medium prices than the competitors within the residential areas.

Despite the economic hardships which Malawians are going through, meat still stands out as demand for it keeps rising. In Malawi, demand for meat is high especially in the urban areas due to increased population, higher price for alternatives and demand for better food which is nutritionally balanced.

However, low to middle income Malawians go for meat as an affordable option as opposed to its protein alternative fish and beans which is more expensive and have longer preparation time respectively. Therefore, opening Luso Meat Shop in Area 23 will be an advantage to the residents of the area and surrounding Areas of 22,24, restaurant operators, lodges, drinking joint operators, boarding schools, hospitals and

the Asian community whose preference is goat meat due to cultural and religious beliefs.

2.4.1 Industry Attractiveness

Meat industry is still outstanding despite the competition and pressure by the new entrants. The reason behind this is because one of the basic necessities in human life is food which meat is inclusive. Economically, high profit margins realized from the business is what attracts more competitors but the high capital base is what restricts the entrants into the business. Meat market is always on higher demand no matter what as many people like having meat at all meals of the day like; breakfast, lunch, dinner and as a snack at any time of the day at different places. Furthermore, with the increasing population in the cities of Malawi, the demand for meat keeps rising as people find it to be more economical than the substitute products.

Table 2: Livestock Production Estimates

Animal Type	Estimated Total Animal Population
Cattle	1,470,881
Goat	6,990,349
Chicken	88,465,443

Above Table 2.1 shows the estimates for cattle, goats and chicken statistics as of 2015/16 Livestock Production Estimates in Malawi. According to the data, the business perceives that the meat industry is big and ever growing with government policies intensifying on agriculture hence the desire to enter into it.

2.4.2 Target Market Attractiveness

Meat is much loved by many people as part of the meal which is consumed on regular bases. Even though there are campaigns on health eating habits which condemn regular intake of meat and red meat in particular but rather to go for vegetable based alternatives, still a huge number of people go for meat as first option.

- **Segmentation**

Since the business's target market is medium to high income customers. This covers a wide range of customers of customers. Demographically, customers which will be targeted are customers of all age groups, both male and female, the working class and the business people and all customers despite of educational qualification. The Asian community (Indians and Lebanese) are also specifically targeted because of their higher demand for goat meat due to religious or cultural beliefs.

Geographically, households of Area 23 and other surrounding residential areas, drinking joints, food vendors, restaurants, boarding schools and hospital are the target customers. Since Luso Meat Shop is located right in the residential area, closer to the market and main road, this makes it easily accessible by motorists, cyclists and pedestrians.

Psychographic, as countries advances economically people's life styles are also changing, consumer's eating styles also changes, people would always want have a balanced diet which mostly includes meat for better health. Often times, people also like patronizing drinking joints where they usually have a lot of barbeque on daily bases and more specifically during weekends. Life styles are also changing where by sometimes families only have meat and vegetables or salads as a meal at a particular time.

- **Market Targeting**

Luso Meat Shop will not only be restricted to the above target customers but also households from neighbouring of Areas 22,24,33 and 2 residential areas who does not have a similar facility like Luso Meat Shop in their areas and are facing similar problems like Area 23 residents and all other potential customers. According to statistics, total population for the entire Lilongwe market is around 65,000 customers, Luso Meat Shop target customers is around 6,000.

We can not only consider a restricted number to just a group of people as target market, as such a market research was carried out whose aim is to ensure that we have an idea of what the market will be expecting from Luso Meat Shop and what to expect

also from the target customers giving a clearer picture of what it is like on the market. By doing so, it would allow the business to come up with suitable strategies to attract more target customers for the business to be successful. The research conducted gave Luso Meat Shop business the courage to start the business in order to be able to cater for the following target customers;

- Households
- Restaurants
- Hospitals
- Club Operators
- Boarding Schools
- Food Kiosks and food vendors

Most of these target customers are within the residential area or the neighbouring residential areas which makes it easier for them to access Luso Meat Shop. Area 23 has more than twenty drinking joints which is easy for them to access the shop also. With larger numbers of target customers, higher profits are anticipated for the growth of the business.

- **Product Positioning**

Various communication channels which would easily reach target customers will be used such as local radio, local television channels, newspapers, flyers, banners, the public address systems will be used. The messages in these mode channels will be well crafted and articulated to catch customers' eyes and ears.

Currently, there is no meat shop that stocks the three most preferred meats in the same shop locally for longer hours. From the analysis, it shows that most of the supermarkets stock either beef or chicken and rarely goat meat or two of the meats specially chicken and beef, leaving customers in desperation since they have to travel to the city centre to have access to supermarkets which is also a big challenge enduring heavy traffic on roads leading to the city centre resulting in time and money wastage

and the inconvenience of moving from one shop to another to get such most consumed meat types. The reason why the market is attractive as follows:

a) Offering three most consumed meat types in the same shop closer to the location

Luso Meat Shop's way of attracting target customers is through offering of the three most consumed meats; goat meat, beef and chicken in one shop within the location for easy accessibility. Luso Meat Shop will be situated within the residential area making it easier for the residents and other target customers to have easy accessibility to the shop since the motor traffic is moderately high as compared to driving to the city centre. Supermarkets being the most direct competitors that offer the same meat quality like us, their location and non-availability of all the three preferred meats stands as challenge for the target customers as endurance to traffic jam have to be excised resulting in time and money wastage and furthermore being inconvenienced by moving from one shop to another to access good quality meats. As for the Local Butchers, they are mostly product specific such that they only offer one type of meat for instance, beef of goat meat or chicken but not two or three types at a time.

b) Medium price offering, quality meats, email, phone or whatsapp ordering options and delivery services which none of the competitors offer

Luso Meat Shop will be offering good quality fresh meat at reasonable medium prices whilst maintaining the profit margin. It will be offering lower prices than the Supermarkets but slightly higher than the Local Butchers. Wide range of quality and fresh meat cuts and chicken attractively displayed for customer choice. Customers have choice of any quantity purchases with delivery service within Lilongwe city for the bulk buyers and regular customers for purchases exceeding ten kilograms. The online or telephone ordering will be offered giving target customers flexible buying option. Delivery services being offered would make our business unique and more attractive since target customers will have an option of forgoing hustle of travelling to the shops to do the shopping which none of the current competitors provide.

