A FEASIBILITY STUDY OF A BREAD AND MILK STORE

by

Ms. Luckana Vichittanasin

A Final Report of the three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
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The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

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ABSTRACT

This project is feasibility study of Bread and Milk Store in Bangkok. The objectives of this study are to apply all theoretical knowledge to do feasibility in market plan and finance projection and to suggest a good business opportunity to the new investors.

The capital budgeting analysis is used to analyze the feasibility of this investment and after studying this feasibility, it shows that this is a good investment as it gives positive NPV and higher internal rate of return (IRR). Moreover, the financial ratios analysis can support the investor that this project has the opportunity in returning a high worth with not much investment.

In addition, people nowadays are more concerned about their health so this kind of business can provide a good opportunity for them. And as we set this kind of business into fast food industry, this business can gain competitive advantage by serving high quality goods with lower price to face with the current economic condition.

The results of the project were obtained by gathering pertinent information, preparing both marketing plan and financial projection based on a certain assumption and adopting the solution whether this project is worth or not however the result of this study is expected to be beneficial to the investors.

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I. INTRODUCTION

1.1 Significance of the Project

Under the current economic situation, many large and middle businesses had to be closed whereas small businesses are still growing. In addition, the number of consumer is still the same while purchasing power is declining. When buying goods or services, people will concern more about their need resulting in consuming less for the luxury goods. However food and beverage is still in demand, as it is a necessity.

It has pointed out that no matter how difficult Thailand's economic situation is, food business is likely to be least affected because food is essential for everyone. In addition, fast food business is likely to be more popular especially in a big city like Bangkok because of its convenience.

Moreover, nowadays people are more health conscious than before more so bread and milk business can provide a good opportunity for the investors under this economic condition as it provides quality food and the business can be set up with a small starting capital when compared to other types of fast food business.

At the present, bread and milk business is more popular than the past since it is developed into fast food shops with air condition and provides a wide variety of bread and milk products so it provides a good business opportunity for the new investors.

This project is to study for the feasibility of a small business focusing on bread and milk business, whether it can be economically feasible. It includes marketing study, financial study and breakeven point analysis.

In the case of this study, a store will be established in Bangkok. We have to decide which place we should establish the store by doing a location analysis. Once this store is starts selling bread and milk product, we will know whether it is a good investment or not. This feasibility study can help the investor to decide whether it is worth the investment.

1.2 The Objectives of the Project

(1) To conduct the feasibility study to operate bread and milk store.

(2) To develop the marketing plan for the store.

(3) To analyze the projected financial performance for this investment.

1.3 The Scope of the Project

To study the possibility of operating a bread and milk store in Bangkok.

1.4 Deliverables

(1) The result of marketing feasibility study for this investment.

(2) The result of financial feasibility study for this investment.

(3) The project report.

II. LITERATURE REVIEW

In conducting feasibility study, there are three areas to be considered whether they are feasible or not. Those three areas are marketing study, technical study and financial study.

2.1 Marketing Study

Businesses today face three major challenges and opportunities: globalization, advancements in technology, and deregulation. Marketing is typically seen as the task of creating, promoting, and delivering goods and services to consumers and businesses. Effective marketing can take many forms: It can be an entrepreneurial (individual), formulated (small company), or intrepreneurial (large company) marketing.

And marketers are involved in many types of marketing entities: goods, services, experiences, events, persons, places, properties, organizations, information, ideas etc. They are skilled at managing demand: They seek to influence the level, timing, and composition of demand. To do this, they face a host of decisions, from major ones such as what features a new product should have to minor ones for example, the color of packaging. They also operate in four different marketplaces: consumer, business, global, and nonprofit.

For each chosen target market, a firm develops a market offer that is positioned in the minds of buyers as delivering some central benefits. Marketers must try to understand the target market's needs, wants, and demands: A product or offer will be successful if it delivers value and satisfaction to the target buyer. The term markets covers various groupings of customers. Today there are both physical marketplaces (as one goes shopping in a store) and digital marketspaces (as when one goes shopping on the internet), as well as metamarkets (a cluster of complementary products and services that are closely related in the minds of consumers but are spread across a diverse set of industries).

Marketers reach their markets through various channels — communication, distribution, and selling. Marketers operate in a task environment and a broad environment. They face competitions from actual and potential rival offerings and substitutes. The set of tools marketers use to elicit the desired responses from their target markets is called marketing mix.

However the marketing concepts hold that the key to achieving organizational goals consists of determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors. It starts with a well-defined market, focuses on customer needs, coordinates all the activities that will affect customers, and produces profits by satisfying customers.

As market- oriented strategic planning is the managerial process of developing and maintaining a viable fit between the organization's objectives, skills, and resources and its changing market opportunities, the aim of strategic planning is to shape the company's businesses and products so that they yield target profits and growth. Strategic planning takes place at four levels: corporate, division, business unit, and product.

The strategic planning for individual businesses entails the following activities: defining the business mission, analyzing external opportunities and threats, analyzing internal strengths and weaknesses, formulating goals-what a business want to achieve, formulating strategies to achieve its goal, formulating supporting programs, implementing the programs, and gathering feedback and exercising control.

To carry out their responsibilities, marketing managers- whether at the corporate, division, business, or product level — follow a marketing process. Working within the plans set by the levels above them, product managers come up with a marketing plan for individual products, lines, or brands. The marketing process consists of analyzing marketing opportunities, researching and selecting target markets, designing marketing strategies, planning marketing programs, and organizing, implementing, and controlling the marketing effort.

To evaluate its various opportunities, it needs to manage a reliable marketing research and information system. Marketing research is an indispensable marketing tool to assess buyers' wants and behaviors to assess the market size. The marketing people can research secondary sources, run focus groups, and conduct telephone, mail, and personal surveys. By analyzing the collected data, it will gain a better picture of the size of each market opportunity.

Once its market opportunities are analysed, it is ready to a select target market. Modern marketing practice calls for dividing the market into major market segments, evaluating each segment, and targeting those market segments that the company can best serve.

Target marketing involves three activities: market segmentation, market Targeting, and market positioning. Target markets can be get at four levels: segments, niches, local areas, and individuals. Market segments are large identifiable groups within a market. A niche is a more narrowly defined group. Marketers are localizing their campaigns for trading areas, neighborhoods, and even individual stores. Finally, more companies are practising individual and mass customerization. The future is likely to see more self-marketing, a form of individual marketing in which individual consumer takes more initiative in designing their products and brands.

The major segmentation variables for consumers markets are geographic, demographic, psychographic, and behavioral. These variables can be used separately or in combination. Business markets use all these variables along with operating variables, purchasing approaches, and situational factors. To be useful, market segments must be measurable, substantial, accessible, differentiable, and actionable.

Once a firm has identified its market-segment opportunities, it has to evaluate the various segments and decide how many (segments) and which ones to target. In evaluating segments, it must look at the segment's attractiveness indicators and the company's objectives and resources. In choosing which segments to target, the company can choose a single segment, several segments, a specific product, a specific market, or the full market to focus on. If it decides to serve the full market, it must choose either differentiated or undifferentiated marketing.

Marketers must choose target markets in a socially responsible manner. Marketers must also monitor segment interrelationships, seeking out economies of scale and the potential for marketing to supersegments. Marketers should develop segment-by-segment invasion plans. Finally market segment managers should be prepared to cooperate in the interest of overall company performance.

For developing marketing strategies, the products strategy will need modification at the different stages in the product life cycle: introduction, growth, maturity, and decline. Furthermore, strategy choice will depend on whether the firm is a market leader, challenger, follower, or nicher. Finally, changing global opportunities and challenges will have to be taken into account.

To transform marketing strategies into marketing programs, marketing managers must make basic decisions on marketing expenditures, marketing mix, and marketing allocation.

In controlling the marketing effort, there are three types of marketing control as follows:

(1) Annual-plan control is the task of ensuring that the company is achieving its current sales, profits, and other goals.

(2) Profitability control is the task of measuring the actual profitability of products, customer groups, trade channels, and order sizes.

(2) Strategic control is the task of evaluating whether the company's marketing strategy is appropriate to market conditions. Because of rapid changes in the marketing environment, each company needs to reassess its marketing effectiveness periodically through a control instrument known as marketing audit

Nevertheless, each product level within a business unit must develop a marketing plan to achieve its goals. The marketing plan is one of the most important outputs of the marketing process. It should contain the following elements: an executive summary and table of contents; an overview of the current marketing situation; an analysis of the opportunities and issues facing the product; a summary of the plan's financial and marketing objectives; an overview of the marketing strategy to be used to achieve the plan's objectives; a description of the action programs to be implemented to achieve the plan's objectives; a projected profit-and-loss statement; and a summary of the controls to be used in monitoring the plan's progress.

2.1.1 SWOT Analysis

The overall evaluation of a company's strengths, weaknesses, opportunities, and threats is called SWOT analysis.

(a) External Environment Analysis

(Opportunities and Threat Analysis)

For each trend or development, management needs to identify the associated opportunities and threats.

A marketing opportunities is an area of buyers' needs in which a company can perform profitably

Opportunities can be classified according to their attractiveness and their success probability. The company's success probability depends on whether its business strengths not only match the key success requirements for operating in the target market but also exceed those of its competitors. Mere competence does not constitute a competitive advantage. The best-performing company will be the one that can generate the greatest customer value and sustain it over time.

Some developments in the external environment represent threats.

An environment threat is a challenge posed by an unfavorable trend or development that would lead, in the absence of defensive marketing action, to deterioration in sales or profit.

Threats should be classified according to seriousness and probability of occurrence. To deal with these threats, the company needs to prepare contingency plans that spell out changes the company can make before or during the threat.

Once management has identified the major threats and opportunities facing a specific business unit, it can characterize that business's overall attractiveness. Four outcomes are possible:

(1) An ideal business is high in major opportunities and low in major threats.

(2) A speculative business is high in both major opportunities and threats.

(3) A mature business is low in major opportunities and low in threats.

(4) A troubled business is low in opportunities and high in threats.

(b) Internal Environment Analysis

(Strengths/Weaknesses Analysis)

It is one thing to discern attractive opportunities and another to have the competencies to succeed these opportunities. Each business needs to evaluate its internal strengths and weaknesses periodically.

Clearly, the business does not have to correct all its weaknesses, nor should it gloat about all its strengths. The big question is whether the business should limit itself to those opportunities where it possesses the required strengths or should consider better opportunities where it might have to acquire or develop certain strengths. Sometimes a business runs poorly not because its departments lack the required strengths but because they do not work together as a team. It is therefore critically important to assess interdepartmental working relationships as part of the internal environment audit.

2.1.2 Marketing Research

Marketing research calls for developing the most efficient plan to gather the needed information. The marketing manager needs to know the cost of the research plan before approving it. If the research would lead to an improved pricing and promotional plan and a long-term profit, it is worth doing.

In collecting marketing information, Entrepreneurs can make marketing decisions based on intuition alone, or they can base their judgement on sound marketing information.

Marketing managers often commission formal marketing studies of specific problems and opportunities. They may request a market survey, a product-preference test, a sales forecast by region, or an advertising evaluation.

Marketing research is the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation the company is facing.

Companies can conduct their own marketing research or hire other companies to do it for them. Good marketing research is characterized by scientific methods, creative, multiple research methods, an accurate model building, cost-benefit analysis, healthy skepticism, and an ethical focus.

The process consists of defining the problems and research objectives, developing the research plan, collecting information, analyzing the information, and presenting the findings to management.

In conducting research, firms must decide whether to collect their own data or use data that already exist. The researcher can gather primary data, secondary data, or both (data source). They must also decide which research approach and which research instrument to use. In addition, they must decide on a *sampling plan* — call for sampling unit (who is to be surveyed), sample size (how many people should be surveyed), sampling procedure (how the respondents should be chosen), and *contact methods* – how the subject should be contacted: mail, telephone, personal, or on-line interviews.

Research approaches are as follows:

(1) Observational — gather by observing the relevant actors and settings,

(2) Focus-group — gather six to ten people who are invited to spend a few hours with a skilled moderator, who needs to be objective, knowledgeable on the issue, and skilled in group dynamics, to discuss a product, service, organization, or other marketing entity,

(3) Survey — is best suited for descriptive research,

(4) Behavioral data — customers leave traces of their purchasing behavior in store scanning data, catalog purchase records, and customer databases, or

(5) Experimental — to capture cause-and-effect relationships by eliminating competing explanations of the observed findings).

Two main research instruments in collecting primary data are as follows:

(1) Questionnaires: A questionnaire consists of a set of questions presented to respondents for their answers. It needs to be carefully developed, tested and debugged before they are administered on a large scale. Questions should be simple, direct with unbiased wordings and should be pre-tested with a sample of respondents before it is used. And it should flow in logical order.

(2) Mechanical Instruments: They are occasionally used in marketing research for examples; Galvanometers measure the interest or emotions aroused by exposure to a specific picture. An audiometer is attached to television sets in participating homes to record when the set is on and to which channel it is tuned.

One major reason for undertaking marketing research is to discover market opportunities. Once the research is complete, the company must carefully evaluate its opportunities and decide which markets to enter. Once in the market, it must prepare sales forecasts based on estimates of demand.

There are two types of demand: market and company demand. To estimate current demand, companies attempt to determine total market potential (the maximum amount of sales that might be available to all the firms in an industry during a given period under a given level of industry marketing effort and given environmental conditions), area market potential (market potential of different cities, states, and nations), industry sales, and market share. To estimate future demand, companies survey buyers' intentions, solicit their sales force input, gather expert opinions, or engage in market testing. Mathematical models, advanced statistical techniques, and computerized data collection procedures are essential to all types of demand and sales forecasting.