c) Very clean and hygienic premises operating in conformity with veterinary standards

The Luso Meat Shop business will attract more customers by operating its business in very clean premises with high levels of hygiene maintained as stipulated by the Lilongwe City Council standards and our business's own standards. Meat will be passing through all the necessary health checks and in conformity by the Veterinary Department of animal health. Within Area 23, none of the competitors have similar class levels as Luso Meat Shop because Local Butchers often times operate their business in healthy compromised environment like; open grounds, temporary structures or under trees. Under such conditions, the meat loses its freshness. These local butchers most of the times bypass Veterinary Health checks posing a health risk to consumers.

d) Good customer care by competent staff and longer operating business hours

The sells personnel have good customer care skills considering that a customer is one of the core reasons for business existence, as part of customer care etiquette, when customers gets into the shop, they will be greeted with a smile and helped accordingly. Longer business operating hours are scheduled making it more convenient for target customers with busy schedules during the day to be buying the meat at their convenient time.

2.5 Competitive Analysis

Table 3: Competitor Analysis

Description	Luso Meat Shop	Local Butchers	Supermarkets
Location Accessibility by Target Customers	Easy	Easy	Not easy
Preferred Meat Types Available	All the three types	only one type	mostly two types
Price	Medium	Low	High
Meat Cuts Quality	Very good	Low to medium	Very Good
Delivery Services	Available	Not Available	Not Available
Meat Variety	Wide variety range	No wide Choice	Wide Variety range
Conformity with Veterinary Health Checks	Yes	Not Always	Yes
Hygiene Levels Target Customers	Very High Households, Restaurants, Hospitals, Club Operators, Boarding Schools, Food Kiosks & Vendors, Asian Community	Poor Households, Small Restaurant Operators, Food Kiosks & Vendors	Very High Households, Hotels Restaurants, Club Operators, Food Kiosks & Vendors
Business Operating Time	6:00am to 23:00pm Monday to Saturdays, 10:00am to 22:00pm Sundays and holidays, 24 hours for festive Seasons (Easter, Christmas and Republic days)	6:00 am to 21:00pm Monday to Saturdays, 10:00am to 21:00pm Sundays and Public holidays, 6:00am to 12 mid night for festive Seasons	08:00am to 20:00pm Monday to Fridays, 08:00am to 2:.00 pm Saturdays, 8:00am to 13:00pm Sundays and Public holidays, 8: 00am to 22:00pm for festive Seasons (Easter, Christmas, New Year and Republic days)
Staff	Very Friendly and Experienced	Un friendly staff, No experience	Friendly and Experienced Staff

The above Table 3 shows how Luso Meat Shop stands with other competitors on the market.

2.6 Competitive Advantage

- Uniqueness in stocking the most preferred three meat types in one shop making it more convenience to target customers
- Selling good quality tasty meat at a reasonably lower price while maintaining the profit margins
- Online or phone ordering and delivery services, making target customers shopping more comfortable and convenient by avoiding time wastage.
- Convenient location and longer shopping hours giving customers more flexible buying time.
- Recognized meat shop in a modern building within the locality offering fresh quality meat cuts in a clean and hygienic environment.
- The meat is non- hazardous since it conforms to the safety health checks by the Department of Animal Health at all times than some of the competitors who often times bypass the process.

2.6.1 Michael Porter's Five Forces Model

- **Bargaining power of suppliers – Low to medium**

The bargaining power of suppliers is low to medium. Luso Meat Shop's supplier, the small local farmers' market is currently not flooded with buyers, this is because the buyers are mostly the local butchers who only buy in very small quantities due to their low capital base and also because our big competitor, the supermarkets get their meat supply through intermediate suppliers who buy the animals in bulk from the medium to big scale commercial farmers. This leaves the small local farmers with low bargaining power because they would want to sell their animals to keep their small businesses moving forward.

- **Bargaining Power of Buyers – Low to medium**

Luso Meat Shop as buyer will have a low to medium bargaining power. Since the small local farmers are our current sole supplier, it is somehow difficult buying animals from other sources considering that the alternative suppliers target customers are the large scale businesses who would want a minimum purchase of not less than thirty heads of cattle. As a start- up business, we currently have to restrict ourselves to

the small local farmers as our sole suppliers hence adhering to the suppliers bargaining levels.

- **Competitive Rivalry – Moderate**

Competitive rivalry is rated to be moderate because looking at the location of Luso Meat shop business, the main competitor within the area location are the local butchers whom we differ in different aspects of business offering such as the facility in which our business operate and other aspects like; skilled staff with high levels of customer care, meat quality and cuts on offer, the delivery services being offered, email/ phone ordering service, conformity with the health checks and the longer/ flexible business operation hours. As compared to the supermarkets, location, longer operating hours and lower prices than them for same quality products stands out to be the competitive advantage causing the competitive rivalry rated low.

- **Threat of New Entrants - medium**

The threat for new entrants was evaluated and rated as medium because the meat business is capital intensive to set up in a manner that would attract more customers. There is need to have a good amount of money as a start- up capital which would enable a business to have substantive inventory to meet higher demands for meat. With the current economic situation in Malawi, there is a decrease in opening of new businesses. This gives an advantage of having no much threat of the new entrants to the industry. Furthermore, it is not only about starting a meat business but the quality of products and services being offered which distinguishes it from the rest.

- **Threat of Substitute products – Low to medium**

Threat of substitute products is rated low to medium, currently consumer behaviour and meat consumption patterns keep rising. Meat consumption is associated with good life such that people strives to have meat as part of the meal on frequent bases. However, substitute products like fish is expensive compared to meat due to its

scarcity resulting from environmental factors like low levels of water in country lakes and drying up of some rivers that used to supply fish in the country resulting in low fish supply hence its higher prices. Other substitutes like beans, soy meat are vegetable proteins whose satisfaction cannot fully substitute meat.