2.1.3 Marketing Plan

After preliminary marketing analysis is completed — such as market research, market analysis, and sales forecasting — it is ready to construct the formal marketing plan. It is important to remember that each business venture is different and therefore each marketing plan will be unique. The marketing plan should include sections on market analysis, competition, and marketing strategy.

(a) Market Analysis

For market analysis, the marketing managers should discuss target market customers. The description of potential customers is commonly called a customer profile. Information complied with market research — both secondary and primary data — can be used to construct this profile.

A detailed discussion of the major customer benefits characterizing the new product or service should be included. Another major element of the market analysis is the sales forecast. It is usually desirable to include more than such one sales forecast as — "most likely", "pessimistic", and "optimistic". This provides investors and the entrepreneurs with three sales scenarios upon which to base their evaluation.

(b) Competition

Existing competitive firms should be studied carefully. A brief discussion of competitors' overall strengths and weaknesses should be a part of this section. Managers need to conduct a customer value analysis to reveal the company's strengths and weaknesses which are related to competitors. The aim of this analysis is to determine the benefits that customers want and how they perceive the relative value of competitors' offers.

Michael Porter identified five forces that determine the intrinsic long-run profit attractiveness of a market or market segment: industry competitors, potential entrants, substitutes, buyers, and suppliers. The threats these forces pose are as follows:

(1) Threat of intense segment rivalry: A segment is unattractive if it already contains numerous, strong, or aggressive competitors. It is even more unattractive if the segment is stable or declining, if plant capacity additions are done in large increments, if fixed costs are high, if exit barriers are high, or if competitors have high stakes in staying in the segment. These conditions will lead to frequent price wars, advertising battles, and new-product introductions will make it expensive to compete.

(2) Threat of new entrants: A segment's attractiveness varies with the height of its entry and exit barriers. The most attractive segment is the one in which entry barriers are high and exit barriers are low. Few new firms can enter the industry, and poor-performing firms can easily exit. When both entry and exit barriers are high, profit potential is high, but firms face more risk because poorer-performing firms stay in and fight it out. When entry and exit barriers are both low, firms easily enter and leave the industry, and the returns are stable and low. The worst case is when entry barriers are low and exit barriers are high: Here firms enter during good times but find it hard to leave during bad times. The result is chronic overcapacity and depressed earnings for all.

(3) Threat of substitute products: A segment is unattractive when there are actual or potential substitutes for the product. Substitutes place a limit on prices and on the profits that a segment can earn. The company has to monitor the price trends in the substitutes closely. If technology advances or competition increases in these substitute industries, prices and profits in the segment are likely to fall.

(4) Threat of buyers' growing bargaining power: A segment is unattractive if the buyers possess strong or growing bargaining power. Buyers will try to force prices down, demand more quality or services, and set competitors against each other all at the expense of the seller profitability. Buyers' bargaining power grows when they become more concentrated or organized, when the product represents a significant fraction of the buyers' costs, when the product is undifferentiated, when the buyers' switching costs are low, when buyers are price

sensitive because of low profits, or when buyers can integrate upstream. To protect themselves, sellers might select buyers who have the least power to negotiate or switch suppliers. A better defense consists of developing superior offers that strong buyers cannot refuse.

(5) Threat of suppliers' growing bargaining power: A segment is unattractive if the company's suppliers are able to raise prices or reduce quantity supplied. Suppliers tend to be powerful when they are concentrated or organized, when there are few substitutes, when the supplied product is an important input, when the costs of switching suppliers are high, and when the suppliers can integrate downstream. The best defenses are to build win-win relations with suppliers or use multiple supply sources.

Today, competition is not only rife but growing more intense every year. Because markets have become so competitive, understanding customers is no longer enough. Companies must start paying keen attention to their competitions. Successful companies design and operate systems for gathering continuous intelligence about competitors.

(c) Marketing Strategy

A well-prepared market analysis and a discussion of competition are important to the formal marketing plan. There are four areas of marketing strategy called the four Ps of marketing or marketing mix that should be addressed within the marketing plan.

First, the plan includes marketing decisions that transform the basis product or service idea into a "total product" (product). Second, the plan includes promotional decisions that will communicate the necessary information to target markets (promotion). Third, there are decisions regarding the distribution of a product to customers (place). Finally, there are pricing decisions that will set an acceptable value on the total product or service (price).

(1) Marketing mix

Marketers use numerous tools to elicit desired responses from their target markets. These tools constitute a marketing mix.

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market.

Marketing-mix decisions must be made to influence the trade channels as well as the final consumers. The company prepares an offering mix of products, services, and prices, and utilizes a promotion mix of sales promotion, advertising, sales force, public relations, direct mail, telemarketing, and internet to reach the trade channels and the target customers.

Typically, the firm can change its price, sales force size, and advertising expenditures in the short run. It can develop new products and modify its distribution channels only in the long run. Thus the firm typically makes fewer period-to-period marketing-mix changes in the short run than the number that marketing-mix decision variables might suggest.

Note that the four Ps represent the seller's view of the marketing tools available for influencing buyers. From buyers' point of view, each marketing tool is designed to deliver a customer benefit. It suggested that the sellers' four Ps correspond to the customers' four Cs.

The Four Ps are product, price, place and promotion.

The Four Cs are customer solution, customer cost, convenience and communication.

The most basic marketing—mix tool is product — the firm's tangible offering to the market, which includes the product quality, design, features, branding, and packaging. As part of its product quality offering, the company may provides various services, such as leasing, delivery, repair, and training. Such support services can provide a competitive advantage in the globally competitive marketplace.

A critical marketing-mix tool is price. The company has to decide wholesale and retail prices, discounts, allowances, and credit terms. Its price should be commensurate with the offer's perceived value. Otherwise, buyers will turn to competitors' products.

Place includes the various activities the company undertakes to make the product accessible and available to target customers. The company must identify, recruit, and link various marketing facilitators to supply its products and services efficiently to the target market. It must understand the various types of retailers, wholesalers, and physical-distribution firms.

Promotion includes all the activities the company undertakes to communicate and promote its products to the target market. The company has to hire, train, and motivate salespeople. It has to set up communication and promotion programs consisting of advertising, sales promotion, public relations, and direct and on-line marketing.

Winning companies will be those who can meet customers' needs economically and conveniently and with effective communication.

(a) The Product and the Product Mix

A product is anything that can be offered to a market to satisfy a want or need. Products that are marketed include physical goods, services, experiences, events, persons, places, properties, organizations, information, and ideas.

Product is the first and most important element of the marketing mix. Product strategy calls for making coordinated decisions on product mixes, product lines, brands, and packaging and labeling.

In planning its market offering, the marketer needs to think the five levels of the product through the core benefit is the fundamental benefit or service the customer is really buying. At the second level, the marketer has to turn the core benefit into a basic product. At the third level, the marketer prepares an expected product, a set of attributes that buyers normally expect and agree to when they buy the product. At the fourth level, the marketer prepares an augmented product that includes additional services and benefits that distinguish the company's offer from that of competitors. At the fifth and final level, the marketer prepares a potential product, which encompasses all the augmentations and transformations the product might ultimately undergo.

Products can be classified in several ways. In terms of durability and reliability, products can be nondurable goods, durable goods, or services. In the consumer- goods category, products are either convenience goods (staples, impulse goods, emergency goods), shopping goods (homogeneous and heterogeneous), specialty goods or unsought goods. In the industrial-goods category, products fall into one of three categories: materials and parts (raw materials and manufactured materials and parts), capital items (installations and equipment), or supplies and business services (operating supplies, maintenance and repair items, maintenance and re-services, business advisory services).

Most companies sell more than their product. A product mix can be classified according to width, length, depth, and consistency. These four dimensions are the tools for developing the company's marketing strategy and deciding which product lines to grow, maintain, harvest, and divest. To analyze a product line and decide how many resources should be invested in that line, product-line managers need to look at sales and profits and market profile.

A company can change the product component of its marketing mix by lengthening its product via line stretching (downmarket, upmarket, or both) or line filling, by modernizing its products, by featuring certain products, and by pruning its products to eliminate the least profitable.

Branding is a major issue in product strategy. Branding is expensive and time-consuming, and it can make or break a product. The most valuable brands have a brand equity that is considered an important company asset. In thinking about branding strategy, companies must decide whether or not to brand; whether to produce manufacturer brands, or distributor or private brands; which brand name to use, and whether to use line extensions, brand extensions, multibrands, new brands, or cobrands. The best brand names suggest something about the product's benefits, suggest product qualities. Brand names should be distinctive easy to pronounce, recognize, and remember, and should not carry negative meanings or connotations in other countries or languages.

Many physical products have to be packaged and labeled. Well-designed packages can create convenience value for customers and promotional value for producers. In effect, they can act as "five-second commercials" for the product. Marketers develop a packaging concept and test it functionally and psychologically to make sure it achieves its desired objectives and is compatible with public policy and environmental concerns. Physical products also require labeling for identification and possible grading, description, and product promotion. Sellers may be required by law to present certain information on the label to protect and inform consumers.

(b) The Price

Despite the increased role of nonprice factors in modern marketing, price remains a critical element of the marketing mix. Price is the only one of the four Ps that produces revenue; the other three Ps produce costs.

In setting its pricing policy, a company follows a six-step procedure. First, it selects its pricing objectives (survival, maximum current profit, maximum market share, maximum market skimming, or product-quality leadership). Second, it estimates the demand curve, the probable quantities that will sell at each possible price. Third, it estimates how its costs vary at different levels of output, at different levels of accumulated production experience, and for differentiated marketing offers. Fourth, it examines competitors' costs, prices, and offers. Fifth, it selects a pricing method. Finally, it selects the final price, taking account of psychological pricing, the influence of other marketing-mix elements on price, company pricing policies, and the impact of price on other parties.

Companies do not usually set a single price, but rather set a pricing struture that reflects variations in geographical demand and costs, market-segment requirements, purchase timing, order levels, and other factors. Several price-adaptation strategies are available: (1) geographical pricing; (2) price discounts and allowances; (3) promotional pricing; (4) discriminatory pricing, in which the company sells a product at different prices to different market segments; and (5) product-mix pricing, which includes setting prices for product lines, optional features, captive products, two-part items, by-products, and product bundles.

After developing pricing strategies, firms often face situations in which they need to change prices. A price decrease might be brought about by excess plant capacity, declining market share, a desire to dominate the market through lower costs, or an economic recession. A price increase might be brought about by cost inflation or overdemand.

There are several alternatives to increase price, including shrinking the amount of product instead of raising the price, substracting less expensive materials or ingredients, and reducing or removing product features.

The firm facing a competitor's price change must try to understand the competitor's intent and the likely duration of the change. The firm's strategy often depends on whether it is producing homogeneous or nonhomogeneous products. Market leaders who are attacked by lower-priced competitors can choose whether to maintain price, or raise the perceived quality of their product, or reduce price, or increase price and improve quality, or launch a low-price fighter line.

(c) Marketing channels (Place)

Most producers do not sell their goods directly to final users. Between producers and final users stands one or more marketing channels, a host of marketing intermediaries performing a variety of functions. Marketing-channel decisions are among the most critical decisions facing management. The company's chosen channel(s) intimately affect all other marketing decisions.

Companies use intermediaries when they lack financial resources to carry out direct marketing, when direct marketing is not feasible, and when they can earn more by doing so. The use of intermediaries largely boils down to their superior efficiency in marketing goods widely available and accessible to target markets. The most important functions performed by intermediaries are information, promotion, negotiation, ordering, financing, risk taking, physical possession, payment, and title.

Manufacturers have many alternatives to reach a market. They can sell direct or use one-, two-, or three-level channels. Deciding which type(s) of channel to use calls for analyzing customer needs, establishing channel objectives, and identifying and evaluating the major alternatives, including the types and numbers of intermediaries involved in the channel. The company must determine whether to distribute its product exclusively, selectively, or intensively, and it must clearly spell out the terms and responsibilities of each channel member.

Effective channel management calls for selecting intermediaries and training and motivating them. The goal is to build a long-term partnership that will be profitable for all channel members. Individual members must be periodically evaluated against preestablished standards. Channel arrangements may need to be modified when market conditions change.

Marketing channels are characterized by a continuous and sometimes dramatic change. Three of the most important trends are the growth of vertical marketing systems, horizontal marketing systems, and multichannel marketing systems.

All marketing channels have the potential for conflict and competition resulting from such sources as goal incompatibality, poorly defined roles and rights, perceptual differences, and interdependent relationships. Companies can manage conflicts by striving for superordinate goals, exchanging people among two or more channel levels, coopting the support of leaders in different parts of the channel, and encouraging joint membership in and between trade associations.

Channel arrangements are up to the company, but there are certain legal and ethical issues to be considered with regard to practices such as exclusive dealings or territories, tying agreements, and dealers' rights.

(d) Managing Advertising, Sales Promotion, Public Relation

Advertising is any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor. Advertisers include not only business firms but also charitable, nonprofit, and government agencies that advertise to various publics.

Developing an advertising program is a five-step process: (a) Set advertising objectives; (b) establish a budget that takes into account stage in product life cycle, market share and consumer base, competition and clutter, advertising frequency, and product substitutability; (c) choose the advertising messages, determine how the message to be generated, evaluate alternative messages for desirability, exclusiveness, and believability; and execute the message with the most appropriate style, tone, words, and format and in a socially responsible manner; (d) decide the media by establishing the ad's desired reach, frequency, and then choose the media that will deliver the desired results in terms of circulation, audience, effective audience, and effective ad-exposed audience, and (e) evaluate the communication and sales effects of advertising.

Sales promotions consist of a diverse collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of particular products or services by consumers or the trade.

Sales promotion includes tools for consumer promotion (samples, coupons, cash refund offers, prices off, premiums, prizes, patronage rewards, free trials, warranties, tie-in promotions, cross-promotions, point-of-purchase displays, and demonstrations); and business- and sales force promotion (trade shows and conventions, contests for sales reps, and specialty advertising).

In using sales promotion, a company must establish its objectives, select the tools, develop the program, pretest the program, implement and control it, and evaluate the results. Most people agree that sales promotion works in increasing sales and market share in the short run, but does not have much effect in the long run. In addition, marketers face a series of challenges in most forms of sales promotion, especially high costs in supporting them.

A public is any group that has an actual or potential interest in or impact on a company's ability to achieve its objectives. Public relations (PR) involves a variety of programs designed to promote or protect a company's image or its individual products. Many companies today use marketing public relations (MRP) to support their marketing departments in corporate or product promotion and image making. MPR can affect public awareness of the fraction of the cost of advertising, and it is often much more credible. The main tools of PR are publications, events, news, speeches, public-service activities, and identity media.

In considering when and how to use MPR, management must establish the marketing objectives, choose the PR messages and vehicles, implement the plan carefully, and evaluate the results. Results are usually evaluated in terms of number of exposures and cost savings, awareness, comprehension, or attitude changes, and sales-and-profit contribution.

2.2 Technical Study

Technical study involves the study of the availability of technology, raw materials, and skilled laborers that are necessary for doing business. Technical study will give an idea whether the investors have enough capacity to fulfill the market demand or not.

2.3 Financial Study

Financial study involves the study of the economy and the competitors in order to make the assumption of the estimated cost, how to raise funds and how money is generated. Projected balance sheet, income statement and cash flow must be made based on the assumption to be set.

(1) The Income Statement

It shows the profit or loss from a firm's operation over a period of time.

(2) The Balance Sheet

While the income statement reports the results from operating the business for a period of time, such as a year, the balance sheet provides a snapshot of the firm's financial position at a specific point in time.

Thus a balance sheet captures the cumulative effect of prior decisions down to a single point in time. The basic ingredients of a balance sheet are assets, liabilities and equity.

(3) The Cash Flow Statement

It shows changes in a firm's cash position over a given period of time. The cash flows generated are divided into three main areas: (1) cash flows from operations, (2) investments made by the firm, and (3) financial transactions, such as issuing stock, or borrowing or repaying debt. The data needed to construct a cash flow statement comes from two sources: (1) the two balance sheets for the firm, (2) the income statement.

2.3.1 Capital Budgeting

Capital budgeting analysis helps managers make decisions about long-term investments. Three techniques for making capital budgeting decisions are considered. They all attempt to answer one general question: Do the future benefits from an investment exceed the cost of making the investment? However, each of the three techniques has its own specific question to answer.

The techniques and the specific question each addresses can be stated as follows:

(1) Accounting return on investment. How many dollars in average profits are generated per dollar of an average investment?

(2) Payback period. How long will it take to recover the original investment outlay?

(3) Discounted cash flow technique. How does the present value of future benefits from the investment compare to the investment outlay?

There are three simple rules to be used in judging the merits of an investment. While they may seem trite, they state in simple terms the best thinking about the attractiveness of an investment as follows:

(1) Businesses prefer more cash rather than less.

(2) Businesses prefer cash sooner rather than later.

(3) Businesses prefer less risk rather than more.

Accounting Return on Investment: A Profit Criterion

A small firm invests because it intends to earn profits. The accounting return on investment technique compares the average annual after-tax profits it expects to receive with the dollars it expects to invest. That is,

Accounting return on investment = Average annual profits/ Average book value of the investment

The average annual profits can be estimated by adding the after-tax profits expected over the life of the project and dividing by the number of years. The average book investment equals the average of the initial outlay and the estimated ending project salvage value.

Payback Period - A Nondiscounted Cash Flow Criterion

Payback period measures how long it will take to recover the initial cash outlay of the investment. The merits of any project are judged on whether it recovers the initial investment outlay in lesser time than some maximum acceptable payback period.

Discounted Cash Flow Techniques

It takes into consideration the fact that cash today is more valuable than cash received one year from now. The discounted cash flow techniques compare the present value of the future cash flows with the initial investment outlay. The analysis may take the form of (a) The net present value method (b) The internal rate of return method.

(a) The Net Present Value

To measure a project's net present value, we estimate today's value of the dollars flowing in from the project in the future and deduct the amount of the investment being made. That is, we discount the future after-tax cash flows back to their present value and then substract the initial investment outlay. The computation may be represented as follows:

Net present value = Present value of future after-tax cash flows — Initial investment outlay

If the net present value of the investment is positive (that is, if the present value of future cash flows exceeds the initial outlay), we would accept the project. Otherwise, we would reject the investment.

(b) Internal Rate of Return

It provides the answer by measuring the rate of return we expect to earn from the project. To calculate the internal rate of return, we must find the discount rate that gives us a zero net present value. To find the discount rate or IRR is as follows:

Present value of future after-tax cash flows — Initial investment outlay = 0

Or

Present value of future after-tax cash flows = Initial investment outlay

To compute the internal rate of return, we have a bit of a problem. We cannot solve the problem directly. Either we must try different rates until we discover the rate that gives us a zero net present value, or we can use a financial calculator and let it derive the answer for us.

The decision criterion, when the IRR is used in making accept-reject decisions, is as follows: If the IRR is greater than the cost of capital, accept the project; if the IRR is less than the cost of capital, reject the project. This criterion guarantees that the firm earns at least its required return. Such an outcome should enhance the market value of the firm and therefore the wealth of its owners.

(1) Comparing NPV and IRR techniques

The better approach for evaluating capital expenditures is difficult to determine because the theoretical and practical strengths of the approaches differ. It is therefore wise to view both NPV and IRR techniques in light of each of the following dimensions.

(a) Theoretical View

On a purely theoretical basis, NPV is the better approach to capital budgeting. Most important is the fact that the use of NPV implicitly assumes that any intermediate cash inflows generated by an investment are reinvested at the firm's cost of capital. Since the cost of capital tends to be a reasonable estimate of the rate at which the firm could actually reinvest intermediate cash inflows, the use of NPV with its more conservative and realistic reinvestment rate is in theory preferable. In addition, certain mathematical properties may cause a project with nonconventional cash flows to have zero or more than one IRR; this problem does not occur in the NPV approach.

(b) Practical view

In spite of the theoretical superiority of NPV, financial managers prefer to use IRR. The preference for IRR is attributable to the general disposition of business people toward rates of return rather than actual dollar returns. Because interest rates, profitability, and so on are most often expressed as annual rates of return, the use of IRR makes sense to financial decision makers. They tend to find NPV more difficult to use because it does not really measure benefits relative to the amount invested.

When we check the feasibility of many projects that are independent, we are considering each project individually. We do not make a comparison among the projects. Evaluating the feasibility of one project or many projects that are independent, can be done by either method as it gives the same answer, which is called "Logical Relationship" as follows:

If NPV 0 = IRR ?_ actual cost of capital = MIRR actual cost of capital A PI >_1

While in evaluating the feasibility of many projects that are mutually exclusive, meaning that we have to choose the most feasible from many alternatives, the NPV comparison is the most suitable method by selecting the project that has highest NPV. We cannot select a project that has the highest IRR in comparisons as it is meaningless to do comparisons on the IRR because it does not represent the rate of return of the project and it does not exist. Nevertheless, NPV method is used under the assumptions that capital is not limited and all projects have the same time horizon and the cost of capital should be the same.

2.3.2 Breakeven Analysis

For breakeven analysis, the number of units produced or percentage utilization of plant capacity is computed using relations for revenue and cost estimates for each alternative.

It is often necessary to determine the quantity of a variable at which revenues and costs are equal in order to estimate the amount of profit or loss. This quantity, called the breakeven point, QBE , is determined using relations for revenue and cost estimation as a function of different quantities "Q" of a particular variable. The size of Q may be expressed in units per year, percentage of capacity, hours per month, and many other dimensions. We will commonly use units per year for illustration.

Both revenue and cost may be linear or non-linear and costs are usually comprised of two components — fixed and variable.

Fixed costs (FC) include costs such as buildings, insurance, fixed overhead or indirect costs, some minimum level of labor, and capital recovery.

Variable costs (VC) include costs such as direct labor, materials, indirect and support labor, contractors, marketing, advertisement, and warranty.

The fixed cost component is usually constant for all values of the variable, so it does not vary with different production levels or workforce sizes. Even if no units are produced, fixed costs are incurred, because the plant must be maintained and some employees paid. Of course, this situation could not last for long before the plant would have to shut down to reduce fixed costs. Fixed cost are reduced through improved equipment, information system and workforce utilization, less costly fringe-benefit packages, subcontracting some functions, and so on.

Variable costs change with production level, workforce size, and other variables. It is usually possible to decrease variable costs through better product design, manufacturing efficiency, and sales volume.

When FC and VC are added, they form the total — cost relation.

At some quantity of the variable the revenue and total-cost relations will intersect to identify the breakeven point, Q_{BE} If $Q > Q_{BE}$, there is a predictable profit, but if $Q < Q_{BE}$, there is loss, provided the relations continue to estimate correctly as Q changes in value. If the variable cost per unit is reduced, the TC line will also be lowered and the breakeven point will decrease in amount; that is, it will take less to breakeven. This is an advantage because the smaller the value of Q_{BE}, the greater the profit for a given amount of revenue. For linear models of R and VC, the greater the actual quantity sold, the larger the profit.

If nonlinear R or TC models are used, there may be more than one breakeven point. In fact, no static R and TC relations — linear or nonlinear — are able to estimate exactly the revenue and cost amounts for a product or service over an extended period of time. But it is possible to estimate breakeven points which may be excellent target points for planning purposes.

To find breakeven point is as follows:

$$TC = FC + VC \text{ or } rQ = FC + vQ$$

So $Q_{BE} = FC / (r - v)$

Where as; TC = Total cost

FC = Total Fixed cost

VC = Total Variable cost

QBE = Break even point

Revenue price

Variable cost

The below figure is an example of breakeven chart of one company showing the fixed costs, total costs, and total revenues at different levels of unit sales. The breakeven sales point, the intersection of the total costs and total revenues lines, is 12,500 units.

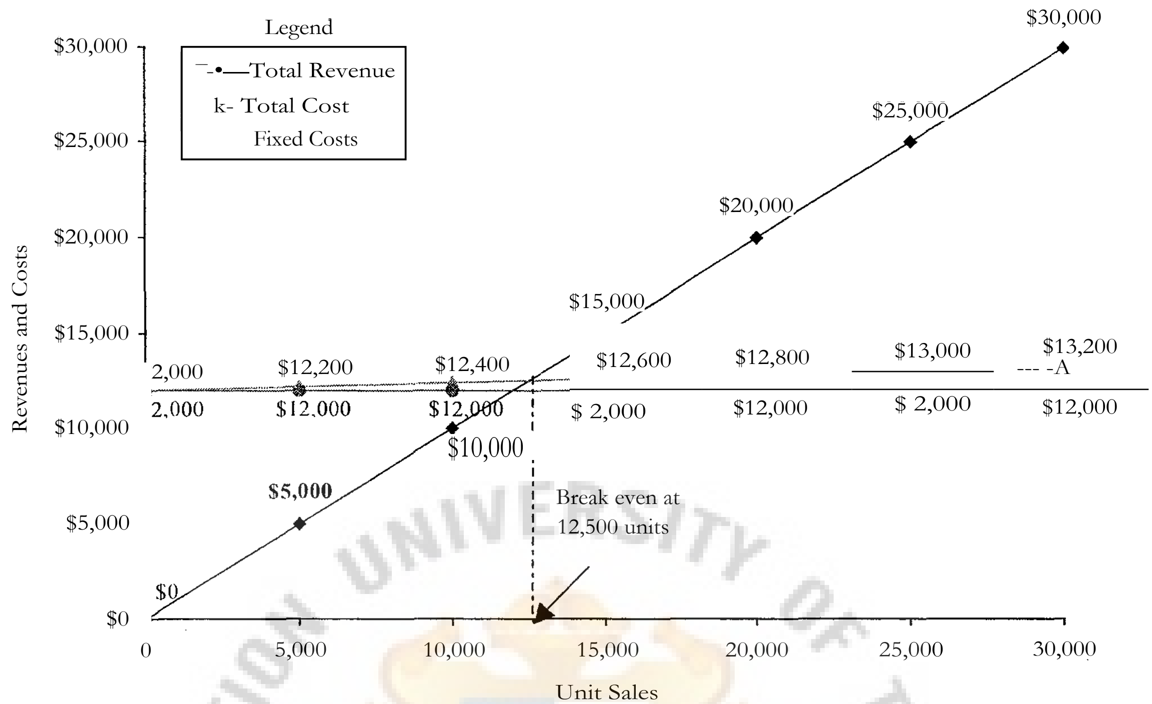

Figure 2.1. The Example of Breakeven Point Analysis.