Conclusion; The formula for success for Luso Meat Shop business is achievable through offering good quality and attractive meat cuts in a clean hygienic environment, in conformity with all the safety health checks on the meat, at a reasonably lower price, at a location within easy reach by the target customers and of course with unique services like the delivery service to distinguish it from the competitors. This can help achieve a larger market share thereby making more sales which would promote the business to grow and realise more profits.



Figure 2.1 Local Butchers' Sample

Above figure 2.1 sample of local butchers on how they conduct their businesses. Meat is just put on open spaces exposing it to flies, dust and many other dangers.

CHAPTER 3

MANAGEMENT PLAN

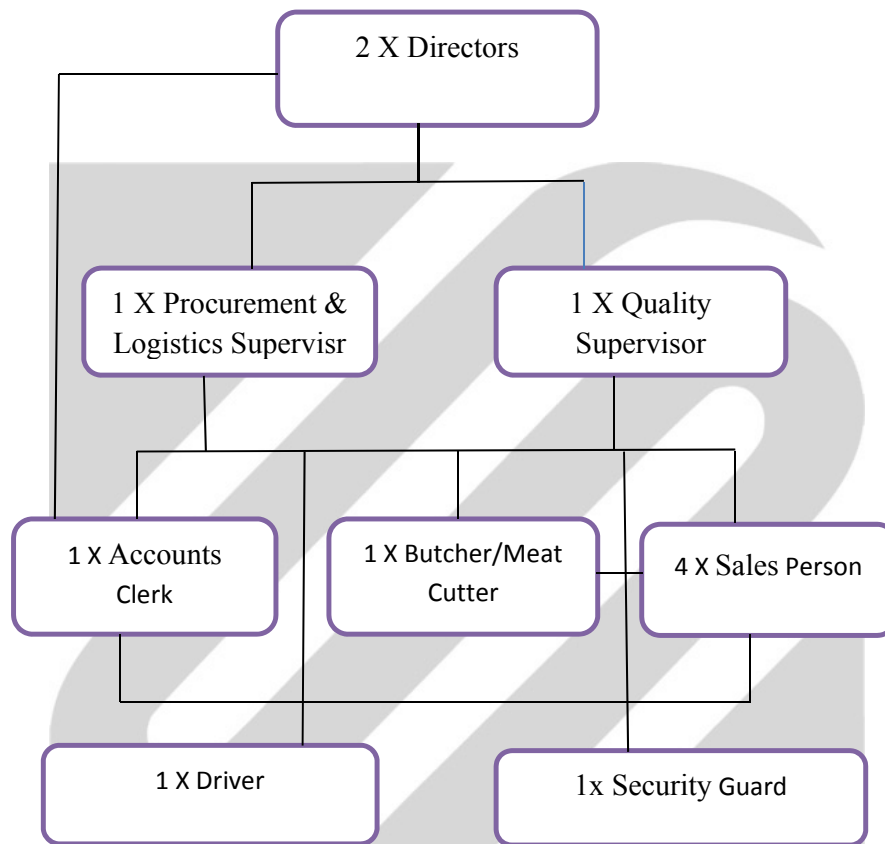


Figure 3.1 Organizational Structure

Figure 3.1 above is an organizational structure showing personnel positions for Luso Meat Shop and its reporting levels.

3.1 Organizational Management Plan

One of Luso Meat Shop business core competence is good delivery of service, this can be achieved through engagement of competent and dedicated staff who can deliver. In this regard, positions in the business will be filled with qualified and

experienced staff for best customer service delivery. Besides there is an inclusion of Quality Supervisor who will be responsible for quality issues in terms of meat quality from the source by ensuring that healthy and fully grown animals are purchased by the procurement and Logistics Supervisor.

3.1.1 Management profile

a) Managing Directors

There are two posts under this one position will be occupied by myself Josephine Chimutu and the other one will be filled by Louis Chimutu, co-director with equal amounts invested as start-up capital. Am currently studying towards attaining Masters' Degree in Business Administration with Stamford International University, Thailand, currently holder of Bachelors' Degree in Business Administration and eighteen years working experience in the Civil Service of the Malawi Government of as Budget Monitoring Officer. Louis has a Masters' Degree in Strategic Management and Bachelor of Computer Science Degree from Huddersfield University in the United Kingdom, with ten year work experience with the big supermarkets at managerial position, supervising a team of twelve employees. Both of us, will be responsible for decision making, overall execution of strategies for business, meetings with prospective customers, handling high level customers and overall management of the business.

b) Procurement and Logistics Supervisor

Competent and experienced person has already been identified. With twelve years of experience at this position working with a prominent animal farm in the southern region of Malawi. Will be responsible for identification of suppliers whom he will be building strong business relationships, negotiations with the suppliers, transportation of animals from source to the slaughter house, supervising the driver and general management of the two vehicles and other logistical issues.

c) Quality Supervisor

A well experienced person with fifteen years of hands on experience at a similar position in a meat and fresh foods supply company. Will be responsible for verification of the animal quality from the source, liaising with Veterinary staff on meat inspection

processes, inspection of meat from the slaughter houses, the knowledgeable person on industry trends and how the business can be affected with such trends, has just retired from his previous position. He will be lobbying ideas from supermarkets and report to management on any findings concerning the business, making sure that the shop is up to standard in accordance with industrial regulations, in charge of taking orders, responding to enquiries by customers on behalf of the business. To be lobbying from other players in the market on the application of new strategies which are being applied to attract more customers. The position holder will also be responsible for keeping records and updating customer database, ensuring that deadlines on orders are met and service quality is maintained.

d) Accounts Clerk

An experienced accounts person will be recruited, already spotted a lady with seven years of experience in a busy accounting office, will be responsible for all accounting transactions by doing all the necessary reconciliations timely, ensuring that the cash inflow and cash outflows are properly accounted for. Further the position holder will be responsible for preparing tax and insurance documents making sure that they are duly submitted to the responsible authorities.

e) Butcher/ Meat Cutter

Provision of quality meat cuts is what will attract more customers to our business. A competent person is ready to start work is ready to start work when opening the shop. He has worked for six years in butchery section of a busy supermarket. His responsibility will be inspection on every carcass and ensuring that everything is in order, responsible for meat grading, cutting and displaying in refrigerators and ensuring that meat freshness and attractiveness is maintained. The person is also responsible for general cleanliness of butchery equipment, checking orders, working hand in hand with the sales persons taking online telephone orders and also preparing and meeting customer orders received as directed by the quality supervisor or the directors.

f) Sales Persons

Four competent and experienced sales persons are there since this is the basis for one of our core strategies for winning a larger market share through offering of quality service thereby attracting more customers which would result into business growth. Four sales person positions are in place to necessitate flexible sales staff shifts in compliance with labour laws, this is so due to our business's longer operating hours. Meat sales reconciliation with the accounts clerk by end of business every day, assisting the butcher with pre packing and weighing of meat portions and also making sure that the refrigerators displays are well stocked all the time.

g) Driver

A well experienced person with a good reference will be engaged for this post. His responsibilities will be driving business vehicles to deliver meat supplies to big customers in need of delivery services by ensuring that correct orders are delivered to the right customer destinations, ferrying animals from local farmers to the slaughter houses and also carrying carcasses to the meat shop. Cleaning of vehicles and attending minor problems which may arise.

h) Security Guard

A mature person, with fourteen years work experience in a similar position. Responsibility will be general security of the business premises and all its property.

CHAPTER 4

MARKETING AND SALES PLAN

4.1 Marketing and Sales Strategy

Marketing and sales plan is very important in the launching of Luso Meat Shop business because it is not only about how to generate revenue that will help expand the business but is also about creating awareness of the business by allowing more people to know our business and what it has to offer that would meet customer's satisfaction. Just to emphasize on the importance of marketing, it is the reason why a marketing plan budget was drafted and strategies clearly articulated so that best ways of revenue generation can be determined to enable us favourably compete against other competitors in the meat market segment.

This plan shows targeted customers, competitors, and possible niche of the market segment. It clearly describes the marketing actions to be undertaken, time period and the costs involved. It also aims at showing how the business will get to its targeted customers, ways of attracting them and the possible competitors who are there on the market. To be able to achieve this, the marketing mix for the shop will be used the product/service, promotion, place and price.

a) Product/service

Luso Meat Shop offers beef and its products such as ground beef, sausage, beef offal and trotters, goat meat and offal. For both beef and goat meat customers have a wide range of fresh quality cuts pre packed or displayed in freezer for customers' choice. As for the chicken it will be in variety of choice of broilers, spent layers and free range local variety, customers have a choice of pieces or whole to choose from whether pre packed or un packed depending on customer's choice and financial capacity. Customers have a chance to buy all the three most preferred meats.

Medium to large and frequent customers with purchases over ten kilograms have a choice of walking into the shop to purchase or order through telephone, mobile phone, email or whatsapp and get their meat delivered according to their order

specifications while ensuring that freshness and quality is maintained at the quickest time possible within Lilongwe city.

b) Price

Since Luso Meat Shop's large target market share are households, it is focused to be a low cost provider as compared to the Supermarkets. The business would take into consideration some of the factors when determining the prices of our products such as cost price for cattle from suppliers as compared to what our competitors are offering.

In order to maintain low to medium cost strategy, the business will focus more on economies of scale when acquiring the meat cutting and processing equipment, fridges and freezers and other necessary equipment for the running of the shop and further our bargaining power on animal purchasing will also help our business to maintain our prices. As a market penetration strategy, the business will maintain the low prices than its main competitor the Super markets but slightly higher than the local butchers considering that if our prices gets at par with the Local Butchers, our products will also be perceived to be of low quality just like them as cheap price commodities are considered to be of low quality.

Table 4: Competitor Price Comparison

Description	Luso Meat Shop	Supermarkets	Local Butchers
Beef	4.00	4.20	3.90
Goat Meat	3.85	3.90	3.80
Chicken	5.00	5.20	4.90

Above Table 4 is the price comparisons of selling prices in US\$ giving a picture on how Luso Meat Shop would pricing its meat as compared to competitors. Our prices are set slightly higher than the local butchers but lower than the Supermarkets who offer same quality meat like us as a strategy to help our business win a large market share by making more sales through moderate pricing strategy whilst maintaining the profit margin for business growth.

c) Place

The meat shop will be located along the main road in Area 23 residential area, it is closer to the area's local market place. The location will target customers mostly the households who live in and around the location and other target customers like the boarding schools, hospitals, drinking joints operators, restaurants, Asian community and food vendors. Being along the main road it is strategically an ideal business location because motorists and others passing can easily get attracted. Since it is closer to the market, it is more convenient for target customers who would be buying other stuff from the market to get attracted. Further to that, the motorist traffic on the road is moderate giving target customers from other areas more flexibility to drive or use public transport to access our shop.

Being close to the market area, it is a convenient place to operate business in terms of easy accessibility to utilities like water, electricity public toilets and furthermore more it is safer in terms of security rather than having it at a secluded place.