III. INDUSTRY ANALYSIS

3.1 The Quick Service Restaurant (QSR) Market in Thailand

The strength of Thai economy has increased disposable income of Thai families on an average 10 percent for almost 10 years. The increased purchasing power and growing middle class are effecting a change in Thai's social, and cultural behavior, and preferred life styles. The urbanized and industrial life of a two-income families have replaced the traditional life style. Housewives, who used to take care of the family, are now in workplace. Thai people have less time to spend on the necessities of life, and traditional cooking is replaced by fast food, both local and western styles. Moreover, the horrendous traffic in Bangkok, where a one way two- hour commute one-way is normal, are forcing people to eat out more.

General restaurants have been replaced by chains of restaurants such as S&P, Srifar restaurant, Co Ca, Canton, Inter Suki, etc. Sidewalk restaurants have been replaced by food centers and food courts which are more hygienic and more convenient. Food centers and food courts can be seen in most department stores and office buildings. Fast food and chain restaurants have boomed for the last few years and are expected to continue in the next few years. Hot and cold drinks including coffee and ready-to-eat foods are served in convenience stores. Hospitals, office buildings and large factories are providing cafeterias for their staff and customers. One private hospital has a McDonald's, which even offers room service to its patients.

In Thailand, the fast food industry is a billion-dollar-a year industry, and it is growing at the rate of 30 percent a year. Although Western fast food has dominated the marketplace for the past decade, local entrepreneurs now are entering the market with their own version of fast food, Thai style.

Small, individual food stalls could always be found on the streets of Bangkok, offering fried noodles and other fare. Recently, air pollution from traffic jams have made street food experiences a little less pleasant. In response, Thai fast food shops now feature air conditioned rooms with plenty of varieties.

Since 1991, the QSR has grown rapidly in Thailand, keeping pace with the booming national economy. Growth has averaged 20-30 percent a year, a very attractive rate for both local and foreign investors. As in other businesses, market competition has been fairly intense.

However, the current economic slump has significantly showed the dynamism of the QSR or fast food business to an average of 10-15 percent a year. There have been sharp decreases in public purchasing power and greatly reduced spending in department stores. In addition, the number of patrons going out has dropped by 70%. Economic hardship undercuts the spending of teenagers, usually prime customers in the fast food sector, and similar sudden thriftiness is seen in the habits of working people as well.

Table 3.1. The Development of the Fast Food Industry in Thailand.

Development of the fast food industry in Thailand						
Year	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Restaurant Sales (THB mn)	204,868	204,674	210,814	217,139	210,814	217,139
QSR Market Size (THB mn)	8,768	9,510	10,567	11,268	11,788	12,124
QSR Market share	4.3%	4.6%	5.0.%	5.2%	5.60%	5.60%
Source: National Income of Thailand						

The local QSR market in Thailand is likely to become a venue for a number of new foreign brand names. Since the outbreak of the economic crisis last three years, customers of QSR have been fast disappearing. Many people are now saying that they find this kind of food unhealthy. As a result, suppliers are working harder. Management, quality control and research for new products become keener than ever, while service delivery shows itself reliable and swift in order to cope with rising competition in the market.

The negative sentiment that plagued the QSR sector and the economy as a whole in the last six months of 2000 continued through 2001.

A combination of domestic concerns on the political and banking scenes together with a slowdown in the global economy exacerbated by the events of 11 September contributed to a poor state in the sector as a whole.

Very few concepts enjoyed comparative sales growth as competitors resorted to heavy price discounting to attract consumers. For the year 2001, it estimated that the total QSR sector experienced little growth last year with total sales remaining at approximately the same levels as 2000.

Over the medium to long-term, we believe that the sector remains very attractive with penetration very low in most segments compared to regional and global levels. However, the size of the middle class in Thailand has not expanded for nearly five years because of the economic malaise and a renewal of sustained growth in this sector will be the primary driver of expansion for the sector as a whole.

Table 3.2. Forecast Growth of the Fast Food Industry in Thailand.

Forecast growth of the fast food industry in Thailand			
Year	**2002**	**2003**	**2004**
Restaurant Sales (THB mn)	218,394	228,221	238,491
Fast Food Market Share	5.9%	6.2%	6.4%
Fast Food Market Size (THB mn)	12,942	14,107	15,377
Source: Industry Estimates			

In going forward, we have adopted a more conservative outlook with the average annual economic growth over the next three years of only 3% with the QSR sector itself achieving an average annual growth rate of 9%. By 2004, we estimate that this should result in the sector having annual revenues of nearly THB 15,000 million compared to THB 12,000 million in 2001.

QSR business in Thailand can itself be further defined by specific product segments with ready to eat chicken by far the largest. The large number of existing outlets focusing only on this segment together with the overwhelming preference for chicken in the mainstream Thai diet can account for this. The hamburger and pizza segments are currently relatively equal in size with each one-third of the size of the chicken segment.

Figure 3.1. Comparative Market Share in Thai QSR Sector Year 2001.

IV. MARKETING ANALYSIS

Since marketing analysis is one of the important parts in doing feasibility study, it is the part that is direct to the sales revenue. Doing a good marketing plan will help increase the sales revenue which is important for the company to survive in the business.

4.1 Five Forces Analysis

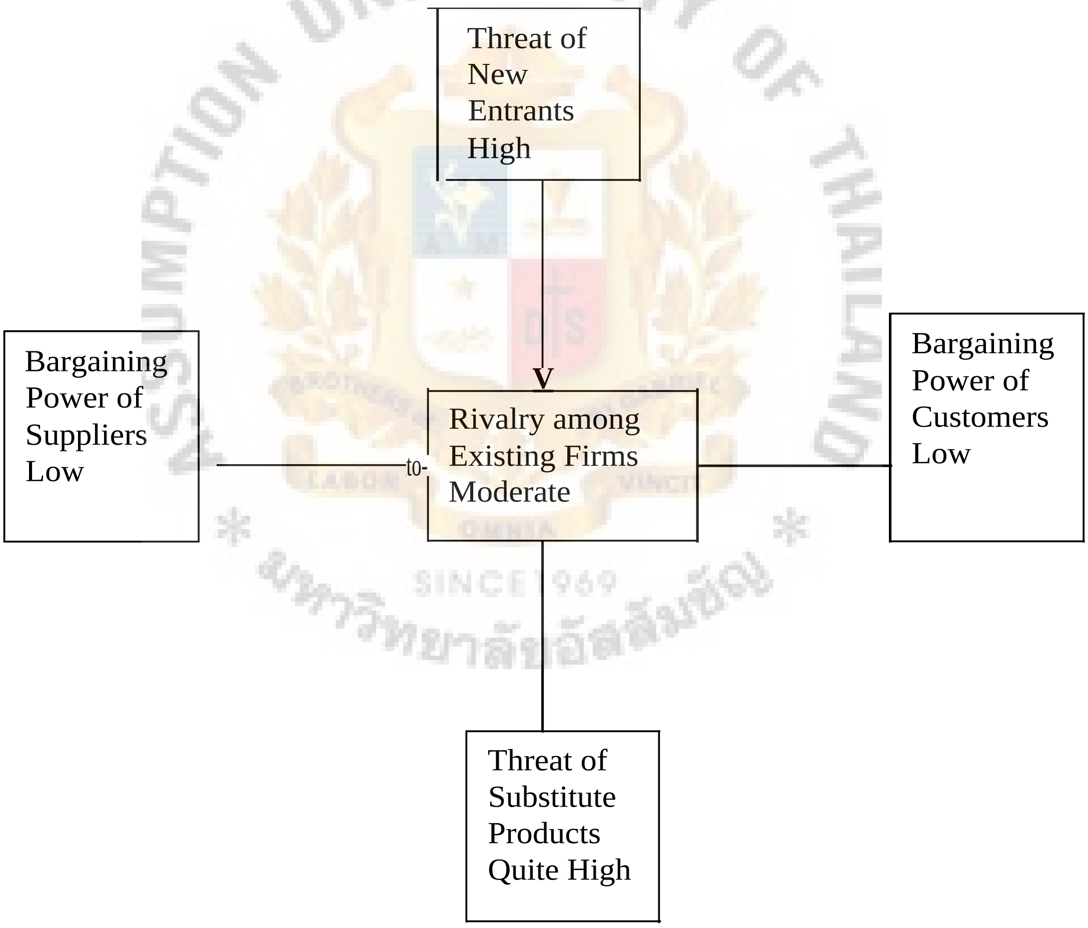

Figure 4.1. Five Forces Model.

Rivals among Existing Firms

(1) Number of rivals

There are many types of bread and milk business providers, open shops with air-conditioners, kiosks and in restaurants. As we serve them in the type of open shop with air conditioner like fast food business and there are few stores in Bangkok like Bread and Spread, Milk Plus, Mon Nom Sod, Im-Un and others. Therefore, the competition level is moderate.

(2) Rate of Industry Growth

As we set this kind of business into fast food industry we use the growth rate of fast food industry that is around 10-15% and by 2004. It estimates that this should result in the sector having annual revenues of nearly THB 15,000 million compared to the THB 12,000 million in 2001. (industry estimates)

(3) Amount of Fixed costs

The initial investment for the freshly made industry is quite low compared to other types of fast food business.

(4) Exit barrier

Since the initial investment of this business is not so high and most fixed assets can be used in others businesses, to exit this business is relatively easy.

Threat of New Entrants

(1) Product differentiation

The nature of freshly made bread and milk products is relatively similar but it can be differentiated by the taste, size, package, and advertising so the customers may view each provider differently.

(2) Know-how

The way to cook are easily and it takes short time in cooking but the step for mixing the ingredients and step for cooking is unique and cannot be duplicated.

Threats of Substituted Products

There are many substituted products that offer the products which satisfy similar needs like our partnership's products, such as Dunkin Donut, Gateaux, etc.

Bargaining Power of Customers

The bargaining power of customers of bread and milk products tends to be low since most of the customers are on moderate and high income that have purchasing power. Although there are many substituted products, there are few rivals.

Bargaining Power of Suppliers

The suppliers of our partnership can be separated into 2 types; raw material suppliers and equipment suppliers. Most of the raw materials are agricultural products, which are in perfect competition market, so the price of raw material depends on the market . In case of equipment, there are many suppliers who supply the equipment, and most of the equipment will be purchased only at the initial partnership. Therefore, both types of suppliers tend to be quite low.

4.2 SWOT Analysis

Strengths:

(1) For the products, we have the reliable suppliers providing us high quality raw materials and use new and standardize equipment to serve high quality and hygienic products to the customers.

(2) Compare to the other fast food businesses, we use lower capital cost than others so we can gain competitive advantage in our products' price while providing the varieties of the products.

(3) Since we select the location at the MBK center, we can utilize more potential market and reach more easily our target market especially teenagers and working people as it is a well known shopping center and located in the center of Bangkok.

<u>Weaknesses:</u>

(1) As we are a new entrance of this business, our brand name is unknown to the customers.

(2) Low distribution channels, we have only one store.

<u>Opportunities:</u>

(1) Nowadays people are more concerned about their health and bread and milk products can provide healthy products so this business trend will increase.

(2) Product life cycle of bread and milk is now in the growth stage so it can generate more profitability for this business.

(3) Under this economic recession, many fast food businesses especially from foreign countries like Pizza, Burger and Chicken are affected while fast food business of Thai people like bread and milk products, which can provide lower price is now rapidly growing.

<u>Threats:</u>

(1) There are many existing competitors in the market.

(2) There are many substitute products in the market such as other fast food products like pizza hut.

(3) Because of having lesser barriers to entry, many new investors can entry easily into the market.

(4) Some people do not like to consume bread and milk products.

4.3 Competitive Advantages

Our main competitive advantages are serving the market with unique steamed custard (Sungkaya) and chilled paste jam and production management. Production Management is the competitive weapon that enables us to control the ordering of raw materials to prevent the shortage of raw materials and to decrease the idle time and idle costs.

We also gain competitive advantages in quality, innovation and human resources since we choose the high quality or raw material from the reliable suppliers and use the new equipment to make hygienic products and to have standard production procedure. In addition, we have the ability to make more varieties of products and have high qualified employees. Our employees will be well trained before working and there are in—service training in every three months. Weekly meetings will be held for **all** the employees to share ideas and solve the problems to increase service efficiency and customer responsiveness to meet the customers' satisfaction. Every employee has to be trained to be able to do every duty so that they will be able to handle many customers.

4.4 Competition Situation

At present, we can see that many bread and milk stores are established especially in Bangkok and Chiengmai provinces compared to the past as there was only few stores at the beginning of 1998 and increased to more than 100 stores at the end of 1998. This indicates that this type of business is in the growth rate however the competition situation is not so high and marketing strategy is brought to use as it is necessary by concentrating on the location analysis, quality control, cleanliness, shop atmosphere and variety of products. In conclusion, the comparison among 8 stores in Bangkok is shown in the table below.

Competiton Situation.

	Bread & Spread	Mon - Nomsod	Milk Plus	[illegible]	Tung - Lak	Pung Pond	Nom - Nuey	Warm - Up	New One
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Services	Moderate & free drinking water available	Self - service & no free drinking water available	Moderate & free drinking water available	Moderate & free drinking water	No standard	Moderate	Moderate	[illegible]	Moderate &free drinking water available
[illegible]	Slightly High	Moderate	[illegible]	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate
?lace - Location	Near the Major Cineplex at Sukhumvit, Ruchayothin and Bangkapi	Near Democracy Monument	At MBK Department Store, The Mall Ruchayothin, Bangapi, Siam Bangkapi Square, Victory Monument, Lotus Praram 4 and Business Area at Silom	Near Major Cineplex at	At Siam Square	[illegible]	[illegible]	[illegible]	[illegible]

Competiton Situation. (Continued)

	Bread & Spread	Mon - Nomsod	Milk Plus	[illegible]	Tung - Lak	Pung Pond	Nom - Nuey	Warm-Up	New One
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Promotion	Highlight Package, Bonus Card and Co-Promotion with Major Cineplex		Offer special price gift Such as calendar, CD cover, etc.	Use famous Super Star Name in selling					Bonus card and Highlight Package

(a) Direct Competitor Analysis

We can see that there is only one direct competitor at MBK Center that is Milk Plus and other direct competitors near MBK Center are Milk Plus, Tung—Lak and Warm-Up, which located in Siam Square.