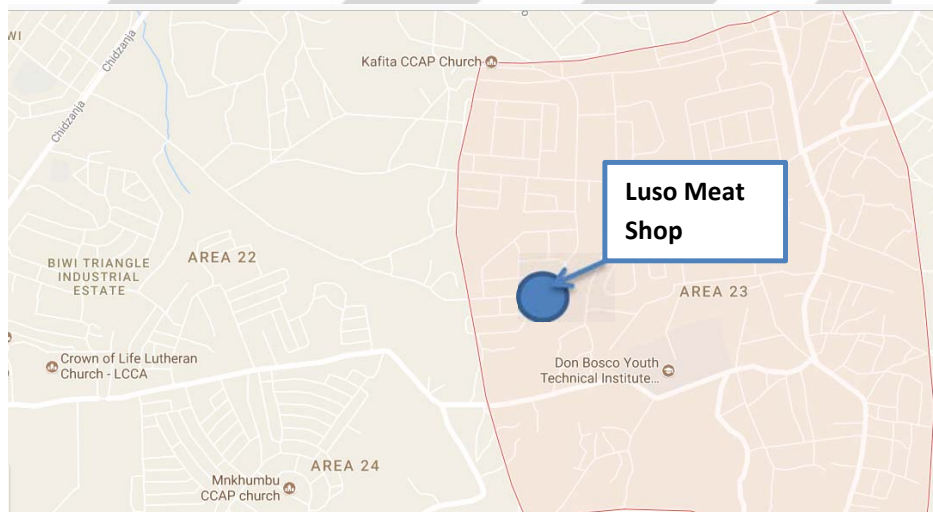


Figure 4.1 Area 23 Map

Above Figure 4.1 is map of Area 23 location and surrounding locations showing where Luso Meat Shop is will be situated.

d) Promotion

Promotion is one of the key important strategies of Luso Meat Shop in order to bring awareness to the target customers about our existence, our products and the services we are offering. During the initial phase, different marketing tactics will be deployed to bring awareness to the target customers about the newly opened meat shop. Firstly, word of the mouth and in store marketing will be used. Colourful handbills and fliers will also be distributed around and to various target customers. Banners will be put in strategic places in order for customers to get to know the business and start patronizing the products. Public address system will be used on the car going around the area streets to bring awareness about the opening of the shop and the various products which are offered during the first week prior to opening and after opening. Adverts will also be placed in local newspapers, radios and television and finally whatsApp groups will also be used to bring awareness. All these mode of communication will be used to reach a wider coverage of target customers.

4.2 Marketing Plan

The sales plan consists of the sales objectives for Luso Meat Shop how the business will achieve to be the moderately low cost provider without compromising our profits. How we can maintain to be sole providers of the three main preferred meat types and offering of quality fresh meat without compromising on profits.

As part of the sales strategy to win a larger market share, customers will first be greeted with a smile and then served, maximum customer care strategies will be applied to provide a quick and satisfactory service to those customers who walk into the shop. Few seats will be provided to waiting customers to enable their comfort while waiting for their turn to be served.

Table 5.0 Marketing Budget

Item	Time	No. of Units	Unit Cost (US\$)	Total (US\$)
Fliers	2 weeks	50	5	250
Banners	1 month	5	50	250
Public Address system	2 days	2	50	100
Local newspapers	9 times	9	25	225
Radio Advertising	9 times	9	10	90
Television Advertising	9 times	9	10	90
Data Bundle for WhatsApp Groups	1 week			35
Printed Overalls/Coats	all time	9	50	450
Grand Total For Marketing				1,490

Above Table 5.0 is the marketing budget during launching of Luso Meat Shop. Number of units refers to the number of items that will be bought like the fliers, banners, As for the public address system, it will be hired just for two days to go around the streets and bring awareness to the households and other target customers whereas for the television, local newspapers radio advertising the units are about the number days which the advert will be beamed whereas the third column are unit costs of the items and activity and last column reflects the total amount for the particular units then on the bottom is the grand total for the whole marketing budget.

4.3 Sales plan

This consists of the sales objectives and strategies for Luso Meat Shop how the business will achieve and maintain being the medium cost provider without compromising on the profits. Since this is a newly established business, it is on assumption that the business will realise little profit at the end of first year because of the start-up capital expenses which will enable the business just to breakeven. Then in the second year, it is when the business will start realising good profits.

Retail sales will be contributing more of sales growth and represents the best margins for our business with almost 80% over cost. Special orders and custom cuts would be welcome and more especially encouraging high income customers to be

buying from our shop for instance those who go for the high quality expensive meat cuts as it contributes to higher percentage of sales.



CHAPTER 5

OPERATIONAL PLAN

5.1 Operational Plan

Setting up of the business will start from February to March, 2018, this is when renovations for the structure and setting up of equipment, fridges/ freezers and furniture will be done. The butcher will also be testing the machines around the same time. The business's primary operation plans will be focused on marketing. Since this business is a start-up, it is necessary to bring awareness to as many target customers as possible as it will help them have an idea of the uniqueness of the business in terms of meat and service quality, good prices and also the general physical outlook of the premises in terms of attractiveness and the products to be offered.

For the business to move forward different strategies have been allocated to respective personnel responsible and a timeline is set to show on how long that particular strategy would be achieved. However, performance indicators are also set which will show if certain set targets in respect of business operations have been achieved.

Table 5: Operational Plan

Strategy/ Task to achieve	Person Responsible	Set Timeline	Indicator
Visiting various supermarkets observing and grabbing tips on meat management	Quality Supervisor	A week before opening of the Meat Shop	Butcher/ meat cutter well instructed on customer most preferred meat cuts
Animal Purchases, Management of all logistical issues	Procurement/Logistics Supervisor	Every week/ as and when there are big orders	Shop well stocked with all meat types, Enough stock in storeroom
Inspecting meat carcasses at the shop from slaughter house	Quality Supervisor & Butcher/ Meat Cutter	When carcasses reach the Meat Shop	Quality fresh meat available at all times

Keeping Customer records and maintenance of customer database, frequent checks on shop hygiene standards	Quality Supervisor	Every week/ as and when necessary	Customer database and records well maintained and up to date. High levels of hygiene maintained
Taking email, phone & whatsapp orders and processing them	Shop/Quality Supervisor	Every morning and as and when necessary	Timely processed and delivered meat orders
Cutting of meat and general cleanliness of butchery equipment	Butcher/Meat Cutter	As and when carcasses are brought to the shop	Meat cuts stocks always available and Cleanliness of equipment maintained
Keeping sales records, recording cash inflow and cash outflow records	Accounts Clerk	End of business daily	All accounting books kept up to date
Cleaning the shop/fridges , serving customers, daily sales reconciliation, helping with displaying meat in the fringes	Sales Persons	Daily before opening the shop and after business hours also whenever need arises	Satisfied and more customers attracted, shop clean all the times, fridges well cleaned
Carrying carcasses from slaughter houses, making deliveries to customers and minor maintenance and general cleanliness of the vehicle	Driver	Whenever need arises, daily after working hours	Driving the business vehicles ,Timely deliveries of meat from slaughter houses

Above Table 6 showing some outlined strategies /responsibilities of some staff members in terms of operations for Luso Meat Shop business. Indicators are attached to various strategies as checking points in order for management to determine if a particular strategy has been achieved.

5.2 Logistics and Supply Chain

Under this section, we look at the whole supply chain process starting from the suppliers who are the small local farmers where animals are purchased. Thereafter all other logistics will be looked into which would attract and help the customers get satisfaction from our products and services.

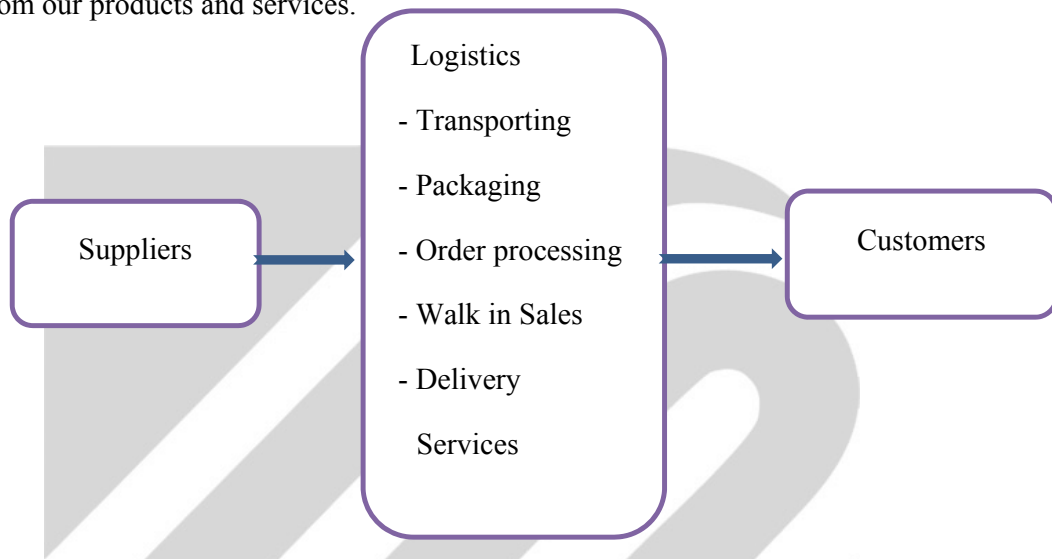


Figure 5.1 Logistics and Supply Chain

The above figure 5.1 illustrates the supply chain process from the suppliers where animals are procured to the shop demonstrating the operational and logistical issues which takes place then finally to the customers.

Suppliers

These are the small scale local farmers where animals will be procured. Good relationship with them will be created and maintained. Good relationship with them will help Luso business to have bargaining power which will result into purchasing the animals at a lower price, adding a benefit to the business.

Logistics

From the suppliers, this is where all the logistical issues take place. Meat will be transported to the shop, graded, weighted, cut, packed and displayed. Customers' whose orders were done through phone, email or whatsapp will be processed. All walk in customers would be served professionally such that they will get satisfaction out of

it. Those customers who are in need of delivery service would be served accordingly within the specified time limit.

Customers

After all the logistical processes, products reach the customers. Because of the low price offering by suppliers (local farmers), the business will be setting the prices at medium range with the main competitors, with this customers will have more satisfaction in terms of product value and satisfaction.



CHAPTER 6

Financial Plan

6.1 Capital Budget

Luso Meat Shop is medium sized at its primary stage. To get started, a substantial amount of resources amounting to 39,240 United States Dollars will be invested as a start-up capital to enable the business purchase inventory, necessary equipment and other start up items. During the initial stage, it is assumed that there shall be low consumer acceptance therefore more marketing and promotional activities will be considered in order to bring awareness to the target customers and win a larger market share. Below is the breakdown for the start-up capital.

Table 6: Start-Up Capital Assets

Start-up Items Required	No of Items	Cost in US\$	Total in US\$
Inventory (5 cattle, 15 goats & 150 Chickens)	1	2,450	2,450
Butchery Equipment (Meat Cutting)	1	350	350
Meat Grinder/ Mincer	1	250	250
Sausage Making Machine	1	180	180
Fridges & Freezers	5	300	1,500
3 Tonner Truck	1	8,500	8,500
1 Tonner Van	1	6,500	6,500
Building(Minor) Renovations & Fittings	1	300	300
Shop Furniture (Chairs & Table)	10	90	900
Scale (1 Heavy Duty& 2 Counter Top)	3		420
Other Meat Shop Accessories		150	150
Personal Computer Set	1	550	550
Cash Register Machine	2	150	300
Generator	1	600	600

Total Start up Assets	22,950
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Table 7 above is the budget which will be required to purchase the necessary fixed assets for the business to start.

Table 7: Start – Up Expenses

Start-up Items Required	No of Items	Cost in US\$	Total in US\$
Business Operating License Fees	3	130	130
Motor Vehicle Expenses (Fuel & Maintenance)	250	1.16	440
Insurance Expenses (Investment & Vehicles)			360
Rent (Deposit 3 Months)	3	180	540
Internet provider Subscription	1	100	100
Utilities (Water and Electricity & Phone)		150	150
Marketing Expenses (first 3 months)			1,490
Salary Expenses (First 2 Months)	11		4,080
Total Expenses			7,290

Table 8 is the list of expenses for Luso Meat Shop business. The operating licence fee item is showing three items because this business will need three licenses from the following certification bodies to operate; Registrar General's, Ministry of Trade and Industry and lastly the Lilongwe City Council. Estimated budget also provided for salary expenses line item. Considering that businesses can sometimes be unpredictable, the salary line item has been included to cater for the salaries expenses in the first two months of operation.