Milk Plus

<u>Strengths:</u>

(1) It's a well-known bread and milk store.

(2) The area size is quite large.

(3) The width of Product Mix is quite large.

<u>Weaknesses:</u>

(1) Cleanliness is not quite good.

(2) The quality of product is not quite good.

(3) The variety of bread is low.

Tung-Lak

<u>Strengths:</u>

(1) The Quality of food is quite good.

(2) Cleanliness is quite good.

<u>Weaknesses:</u>

(1) The decoration of the shop is plain & unattracttive.

(2) The service is not good.

(3) The area size is quite small.

(4) Both width and depth of the product Mix is not large.

Warm—Up

<u>Strengths:</u>

(1) The service is good.

<u>Weaknesses:</u>

(1) The decoration of the shop is plain & unattracttive.

(2) The area size is quite small.

(3) Both width and depth of the product Mix is not large.

(b) Indirect competition analysis

Most of the indirect competitors of bread & milk store at & near MBK Center are other fast food businesses which can be classified into 6 groups as follows:

(1) Chicken Group such as KFC, Chester's Grill

(2) Hamburger Group such as Mc Donald's, A&W, Santa's Hamburger

(3) Donut Group such as Dunkin Donut, Mister Donut

(4) Pizza Group such as Pizza Hut, The Pizza Company

(5) Bakery Group such as Gatuex, S&P, Deli France, Auntie Anne's

(6) Others such as Hollywood Chicken & Pizza, Coffee world, Star Bucks, Black Canyon

In conclusion, the strengths and weaknesses of all the above indirect competitors are as follows:

Strengths:

(1) Reputation: as they have opened for many years their products are well known to the world and get full promotion support.

(2) Economies of scale: they can achieve economies of scale producing in large quantity.

(3) Distribution channel: It is high.

(4) Support: They gain full support in advertisement, Sales Promotion and Public Relation.

Weaknesses:

(1) High cost of investment.

(2) The price is quite high.

4.5 Location analysis

Location can be considered as the most important factor in order to be successful in every business. Especially when we talk about consuming products, location that is close and easy to access by our target market is very important. The main requirements that used to evaluate and making selections are:

(1) The location must be represented the place for our target market, aged 15-35 and on from moderate to high income.

(2) Easy to access by transportation vehicles.

(3) Distance between store, office and suppliers.

Bangkok is the center of education and center of new modern market and also contains quite high financial status families (this information is gathered from Kasikornthai research center). Although places in Bangkok and vicinity areas, even the traffic is quite high, there are a lot of other transportation modes available to be used as vehicle to transport the raw materials to offices or stores, in order to keep and sell respectively. Even if our raw materials are not damaged during the transportation process, if we can select the office's location in the center of our suppliers, this can save a lot of transportation cost. And this factor of transportation can be also used as vehicle to bring the customer to the store.

So the place that we are going to select must meet all 3 above requirements. In Bangkok, there are so many places that can be classified as our market.

For our store, we decide to rent instead of building purchasing by comparing their advantages and disadvantages, which are shown as follows:

Land and Building Purchasing

Advantages:

(1) If we have our own building, we can operate the business as long as we want.

(2) We can use the land and building as collateral in receiving the loan.

(3) We can get profit from the land and building in the future if we can sell it at higher price.

Disadvantages:

(1) Land and building purchasing has higher risk because of high investment.

(2) It takes longer time to get back all initial investments.

(3) It is very hard to promote the place to become popular among so many places, which have already captured the mind of customers.

Rent

<u>Advantages:</u>

(1) It requires less investment compared with the land and building purchasing.

(2) We can reduce the risk associated with the operation, in case the product itself does not meet the satisfaction of the target market in the area, by moving to the other place with low loss compared with land and building purchasing.

(3) Require less cost in promoting the place.

<u>Disadvantages:</u>

(1) Rent is uncertain in renewing the contract, concerning an increasing rent rate in the specific area.

From the above reasons, we decide to rent a place and after the analysis of secondary data and observations, we come up with 2 choices, which are MBK Center and Siam Square.

Table 4.2. Location Analysis between MBK Center and Siam Square.

Characteristics	**MBK Center**	**Siam Square**
Size and Space	**80** m^2	56 m^2
Rent Expense per square meter per year (baht)	12,000-50,000	20,000-60,000
Customer	Very Intense	Very Intense
Direct Competitor	1	3
Indirect Competitor	Intense	Intense

Remark: (1) Rent Expense is an estimated amount gathered by interviewing the manager of each location and the previous renters.

(2) For the other factors such as closeness to suppliers and closeness to customers is the same to both places which are in the same area.

After the analysis, we conclude that the location of our store should be located at MBK center due to lower cost and lower risk whereas both places have the same closeness to suppliers and customers.

MBK Properties and Development Public Company Limited

Industry and Competition Overview

In the second half of 2000, the retailing business showed a sign of recovery and it was predicted that the sales volume in this business would continuously increase until the year 2001 because of the growth of domestic economy. Significantly, discount stores will play a big role in retailing business and they could make the stiffer competition in this business sector.

Interestingly enough, the growth of retailing business has a positive relationship with the growth in the Gross Domestic Product (GDP). It is predicted that the sales volume of department stores and cooperative stores will slightly increase by 4.1% in the year 2001 while that of discount stores will increase by 15%. The slight increase in sale volume of department stores bases on the customers, who differ from that of discount stores, with a middle-high income.

However, there are four key attributes that affect buyers' decision making in choosing retailing stores:

(1) Place: The location of retailing stores itself will affect buyers' decision making. Customers will use services at stores where they can commute conveniently, especially when oil price is high.

(2) Price: Customers will buy products with a reasonable price, therefore, retailing stores where products are sold with lower price will be at an advantage.

(3) Promotion: The most common-used strategy to increase sales volume is price reduction strategy.

(4) Product: Retailing stores should provide a full service and a variety of products to customers.

MBK Center can gain advantages from these attributes that affect buyers' decisions. First, it is located in the heart of Bangkok where customers can commute to very conveniently. Then, the vendors in the Center offer the products with reasonable prices and customers can compare and bargain the price until they are satisfied. Finally, MBK Center provides a variety of products and full service entertainment.

The fact that discount stores have been expanded very rapidly due to a high demand of low price products does directly affect other retailing stores including supermarkets, convenience stores, and grocery stores.

However, MBK Center, one of the medium-large department stores, offers not only a variety of products and services but also a full-service entertainment. The key customers of MBK are teenagers and foreigners who are exposed to fashionable products such as clothes and furniture. In addition, MBK Center has been renovated both inside and outside the store with excellent facilities an the exceptional security service. Consequently, the number of customers who like shopping at MBK Center is increasing with no boundary.

Nature of Business Operations

MBK Properties and Development PCL run the business as a landlord by leasing the area in MBK Center which was planned to be a fully equipped shopping complex offering a whole range of services such as shopping centers, hotels, and office buildings for rent. MBK Center is located on the land of 23 rais 1 ngan and 49 squarewah on Pathumwan intersection. Chulalongkorn University granted the leasehold right of the land for 30 years from the day the construction of MBK project has been approved by the Bangkok Metropolitan Authority.

Marketing (MBK Center)

Marketing Strategies

By utilizing new technology equipment, the company is able to attain a more extensive base with the higher service standard.

Moreover, all service functions are continuously developed and modified to achieve the maximum satisfaction from clients.

Besides, the company has added more facilities such as security systems, including the seminar on fire and explosion protection. There are several plans that will be accomplished in the year 2000;

(1) Redesign the inside area of MBK Center

(2) Develop the homepage to build the international recognition

(3) Improve the parking facilities

(4) Increase the number of signs in MBK Center to guide customers.

Strengths:

(1) MBK Center is located in the heart of Bangkok where customers can commute to very conveniently.

(2) MBK Center offers a variety of products and customers can compare and bargain the price.

(3) Pathumwan Princess, a four —star hotel, is connected to MBK Center.

Target Markets

The primary target market of MBK Center is lessees who have an experience in particular business with strong financial positions.

The secondary target markets are students, working people, visitors and Pathumwan Princess's customers who have high purchasing power. The fact that MBK Center offers a variety of products enables the company to penetrate into different target markets.

4.6 Target Market and Market Potential

4.6.1 Target Market

(1) Demographic

Gender: Male and Female

Age: 13-39 Years old

Income: Moderate to high income

(2) Geographic: Living in Greater Bangkok

(3) Psychographic:

Lifestyle: Like to eat bread and milk products and are health-conscious.

(4) Behavioral:

Occasion: convenience — for those especially who are in a hurry to take food and attend meeting and relax at Thumbnail shop

4.6.2 Market Potential of Industry

(a) Primary Data Collection

For primary data collection, we use observation and survey procedures.

For observation, we observed the numbers of customers coming in the Milk Plus Store for 4 days and computed the average as follows:

Table 4.3. A Four-day Survey at Milk Plus.

Date	**Total customers**	**Male customers**	**Female customers**	**Bread in piece**	**Beverage in glass**	**Time consumed**
18/06/02 (Saturday)	784	318	466	473	555	555
16/06/02 (Thursday)	800	288	512	521	678	678
19/06/02 (Sunday)	850	352	498	496	655	655
14/05/02 (Tuesday)	840	348	492	513	567	567
Average	818.50	326.5	492	500.75	500.75	613.75
Gender Proportion		49.56%	50.44%			
Consumption Proportion					0.8	0.9

For the survey procedure, we used a sampling method by using YAMANE method to set a sample size in the level of standard error (e) ±5% and level of confidence at 95% (SEE APPENDIX B) for total 400 sets. We acquired the cluster (area sampling) to be the used to distribute our questionnaires. We use this method because it was easy to implement and also has cost-effectiveness. First we selected the target population in the area into mutually exclusive and exhaustive sub-population or clusters. Then we took a random sampling of clusters, based on a probability sampling technique.

For data collection of sampling method, we collected information on MBK Center as it is the location of our bread and milk store for 4 days by choosing 2 week days which are Tuesday and Thursday and weekend on Saturday and Sunday from 10.30 a.m. to 8.00 p.m.. Since we consider that there is no difference in the number and characteristic of population during working days so we choose any 2 working days.

(b) Secondary Data Collection: MBK Center has its own research on the number of people entering MBK Center so the data we got from them is as follows:

(1) The average number of people entering per day is 91,556.

(2) The average number of people entering in one working day is 89,626.

(3) The average number of people entering on weekend per day is 96,381

(4) People entering can be classified into 4 catagories as follows:

Teenagers	=	37.71%
Working people	=	27.14%
Families	=	11.12%
Foreigners	=	24.02%

(5) Number of people entering each gate

Table 4.4. The Number of People Entering MBK Center at Each Gate.

Gate	No. of people per day
Tokyo 1st Floor	6,139
Tokyo 2nd Floor	12,160
1st Floor near Telewiz Shop	2,328
3rd Floor at Pathumwan conjunction pedestrian bridge	5,634
Pathumwan Gate near A II Z Shop	2,992
Pathumwan Gate 2nd Floor	32,085
Pathumwan Gate near KFC	6,815
Pathumwan Gate near Clock Square	2,067
Menu Mart Gate	3,785
Food Corner Gate	1,781
Pathumwan Gate near Jewelry Shop	3,443
Parking	12,328

From the above data collected in 2000 and the interview with the assistant Sales Promotion Director of MBK Center, it can be noted that the figures would remain unchanged.

Data Analysis

Total market potential is estimated from the evaluation of the questionnaires. The calculation involves multiplying a base numbers by several adjusting percentages

Base numbers: -The total number of people who come in Maboonkong is approximately 91,556 people per day

(Data from the office in Maboonkong)

We get the following assumptions

$P(A \cup B) = P(A) + P(B) - P(A \cap B)$

(And as our concern is the people who often visit MBK Center, it means that these people visit more than 5 times per month.)

$P(A \cup B)$ The probability of people who will come to buy the products at our store or the other stores and visit MBK Center more than 5 times per month is 0.0125.

$P(A)$ = The probability of people who will come to buy the product at our store and visit MBK Center more than 5 times per month is 0.005.

$P(B)$ = The probability of people who will come to buy the product at other stores and visit MBK Center more than 5 times per month is 0.001.

$P(A \cap B)$ = The probability of people who will come to buy the products at our store and the other stores and visit MBK Center more than 5 times per month is 0.0025.