Table 8: Start-Up Capital Estimates

Total Start Up Required	Total Cost US\$
Total Start up Assets	22,950
Total Start Up Expenses	7,290
Total Estimated Start Up capital	30,240

Table 9 above is the total estimated start-up capital for the business, it cover for both start- up assets and other start- up expenses.

Luso Meat Shop is a family business and the start- up capital will be financed by owners' equity with equal contributions from the partners. The 50% contribution I have put into the business was raised through savings, the previous small business I was operating and also part of my retirement benefits and Louis raised the money through personal savings.

6.2 Salary Estimates

This gives estimated salary projections for a period of three years. During the first two years, there will be no salary increase at any level of human resource. Since the business is new with low net income in the first year, there is need to wait until when there is an improvement in net income and after recovery of start- up capital. Consideration for salary increase will be in the third year, a provisional estimate to that effect has been done.

Table 9: Salary Estimates For Year 1

Position	Number of Employees	Salary Per Month (US\$)	Total Salary Year 1 (US\$)
Managing Director	2	250	6,000
Procurement & Logistics Supervisor	1	200	2,400
Shop & Quality Supervisor	1	200	2,400
Accounts Clerk	1	160	1,920
Butcher/Meat Cutter	1	160	1,920
Sales Person	4	150	7,200
Driver	1	120	1,440
Security Guard	1	100	1,200
Grand Total Projected Salary Expenses			24,480

Above Table 10 are estimated salary projections for the first year of business operation for the twelve employees of which two are directors of the business.

Table 10: Salary Estimates Year 2

Position	Number of Employees	Salary Per Month (US\$)	Total Salary 1 Year (US\$)
Managing Director	2	250	6,000
Procurement & Logistics Supervisor	1	200	2,400
Shop & Quality Supervisor	1	200	2,400
Accounts Clerk	1	160	1,920
Butcher/Meat Cutter	1	160	1,920

Sales Person	4	150	7,200
Driver	1	120	1,440
Security Guard	1	100	1,200
Grand Total Projected Salary Expenses			24,480

Table 11 above are the year 2 salaries projection. The figures are same as in the first years because there will be no salary changes during this year.

Table 11: Salary Estimates Year 3

Position	Number of Employees	Salary Per Month (US\$)	Salary 1 Year (US\$)	15% increase
Managing Director	2	250	6,000	6,900
Procurement & Logistics Supervisor	1	200	2,400	2,760
Shop & Quality Supervisor	1	200	2,400	2,760
Accounts Clerk	1	160	1,920	2,208
Butcher/Meat Cutter	1	160	1,920	2,208
Sales Person	4	150	7,200	8,280
Driver	1	120	1,440	1,656
Security Guard	1	100	1,200	1,380
Grand Total Projected Salary Expenses			24,480	28,152

Table 12 above, showing estimated salary projections for year 3 of business operation with an inclusion of estimated 15% increase across all levels. This is after the start-up capital has been recovered. Net profits have also increased.

Table 12: Income Statement

<u>Revenue/Income Estimates</u>	Year 1	Year 2	Year 3
Sales	72,614	89,894	124,358
Total Income	72,614	89,894	124,358
<u>Less Expenses</u>			
Business Operating Licence Fees	130	-	-
Motor Vehicle Running Expenses	5,280	5,921	5,921
Utilities (Water, Electricity & Phone)	3,600	3,780	3,960
Internet Provider Subscription	1,800	1,800	1,800
Rent	2,160	2,160	2,160
Insurance Expenses	360	360	360
Marketing Expenses	3,570	-	-
Salaries	24,480	24,480	28,152
Start Up Capital	30,240	-	-
Total Expenses	71,620	38,501	42,353
Net Profit Before Tax	994	51,393	82,005
Less Tax (30 %) (Corporate)	298.20	15,417.96	24,601.56
Total Net Income	695.80	35,975.24	57,403.64

Above Table 13 is an Income Statement showing the total income in all the years and a list of expenses. The net profit in the first year is very low, this is due to the higher amount of expenses and there is a net income increase in year two and three respectively because there were low expenses to be settled.

Table 13: Projected Cash flow for 3 Years

Cash Inflow	Year 1	Year 2	Year 3
Initial Investment	30,240	-	-
Sales Revenue	72,614	89,894	124,358
Total Cash In Flow	102,854	89,894	124,358
<u>Cash Outflow</u>			
Business Operating License Fees	130	-	-
Motor Vehicle Expenses (Running & Maintenance)	5,280	5,921	5,921
Utilities(Water, Electricity and Phone)	3,600	3,780	3,960
Internet Provider Subscription Fees	1,800	1,800	1,800
Rent	2,160	2,160	2,160
Marketing Expenses	3,570	-	-
Insurance Expenses	360	360	360
Salary Expenses	24,480	24,480	28,152
Start Up Capital	30,240	-	-
Total Cash Outflow	71,620	38,501	42,353
Net Cash Flow	31,234	51,393	82,005

Table 14 above shows the net cash flows for Luso Meat Shop for three years of operation