Market Potential of Industry

The number of people who will come to buy at our store * P(A)

Where; P (A) = P(AUB) - P(B) + P(A(1B)

= The probability that the people who will come to buy our products and the people who visit MBK Center more than 5 times per month is 0.005

Therefore market potential = 91,556 * 0.005 = **458 people /day.**

4.7 Breakeven Point

FORMULA

(P — V) X Q) —F = 0

The total number of customers who demand bread = 0.80162

The total number of customers who demand beverage = 0.9139

The total number of customers who demand Tafu ice cream = 0.068624

The total number of customers who demands bread = 458x7x52x0.8

= 133,639.67 piece/year

The total number of customers who demands beverage = 458x7x52x0.9

= 152,358.09 glass/year

The total number of customers who demands Tafu ice cream = 458x7x52x0.07

=11,440.44 cup/year

The cost of goods sold for Bread / piece = 666,380/133,640 = 4.99 baht

The cost of goods sold for Beverage / glass = 821,184 /152,360 = 5.389 baht

The cost of goods sold for Tafu Ice cream / cup = 187,200/11,400 = 16.421 baht

The average price for bread = 1,608,880/133,640 = 12.0389 = 12.04 bht./piece

The average price for beverage = 2,959,320/152,360 = 19.423 = 19.43 bht./ glass

The average price for Tafu ice cream = 379,600/11,400 = 33.298 = 33.30 bht./ cup

Price = (12.04* .80162)+(0.9139* 19.43) + (33.30 * 0.068624) = 29.69 bht./day

Variable cost (4.99*0.80162)+(5.39*0.9139) + (16.42*0.068624)= 10.0527 bht/ day

Fixed cost 2,742,200 (income statement) / 52 /7 = 7,533.52 Bht/ days

(P — V) X Q) —F = 0

(29.69-10.05)xQ — 7533.52 = 0

Q = 383.58 or approximately 384 people/day

4.8 Marketing Mix

4.8.1 Products

Our products are classified into 3 groups as toast, beverage and ice cream.

(1) Toast

(a) Toasts with butter milk or sugar.

(b) Toasts with steamed custard (Sungkaya).

(c) Toasts with orange jam

(d) Toasts with strawberry jam

(e) Toasts with blueberry jam

Toasts with Chill Paste Jam

Toast with Chocolate

Wholewheat with butter milk or sugar

Wholewheat with steamed custard (sungkaya)

Wholewheat with orange jam

Wholewheat with strawberry jam

Wholewheat with blueberry jam

Wholewheat with Chill paste jam

Wholewheat with chocolate

(o) Steamed toasts with steamed custard (sungkaya)

(2) Beverage

(a) Hot Beverage

(1) Fresh milk

(2) Coffee

(b) Cold Beverage

(1) Fresh Milk

(2) Sala Milk

(3) Yogurt Milk

(4) Milo

(5) Iced coffee

(6) Iced lemon tea

(7) Soft Drink

(8) Water

(3) Ice Cream

(a) Tafu Ice cream

(b) Tafu Ice cream with bowl bread

Concept: The main concerns for the variety of products are freshness and cleanliness inc'uding convenience and quick services by using the strategy as follows:

(a) For bread, we will increase the width of our products such as Croissant, Sandwich, biscuit, garlic bread etc and the depth of products such as Chill Paste Jam with shredded pork and hazel nut butter.

(b) For beverages, we will increase the width of our products such as fruit juice like orange juice, carrot juice to serve people who do not like to consume milk and increase the depth of products such as hot and iced tea.

(c) For ice cream, we try to make product awareness (of the new ice cream made from soy bean) to increase the width of overall products and we will increase the depth of this products by launching many different flavours of Tafu ice cream.

In increasing new products, we will launch 2-3 new products in every quarter depending on the appropriate situation. However, if we find that the new product can not reach 5% of the sales volume in that quarter, we will cut it off.

For packaging, we will use a unique design and concentrate on cleanliness, freshness, high quality and good taste for our products. In addition, we will have work standard and provide good services to meet our customer's satisfaction.

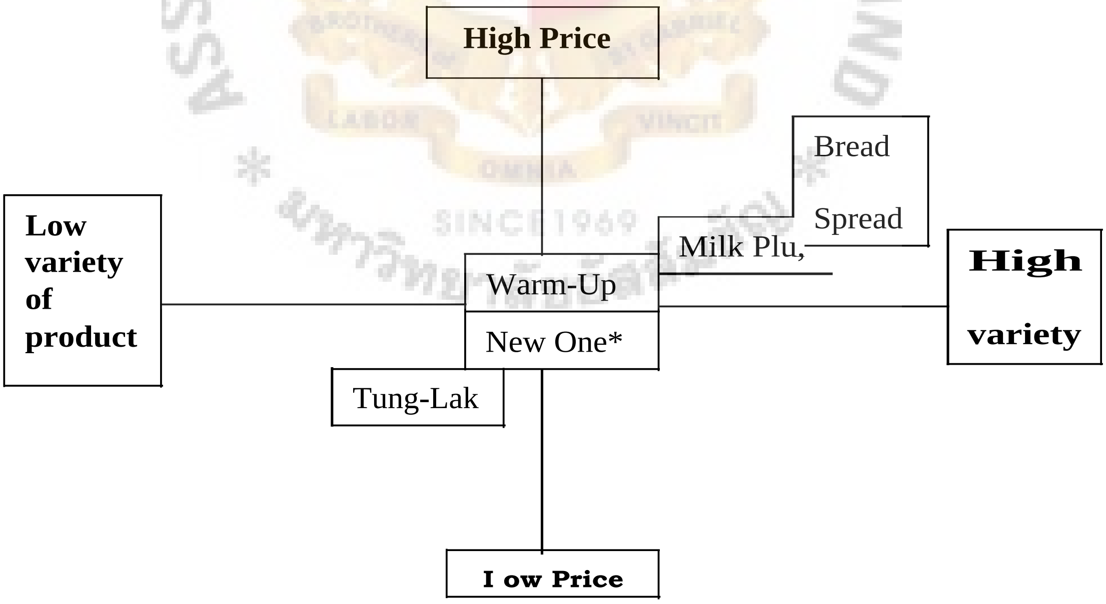

Figure 4.2. Market Position.

4.8.2 Price

Objectives:

(1) To achieve a target return — based on either target return on sales or on investments, adding an amount to the cost of the product to yield desired return.

(2) To maximize long-run profit

Methods:

Our shop chooses Cost-Plus Pricing method (from marketing management of Philip Kotler) to set the selling price. We choose Markup on Selling price to calculate the selling price.

Cost-Plus Pricing = Total cost (Bread & Beverage & Ice cream)+ a desired profit

Total cost / price = 4.99+5.39+16.42 =28.66

Expected profit = 58.63%

$$\text{Selling Price} = \frac{\text{Total Cost}}{(1 - \text{expected profit})}$$

$$\frac{28.66}{(1 - 0.5863)} = 64.77$$

The Final Price

Our shop sets the expected profit that is 58.63% and the selling price, 64.77 baht per set of one bread, one beverage and one ice cream. Our shop can charge the high markup because we use high quality raw materials with low cost and have an average price compared to the competitors.

4.8.3 Place

Our store will be located on the 7th Floor of MBK Center near Pizza Hut & Chester's Grill as it is close to the SF cinema and SP bowling. Since this floor is the entertainment and food zone, it is a good location that we can reach our target market more easily.

For the shop decoration, we will design our shop with the light, relaxing and warm atmosphere together with newspapers and magazines, for the customers to enjoy.

The atmosphere of the shop makes customers feel relax because the decoration is not congested with furniture and appliances. Through appropriate decoration, it invites and welcomes customers to enjoy the service of the shop both in-house service and take-away. The kitchen will be set on one side of the shop so that the customers can see it. It expresses the cleanliness and freshness of the produce through the baking process. This will imply that the quality of the baking process and the products themselves reach premium standard.

4.8.4 Advertising & Promotion

(a) Advertising

(1) We will set up a billboard in front of our shop.

(2) We will distribute handbills for 7 days at the entrance of every gate of MBK Center, at all the escalator up to the 7th floor, at the BTS pedestrian bridge and to all passers by.

(b) Sales Promotion: We will use continuous concept to keep existing customers and increase the sales volume.

(1) Using bonus Cards: The customers will get 1 stamp per 50 baht selling and they will get a free 50 baht coupon to eat at the shop if they have

10 stamps. This will create loyalty and attract the customers to come back again for the whole year.

(2) Using highlight packages to increase sales volume of the products which can be sold in low volume such as setting a highlight package with one product to sell each month or at the same price for any beverage. The table below is an example of highlight package for the period of January to December.

Table 4.5. Highlight Packages.

Month	Menu	Details	Normal Price	Special Price
January	A	2 Toast with Chill Paste jam and 1 hot fresh milk	36	30
February	B	2 Toast with Strawberry jam and 1 hot fresh milk	36	30
March	C	2 Toast with butter milk and 1 cold fresh milk	40	35
April	D	2 Toast with blueberry jam and 1 cold fresh milk	44	38
May	E	2 Toast with Strawberry jam and 1 cold fresh milk	40	35
June	F	1 set of Steam-toast with Sungkaya and 1 hot fresh milk	41	35
July	A	2 Toast with Chill Paste jam and 1 hot fresh milk	36	30
August	B	2 Toast with Strawberry jam and 1 hot fresh milk	36	30
September	C	2 Toast with butter milk and 1 cold fresh milk	40	35
October	D	2 Toast with blueberry jam and 1 cold fresh milk	44	38
November	E	2 Toast with Strawberry jam and 1 cold fresh milk	40	35
December	F	1 set of Steam-toast with Sungkaya and 1 hot fresh milk	41	35

4.9 Marketing Evaluation

Objectives:

(1) To examine the Sales Volume and Services

(2) To check whether the marketing plan is successful or not.

Procedure:

(1) To collect the sales volume each week

(2) To collect customers' feedback each month by providing suggestion boxes.

(3) To set a meeting for all staffs each week to solve the problems and meet the customers' satisfaction.

V. FINANCIAL ANALYSIS

The financial analysis includes revenue analysis, expenditure analysis including fixed asset payment, pre-operation payment and other expenses to prepare a projected income statement, balance sheet and cash flow statement. In case of return analysis, we have to analyze the internal rate of return, the net present value and payback period.

5.1 The Assumptions in Preparing a Financial Statement

) Sales Revenue Projection

Sales Revenue will be forecasted from market potential analysis as we find that there will be market potential of 458 customers consuming bread 0.8 and beverage 0.9 and Tafu Ice cream 0.07 respectively per day and we expect the sales revenue will increase by 10% per year according to the growth rate for this industry. So the demand for each year will be as follows:

Table 5.1. Demand Percentage of Each Product.

Product	Demand Percentage
Toasts with butter milk or sugar	0.10917
Toasts with Sakaya	0.09356
Toasts with orange/ stawberry jam	0.10917
Toasts with blueberry Jam	0.06223
Toasts with Chill paste Jam	0.07797
Toasts with Chocolate	0.06238
Wholewheat with butter milk or sugar	0.06238
Wholewheat with Sakaya	0.04679
Wholewheat with orange/ stawbery	0.03742
Wholewheat with blueberry Jam	0.03120
Wholewheat with Chill paste Jam	0.03900
Wholewheat with Chocolate	0.03120
Steam-toasts with Sankaya	0.04679
Hot Beverages	
Fresh Milk	0.09358
Coffee	0.09358
Cold Beverages	
Fresh Milk	0.14037
Sala Milk	0.09980
Yogurt Milk	0.09980
Milo	0.06862
Ice-Coffee	0.10917
Ice-Tea	0.07797
Soft Drink	0.06862
Water	0.06238
Special menu	
Tafu Icecream	0.03120
Tafu Icecream with bowl bread	0.03742

(b) Account Receivables

As we expect that the account receivable of our store should be 5% of Sales Revenue we have wholesale selling for the customers who are interested in buying steamed custard and milk in large quantity and give them credit terms of 30 days.

(c) Shop decoration Expenses

The shop decoration expenses including 1 cashier, 2 telephones, 1 facsimile, 2 air conditioners, furniture, one oven, one stove, one refrigerator, beverage dispensers and other equipment are calculated to 1,451,000.00 baht.

(d) Depreciation Expenses:

We will use straight-line method to calculate depreciation expenses which are about 290,200 baht per year. Although this method is not useful to postpone a tax payment at the beginning of useful life, it will totally depreciate the cost assets, so there is no loss in tax saving at the end of useful life. In order to calculate the depreciation expenses, 5-year useful life is used.

(e) Store rental

Rental fee will include rental fee of 80,000 baht per month, service charges of 35,000 per month and advance deposit of 240,000 baht in advance.

(f) Salary Expenses

As our store has 1 manager, 4 staffs, the manager will get the salary of 20,000 baht per month while all 4 staffs will get 20,000 baht per month as we employ two staffs for each shift working hour. In addition we will pay bonus for 2 months each year and we will increase the salary at the rate of 5 % per year.

(g) Utility Expenses

Utility expenses are composed of electrical and water expense, telephone expense and public utility expense which are expected to be 258,000 baht in the first year and increase by 5% per year according to the sales volume.

(h) Advertising Expenses

Advertising expenses are expected to be 7,000 baht per month and will be increased 5% every year. These include the front store billboard, handbills for first time setting up, highlight packages and bonus cards. One handbill costs at 0.75 baht.

(i) Unforeseen Expenses (Other Operating Expenses)

We are going to set up approximately 30,000 baht and it is expected to be increased 5% every year to cover unforeseen expenses that may occur each year. The expenses that we consider as unforeseen are maintenance expenses and the expenses relating to all the cleaners.

(j) Accrued Expenses

Only utility expenses will be accrued. Since we have a policy to pay the salary at the end of each month and the rental is paid within a month, the accrued expenses for the salary and the rental will not be required. The annual utility expenses are 258,000 baht; therefore, the rough estimation of the accrued expenses is 258,000 baht per year and increasing 5% per year.

(k) Account payable

We will get a credit term from our suppliers for 30 days.

(1) Source of fund

As we decide that we will set up the capital for our store of 2,150,000 baht by investing own shareholder equity of 1,500,000 baht and borrow 650,000 baht from the bank at 11.75% interest rate per year and will repay principle annual equally amount for 5 years.

(m) Dividend and Retain Earning Policy

In order to stabilize the cash balance, the retain earning will be invested in the company by depositing in the saving account to maintain the liquidity. For dividend, we have no dividend policy.

(n) Corporate Income Tax

In corporate income tax calculation, we roughly estimate the corporate income tax from 30% of the net profit for the year after deductible loss is carried forward from accounting deficits.

(o) Cost of good sold

The total cost is estimated from the raw materials purchased for selling.

(p) Pre — operation Expenditures

The pre operation expenditures include the study of the project study, selecting the site, company registration, company establishing, capital concentration, personnel recruitment and training, advance deposit for rental and other expenses which we estimated to be 675,000 baht.

5.2 Proforma Financial Statements

From all of the above financial assumptions, we can make projected financial statements for 5 years as shown in the following tables:

Income Statement.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	5,442,580.00	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	-1,842,240.40	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	810,337.50	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	290,200.00)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	30,000.00	[illegible]	33,075.00	34,728.75	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	530,836.00	804,539.60	1,108,293.56	[illegible]	[illegible]
[illegible]	[illegible]	61,100.00	45,825.00	[illegible]	[illegible]
Net income before tax	[illegible]	743,439.60	[illegible]	1,414,686.92	1,803,554.31
Income tax (30%)	136,338.30	223,031.88	[illegible]	424,406.07	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accumulate net income	[illegible]	838,530.42	[illegible]	2,572,539.25	3,835,027.27

Balance Sheet.

	2002	2003	2004	2005	2006
ASSET					
Current asset					
Cash	524,496.37	[illegible]	[illegible]	[illegible]	[illegible]
Account receivable	247,390.00	[illegible]	[illegible]	[illegible]	[illegible]
Total current asset	771,886.37	[illegible]	[illegible]	[illegible]	[illegible]
Fixed asset					
Machinery and equipment	1,451,000.00	[illegible]	[illegible]	[illegible]	[illegible]
Deduct -accumulate Depre	-290,200.00	[illegible]	[illegible]	[illegible]	[illegible]
Total Fixed asset	1,160,800.00	870,600.00	580,400.00	290,200.00	[illegible]
Pre- operation expenditure	675,000.00	675,000.00	675,000.00	675,000.00	[illegible]
Total Asset	[illegible]	3,012,050.45	3,641,130.45	4,518,298.49	5,669,362.43
Liabilities & Owner Equity					
Account payable	[illegible]	153,520.03	168,872.04	185,759.24	204,335.16
Total current liabilities	*139,563.67*	*153,520.03*	*168,872.04*	*185,759.24*	*204,335.16*
Long-term Debt	650,000.00	520,000.00	390,000.00	260,000.00	130,000.00
Total Long term Liabilities	*650,000.00*	*520,000.00*	*390,000.00*	[illegible]	*130,000.00*
Total liabilities	[illegible]	673,520.03	[illegible]	445,759.24	334,335.16
Owner equity					
Common equities	[illegible]	1,500,000.00	[illegible]	1,500,000.00	1,500,000.00
Retained earning	318,122.70	838,530.42	1,582,258.41	2,572,539.25	3,835,027.27
ITotal owner equity	[illegible]	[illegible]	3,082,258.41	[illegible]	[illegible]
Total Liabilities and owner equity	[illegible]	3,012,050.45	[illegible]	4,518,298.49	[illegible]

Cash Flow Statement.

	pre construction	2002	2003	2004	2005	2006
CASH INFLOW						
1.Source of finance						
Equity	[illegible]					
long term loan	[illegible]					
2. Operation income						
		4,700,410.00	5,417,841.00	5,959,625.10	[illegible]	7,211,146.37
Deduct -Cost of goods sold		-1,535,200.33	-1,828,284.03	-2,011,112.44	[illegible]	-2,433,446.05
total cash inflow	2,150,000.00	[illegible]	[illegible]	[illegible]	[illegible]	4,777,700.32
CASH OUTFLOW						
Fixed cost	1,451,000.00					
Pre-operation	[illegible]					
Advertizing expenses		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rental fee		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Salary expense		700,000.00	[illegible]	[illegible]	[illegible]	850,854.38
-- Public Utilities expense		258,000.00	[illegible]	[illegible]	298,667.25	[illegible]
Other expenses		[illegible]	31,500.00	[illegible]	[illegible]	[illegible]
Repayment loan			130,000.00	130,000.00	[illegible]	[illegible]
Interest expense		[illegible]	[illegible]	45,825.00	[illegible]	[illegible]
Income tax		[illegible]	223,031.88	318,740.57	424,406.07	[illegible]
Total cash outflow	[illegible]	2,664,713.30	[illegible]	[illegible]	[illegible]	[illegible]
cash flow	[illegible]	[illegible]	[illegible]	[illegible]	1,137,433.85	[illegible]
Net accumulated cash flow		524,496.37	[illegible]	2,086,388.55	[illegible]	[illegible]

5.3 Capital Budgeting

These following information can be implemented and evaluated as follows:

5.3.1 Net Present Value (NPV)

NPV = EBt/(1+0^{t} — Initial Investment

Where: Bt = Cash flow at the indicated time

Discount rate, or reqiured rate of return for the project

Life of the project measured in the number of time periods

Therefore NPV of this project is about 1,502,864.44

A positive NPV means that the firm's value will increase if the project is adopted because the new project's estimated return exceeds the firm's required rate of return.

5.3.2 Internal Rate of Return (IRR)

IRR is the estimated rate of return for a proposed project, given for the project's incremental cash flows. (IRR is defined as that rate of discount at which the sum of the present value of a series of expected future cash flow is equal to the amount required to produce them.)

When NPV equals zero, the required rate of return, or discount rate used in the NPV calculation, is the projected rate of return

After calculation, IRR of this project is 26%

Since we compare the IRR with other interest rate of investment such as deposit rate of the bank, bond, etc., it is found that this project gives higher rate of return.

5.3.3 Payback Period (PB)

The payback period is the number of time periods which will be taken before the cash inflows of a proposed project equals the amount of the initial project investment (a cash outflow).

This project gives the payback period at the beginning of year 4.

From the above analysis, this project gives positive NPV and higher rate of return although the payback period is 4 years. This is due to the fact that we have to pay principle and interest expenses to the bank each year and invest more on fixed assets to recover faster and this project is worth the investment.

5.4 Financial Ratio Analysis

From the collected information in the financial plan, we can evaluate our project as the financial ratio analysis by the table which analyzes the financial ratio, consists of debt ratios, asset activity ratios, profitability ratios and liquidity ratios.

Table 5.5. Liquidity Ratio.

Year	2002	2003	2004	2005	2006
Current asset	771,886	1,466,450	2,385,730	3,553,098	4,994,362
Current liability	139,564	153,520	168,872	185,759	204,335
Account receivable	247,390	272,129	299,342	329,276	362,204
Account payable	139,564	153,520	168,872	185,759	204,335
Total Debt	650,000	520,000	390,000	260,000	130,000
Current ratio	5.53	9.55	14.13	19.13	24.44
Debtors/Creditor	1.77	1.77	1.77	1.77	1.77
Net cash flow	524,496	1,194,321	2,086,389	3,223,822	4,632,159
Debt Service	76,375	61,100	45,825	30,550	15,275
Coverage Ratio	6.87	19.55	45.53	105.53	303.25

Table 5.6. Asset Activity Ratios.

Year	2002	2003	2004	2005	2006
Net Income	318,123	520,408	743,728	990,281	1,262,488
Sales revenue	4,947,800	5,442,580	5,986,838	6,585,522	7,244,074
Fixed asset	1,160,800	870,600	580,400	290,200	
Total Asset	2,607,686	3,012,050	3,641,130	4,518,298	5,669,362
Fixed Assets Turnover	4.26	6.25	10.32	22.69	
Total Assets Turnover	1.90	1.81	1.64	1.46	1.28

Table 5.7. Efficiency Ratios (Profitability Ratios).

Year	2002	2003	2004	2005	2006
Sales revenue	4,947,800	5,442,580	5,986,838	6,585,522	7,244,074
Gross profit	3,273,036	3,600,340	3,960,374	4,356,411	4,792,052
Operating Income (EBIT)	530,836	804,540	1,108,294	1,445,237	1,818,829
Net Income	318,123	838,530	1,582,258	2,572,539	3,835,027
Cost of interest	76,375	61,100	45,825	30,550	15,275
Total Asset	2,607,686	3,012,050	3,641,130	4,518,298	5,669,362
Shareholder equity	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Gross Profit Margin (%)	66.15	66.15	66.15	66.15	66.15
Operating Profit Margin (%)	10.73	14.78	18.51	21.95	25.11
Net Profit Margin (%)	6.43	15.41	26.43	39.06	52.94
Net profit to equity ratio	21.21	55.90	105.48	171.50	255.67
Return on Asset	0.12	0.28	0.43	0.57	0.68
Return on equity	0.21	0.56	1.05	1.72	2.56

Table 5.8. Debt Ratios.

Year	2002	2003	2004	2005	2006
Operating income	530,836.00	804,539.60	1,108,293.56	1,445,236.92	1,818,829.31
Interest expense	76,375.00	61,100.00	45,825.00	30,550.00	15,275.00
Total Asset	2,607,686	3,012,050	3,641,130	4,518,298	5,669,362
Shareholder equity	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Retain earning	318,123	838,530	1,582,258	2,572,539	3,835,027
Net worth	1,500,000	1,818,123	2,656,653	4,238,912	6,811,451
Long term loan	650,000	520,000	390,000	260,000	130,000
Debt ratio	0.25	0.17	0.11	0.06	0.02
Debt to equity ratio	0.43	0.35	0.26	0.17	0.09
Time interest Earned	6.95	13.17	24.19	47.31	119.07
Debt/Net worth	0.43	0.29	0.15	0.06	0.02
Capitalization Ratio	0.30	0.26	0.21	0.15	0.08

Liquidity ratios measure the ability of the firm to meet its short term obligations. These ratios are important because failure to meet such obligations can lead to bankruptcy. The liquidity ratios table shows that the current ratio is higher than 5, meaning that the current asset is higher than current liability so this project has the ability in paying account payable. Debtor/Creditor is 1.77 which means that the account receivable is higher than account payable while the coverage ratio is higher than 6 which means that the net income is higher than the outcome.

Asset activity ratios measure how efficiently a company uses its assets. Fixed asset turnover or the ratio between net income and fixed asset the value of this ratio increases every year. It means that this project income is at the high worth when compared to the fixed asset with total asset turnover or the ratio between net income and total fixed asset which the value of this ratio is positive. It means that this project income is at the accepted range when compared to total fixed asset.

Profitability Ratios measure how the firm's returns are compare to its sales, asset investments and equity. The Gross Profit of sales and net profit of sales are over 1, which means that the gross profit is very high when it is compared to the sale revenue whereas net profit of equity is over 21 which means that the net profit makes high return to the shareholder when compared to their equity.

Moreover gross profit margins show more than 60% which is our desired return. Return on asset shows whether the business is employing its assets effectively while return on equity measures the average return on the firm's capital contributions from its owners. Both ratios show a good figure for this investment.

Debt ratios show how much a company owes to others. Debt of equity ratio is less than 1 which means less debt when compared to shareholder equity. It can show the ability of loan repayment of our project where there is low risk. For the time interest earned of 6.95 in year 1, it shows that the company earned 6.95 baht of operating income for each 1 baht interest expense incurred during that year.

Concerning the financial ratios, every ratio in this study can identify that this project should be invested because of high ability in loan repayment, high return for investors, high net profit, and low risk. These ratios can support the investor that this project has the opportunity of gaining high worth with not much investment.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.1 Research Summary

At present our lifestyle has changed in many ways such as the way we live and the way we eat. Western culture has much effect on our lives_ And under the present economic situation, we face the economic crisis and many businesses become bankrupted and many employees were laid off. The unemployment rate increased. This affects the revenue income so many people have to be concerned more about their expenditure.

As the urbanized and industrial life has replaced the traditional life style, housewives, who used to take care of the family, are now in workplaces. Thai people have less time to spend on the necessities of life, and traditional cooking is replaced by fast food, both in local and western styles. Moreover, the horrendous traffic in Bangkok, where a one way two- hour commute is normal, are forcing people to eat out more.

Nowadays there are many fast food restaurants in the main city and as people concerns more about their healthy since we see that many people go to fitness club for their exercises. So Thai people try to adopt new fast food business in Thai Style which can provide high quality of food with low price that is bread and milk business.

After studying the marketing plan, this project provides a good opportunity for the new investors to gain competitive advantage as there are few stores and use lower capital investment compared to other fast food businesses. From the marketing study, we can conclude that there is, market potential of 458 people per day while the breakeven point is 384 people per day.

For the financial part, we make capital budgeting to analyze if this feasibility is worth or not. It shows that this project has positive NPV and higher internal rate of return. Although we have a 4 year payback period, it does not mean that this is not a good project. Since we do not use the whole capital, we have to pay principal and interest expenses every year and we invest more on fixed asset. If we do not borrow money, the payback period will be lower. When calculating the financial ratios, every ratio indicates that this investment has high ability to pay debt, high return to investor, high net profit, and low risk so this project is worth the investment as it has the opportunity of gaining high worth with not much investment.

6.2 Recommendations

For recommendation, this project study is just a guidance for new investors to decide whether it is worth investing or not. There are many factors which can change the result of the operation such as cost may be increased and sales may be reduced due to the economic situation.