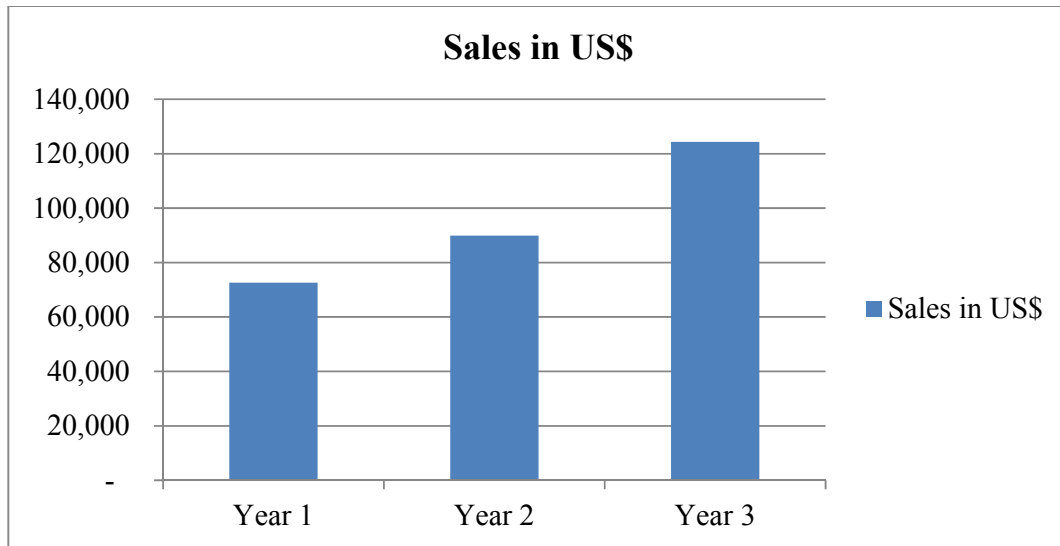


Figure 1: Sales Forecast

The above Figure 9 shows the sales trend for during the first three years of business operation showing increase in sales volume every year.

Table 14: The Balance Sheet

	Year 1	Year 2	Year 3
Current Assets	US\$	US\$	US\$
Cash	31,234	51,393	82,005
Accounts Receivables	-	-	-
<u>Fixed Assets</u>			
Fixed Assets	22,950	-	-
Total Assets	54,184	51,393	82,005
<u>Current Liabilities</u>			
Tax Payable	298	15,418	24,602
Insurance Payable	360	360	360
Total Liabilities	298	15,778	24,962
<u>Equity</u>			
Owners Capital	30,240		
Retained Earnings	23,646	35,615	57,044
Total (Equity + Liabilities)	54,184.00	51,393.20	82,005.20

6.3 Pay Back Period

	Amount US\$
Total Start Up Capital	30,240

Pay Back Period

Year	Revenues US\$
1	102,854
2	89,894
3	124,358
Total Revenues	317,106
Average Revenues per Year	105,702

Expenditures

Year	Expenses US\$
1	71,620.0
2	38,500.8
3	42,352.8
Total Expenses	152,473.6
Average Expenditure per year	50,824.53

Net Profit Per Year = Revenues - Expenses

Net Profit Per Year **54,877.47**

Pay Back Period = Start -up capital /Net Profit

$$= 0.55$$

Therefore, Pay- back period for Luso Meat Shop business will be in the 6th month of operation.

6.4 Current Status, Use of Proceeds and Milestone

6.4.1 Current Status

Looking at the sales trend, there is a tremendous growth in sales volumes. For instance; the business will manage to breakeven after six months of its operation and also looking at the sales forecasts and the net cash flows, it shows that there is good progress in terms of business growth considering that Luso Meat Shop business is in its early stages, this gives a good prospect for the business.

6.4.2 Use of Proceeds

The realised profits will be re invested into the business in terms of assets and increase in inventory/stock levels to boost growth. There is also an intention to expand the business by opening two more shops in other locations within Lilongwe city by year 2020 and also investing more in marketing activities to catch a larger number of target customers in order to increase sales volumes which will promote business growth. Further to that, we intend to motivate and retain the personnel by offering better pay and other incentives. This will help us maintain an experienced and reputable staff.

6.4.3 Milestones

Luso business milestone is to be a reputable meat supplier in Lilongwe city by 2020 through offering of the best quality meat at a reasonable medium possible price. The business will strive to be sourcing high quality animals from the reliable sources through experienced Procurement and Logistics Supervisor in position. The future goal is to own an animal farm in order to have a reliable supply source and minimize on other operational costs such as fuel and depreciation of vehicles through cutting down on travelling to the villages to purchase animals.

After five years of operation, there is an intention on diversifying to selling substitute products like fish, other vegetable based proteins like soy meat and beans to attract more customers such as vegetarians and those who does not eat meat because of religious or cultural beliefs and other health related issues. As a long term milestone we

intend to be producers of other animal based fresh food products such as milk, yoghurt, cheese and ready to eat cold meats from the animal farm.

6.5 Risk, Evaluation and Control

During operation, there are a number of risks which can be encountered in an environment which Luso Meat Shop will be operating its business. Malawi as a country has been facing challenges economically due to higher inflation rates. It is likely that this business may at some point be affected with the microeconomic factors that may impact the purchasing power of customers due to changes in buying behaviour which can result in the drop of sales volume. Monitoring in the economic trends can help businesses to plan ahead in case of such challenges. However, impact on our business can be minimal considering that food is an essential necessity for human beings. Sales analysis should also be carried out to monitor the sales trend, if there is a reduction, evaluation should be undertaken to determine the root cause. Employment of strategies like comprehensive marketing efforts including promotions and re working on the business's value proposition and monitor on its impact can would help the business evaluate which component of the business is not doing well. If what is lacking is spotted, controls can be put in place to prevent the same from happening again and would also help the business to get back on track.

As a business, low market share can sometimes be experienced due to low customer turn up to patronise the business this can come about due to lack of awareness by the customers. Sales trends should be monitored and evaluated, for instance you realise that there is a decrease in sales levels, this is when it can be determined if the strategies in place are successful or not and controls should be put in place for instance direct marketing strategy through speaking to the customers if they are aware of the quality meats and services being offered. This can be controlled by employing comprehensive marketing strategies to improve on the sales.

Levels of satisfaction for customers should also be monitored. Risk can arise when customers does not get the satisfaction they expected from the products and services being offered, this can result into a risk that can negatively impact the business success. Customers should be monitored to check satisfaction levels; evaluation can be

done to come up with the root cause for low satisfaction levels. It can be due poor meat quality which can be detected with employment of proper monitoring tools. Controls like good animal choice should be observed from the source to ensure that you have quality meat out of it which will satisfy customers and of course high quality customer care practices will also help control such.



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