In marketing part, we should make more marketing plans in case of the sales change due to seasonal factors. We suggest that for marketing mix, we should increase the depth and width of product in high season. For example, we should increase hot beverages in winter such as hot tea, and launch a new beverage with seasonal fruits such as cantaloop milk and watermelon milk.

Some marketing strategies need to be changed to fit in the current situation and the marketing plan should be improved to meet the market share. For the sales promotions, we may have co- promotion with SF cinema. Customers will get one bread free to eat at the shop if they bring in a movie ticket and we may set highlight packages more than one set per month in the low season depending on the demand.

6.3 Future Research Suggestion

For the future research suggestion, other researchers should do the feasibility study in other places to have a good opportunity and a comparison research among bread and milk stores such as Milk Plus, Mon Nom-sod and Bread and Spread to know comparative advantages among them.

APPENDIX A

NUMBER OF CUSTOMERS ENTERING MILK PLUS STORE AT DIFFERENT TIME

Table A.1. Number of Customer Entering Milk Plus Store at Different Time.

Time	14/5/02	16/6/02	18/6/02	19/06/02	Average
7.00-7.59	55	60	41	32	47
8.00-8.59	51	55	62	48	54
9.00-9.59	52	63	44	46	51
10.00-10.59	60	47	38	43	47
11.00-11.59	38	56	55	59	52
12.00-12.59	59	53	60	46	55
13.00-13.59	68	71	54	61	64
14.00-14.59	59	73	54	55	60
15.00-15.59	65	68	78	103	79
16.00-16.59	72	67	94	75	77
17.00-17.59	61	42	69	86	65
18.00-18.59	45	48	71	88	63
19.00-19.59	42	50	66	30	47
20.00-21.00	57	47	64	68	59
Total	784	800	850	840	818.5

APPENDIX B

SAMPLE SIZE AT YAMANE METHOD AT 95%

Table B.1. Sample Size by YAMANE Method at 95%.

Population Size	Sample Size					
	±1%	±2%	±3%	±4%	±5%	±10%
500	**b**	**b**	**b**	**b**	222	83
1000	**b**	**b**	**b**	385	286	91
1500	**b**	**b**	638	441	316	94
2000	**b**	**b**	714	476	333	95
2500	**b**	1250	769	500	345	96
3000	**b**	1364	811	517	353	97
3500	**b**	1458	843	530	359	97
4000	**b**	1538	870	541	364	98
4500	b	1607	891	549	367	98
5000	**b**	1667	909	556	370	98
6000	**b**	1765	938	566	3758	98
7000	**b**	1842	959	574	378	98
8000	**b**	1905	976	580	381	99
9000	**b**	1957	989	584	383	99
10000	5000	2000	1000	588	385	99
15000	6000	2143	1034	600	390	99
20000	6667	2222	1034	606	392	99
25000	7143	2273	1064	610	394	100
50000	8333	2381	1087	617	397	100
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APPENDIX C

FINANCIAL RATIOS

Financial Ratios

1.	Current Ratio		Current assets/Current Liabilities
2.	Debtor to Creditor	-	Account Receivables/Account Payables
3.	Coverage Ratio		Net Cash Flow/ Debt Service
4.	Fixed Asset Turnover		Sales Revenue/Fixed Asset
5.	Total Asset Turnover	-	Sales Revenue/Total Asset
6.	Gross Profit Margin	-	Gross Profit/Sales
7.	Operating Profit Margin	-	EBIT/Sales
8.	Net Profit Margin		Net Income/Sales
9.	Net Profit to Equity Ratio	-	Net Income/Equity
10.	Return on Asset		Net Income/Total Assets
11.	Return on Equity	-	Net Income/Common Equity
12.	Debt Ratio	-	Total Debt/Total Asset
13.	Debt to Equity Ratio	-	Total Debt/Common Equity
14.	Time Interest Earned		EBIT/Interest Expense
15.	Debt/Net Worth	-	Total Debt/Net Worth
16.	Capitalization Ratio		Total Debt/(Total Debt + Common Equity)

APPENDIX D

QUESTIONNAIRE

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APPENDIX E

TOTAL COST ASSUMPTION

a.) Total Cost Assumption

[illegible]	[illegible]		Total Cost					
			Per year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toasts with butter / milk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	72,672.60	[illegible]
Toasts with Sakaya	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	114,199.80	125,619.78
Toasts with orange/ stawberry jam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	84,784.70	93,263.17
Toasts with blueberry Jam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	62,290.80	68,519.88
Toasts with Chill paste Jam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	95,166.50	104,683.15
Toasts with Chocolate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wholewheat with butter / milk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	60,906.56
Wholewheatwith Sakaya	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	67,481.70	74,229.87
Wholewheat with orange/ stawbery	[illegible]	[illegible]	6,240	[illegible]	[illegible]	[illegible]	37,374.48	[illegible]
Wholewheatwith blueberry Jam	[illegible]	[illegible]	[illegible]	28,600.00	31,460.00	[illegible]	[illegible]	41,873.26
Wholewheat with Chill paste Jam	[illegible]	[illegible]	5,200	33,800.00	37,180.00	[illegible]	[illegible]	49,486.58
IWholewheat with Chocolate	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Steam-toasts withSankaya	[illegible]	[illegible]	7,800	[illegible]	[illegible]	[illegible]	[illegible]	137,039.76
						-		
Total amount of toast			133,640.00	[illegible]	733,018.00	[illegible]	[illegible]	975,646.96
IBEVERAGE						-		
Hot Beverage								
Fresh Milk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	81,544.32	[illegible]	[illegible]
Coffee	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	81,544.32	[illegible]	[illegible]
!Total amount (Hot beverage)			31,200.00	134,784.00	[illegible]	[illegible]	179,397.50	197,337.25
Cold Beverage						-		
Fresh Milk	[illegible]	[illegible]	23,400	[illegible]	144,144.00	[illegible]	174,414.24	191,855.66
Sala Milk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	132,887.04	146,175.74

Total Cost Assumption. (Continued)

Categories	[illegible]	Quantities Piece/1 weeks	Per year	Total Cost [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yogurt Milk	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ice-Coffee	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ice-Tea	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cocoa	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total amount (Cooled beverage)			[illegible]	[illegible]	[illegible]	830,544.00	[illegible]	[illegible]
special menu								
Tafu Icecream	[illegible]	[illegible]	[illegible]	62,400.00	[illegible]	75,504.00	83,054.40	91,359.84
Tafu Icecream with bowl bread	[illegible]	[illegible]	[illegible]	124,800.00	[illegible]	151,008.00	166,108.80	182,719.68
Total amount (special menu)			11,440.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Beverage			[illegible]	*1,008,384.00*	*1,109,222.40*	*1,220,144.64*	*1,342,159.10*	*1,476,375.011*
Total sale			[illegible]	1,674,764.00	1,842,240.40	2,026,464.44	[illegible]	2,452,021.97
Account receivable (5% of sale)			272,653.33	1,535,200.33	[illegible]	[illegible]	2,043,351.64	2,247,686.81
Sale			24,786.67	139,563.67	[illegible]	[illegible]	[illegible]	[illegible]
Total payable				1,535,200.33	1,828,284.03	2,011,112.44	[illegible]	2,433,446.05

APPENDIX F

TOTAL SALES ASSUMPTION

H

Total Sales Assumption.

Categories		Quantities: Piece/ weeks	Quantities: Per year		2003	2004	2006	2006
Toasts with butter / milk	[illegible]	[illegible]	[illegible]	[illegible]	200,200.00	220,22000	242,242.00	266,466.20
Toasts with Sakaya	[illegible]	[illegible]	[illegible]	[illegible]	205,920.00	226,512.00	249,163.20	274.079.52
Toasts with orange/ stawberry jam	[illegible]	[illegible]	[illegible]	[illegible]	200,200.00	220,220.00	242,242.00	266,466.20
Toasts with blueberry Jam		[illegible]	[illegible]	[illegible]	137,280.00	[illegible]	[illegible]	182,719.68
Toasts with Chillpaste Jam	[illegible]	[illegible]	13,000	[illegible]	143,000.00	[illegible]	173,030.00	190,333.00
Toastswith Chocolate	[illegible]	[illegible]	10,400	104,000.00	114,400.00	125,840.00	138,424.00	152,266.40
Wholewheat with butter /milk		[illegible]	[illegible]	124,800.00	137,280.00	151,008.00	[illegible]	182,719.68
Wholewheat with Sakaya	[illegible]	[illegible]	7,800	[illegible]	128,700.00	[illegible]	[illegible]	171,299,70
Wholewheat with orange/ stawbery		[illegible]	6,240	74,880.00	[illegible]	[illegible]	[illegible]	[illegible]
Wholewheat with blueberry Jam		[illegible]	5,200	62,400.00	68,640.00	75,504.00	[illegible]	91,359.84
Wholewheat with Chill paste Jam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	75,504.00	[illegible]	[illegible]
Wholewheat with Chocolate		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	83,054.40	91,359.84
Steam-toasts with Sankaya	N	[illegible]	7,800	195,000.00	[illegible]	[illegible]	[illegible]	285,499.50
Totalamount of toast			[illegible]	[illegible]	[illegible]	1,946,744.80	2,141,419.28	[illegible]
[illegible]								
Hot Beverage								
I Fresh Milk	[illegible]	[illegible]	15,600	[illegible]	[illegible]	302,016.00	332,217.60	[illegible]
Coffee	[illegible]	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
!Total amount (Hot beverage)			[illegible]	499,200.00	[illegible]	[illegible]	[illegible]	[illegible]
Cold Beverage								
Fresh Milk	[illegible]	450	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	685,198.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	487,252.48

Table [illegible] 1. Total Sales Assumption. (Continued)

Categories	[illegible]	Quantities		Total sale				
		Piece/ weeks	Per year	2002	2003	2004	2005	2006
Yogurt Milk	[illegible]	[illegible]	16,640	[illegible]	[illegible]	442,956 80	487,252.48	[illegible]
Milo_	[illegible]	[illegible]	11,440	[illegible]	[illegible]	318.375 20	350,212.72	[illegible]
Ice-Coffee	[illegible]	[illegible]	18,200	[illegible]	[illegible]	440,440 00	484,484.00	[illegible]
Ice-Tea	[illegible]	[illegible]	13,000	[illegible]	[illegible]	361.790.00	397,969.00	[illegible]
Cocoa	[illegible]	[illegible]	11,440	[illegible]	[illegible]	318.375.20	350,212.72	[illegible]
Water	[illegible]	[illegible]	10,400	[illegible]	114,400.00	125,840.00	138,424.00	152,266.40
Total amount (Cooled beverage)			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
special menu								
Tafu Icecream	[illegible]	[illegible]	[illegible]	130,000.00	143,000.0	157,300.00	[illegible]	190,333.00
Tafu Icecream with bowl bread	[illegible]	[illegible]	6,240	[illegible]	[illegible]	302,016.00	332,217.60	[illegible]
Total amount (special menu)			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	555,772.36
Total Beverage			[illegible]	*3,338,920.00*	[illegible]	*4,040,093.20*	[illegible]	*4,888,512.77*
Total sale			297,440	4,947,800.00	5,442,580.00	[illegible]	6,585,521.80	7,244,073.98
Account receivable (5% of sale)				[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			[illegible]	4,70[illegible]	5,1[illegible]	5,[illegible]96.10	[illegible]	6,88[illegible]

APPENDIX G

DEPRECIATION CALCULATION

Depreciation of Fixed Investment Cost.

(ITEM		2002	2003	2004	2005	2006
Cashier	20,000.00	4,000.00	4,000.00	4,000.00	4,000.00	[illegible]
Telephone	9,000.00	1,800.00	1,800.00	1,800.00	1,800.00	1,800.00
Facsimile	12,000.00	2,400.00	2,400.00	2,400.00	2,400.00	[illegible]
Air condition	110,000.00	22,000.00	22,000.00	22,000.00	22,000.00	22,000.00
Furniture	200,000.00	40,000.00	40,000.00	[illegible]	40,000.00	[illegible]
Owen	[illegible]	200,000.00	200,000.00	[illegible]	200,000.00	200,000.00
Refrigerator	[illegible]	[illegible]	20,000.00	[illegible]	[illegible]	[illegible]
Total	1,451,000.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

APPENDIX H

TRANSACTION COST CALCULATION

Transaction Costs.

descriptions	Baht / month	Pre operation	Construction 2002	Period 2003	2004	2005	2006
Other expenses							
Rental charge							
1 Rental	80,000.00		960,000.00	960,000.00	[illegible]	960,000.00	960,000.00
2 service charge	[illegible]		420,000.00	420,000.00	[illegible]	420,000.00	420,000.00
3 Advance Deposit (3 mts)	[illegible]	[illegible]					
Total rental charge		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Public Utilities							
4 Water	[illegible]		42,000.00	44,100.00	[illegible]	[illegible]	51,051.26
5 Electricity	[illegible]		72,000.00	75,600.00	[illegible]	[illegible]	87,516.45
6 Parking	3,000.00		36,000.00	37,800.00	[illegible]	[illegible]	43,758.23
7 Telephone	[illegible]		48,000.00	[illegible]	[illegible]	[illegible]	[illegible]
8 Others	[illegible]		[illegible]	[illegible]	66,150.00	[illegible]	72,930.38
Total public Utilities			*258,000.00*	[illegible]	*284,445.00*	[illegible]	[illegible]
Salary expense (Increasing 5 % every year)							
[illegible]	[illegible]		240,000.00	252,000.00	[illegible]	277,830.00	[illegible]
Day shift Staff (2 staffs)	[illegible]		[illegible]	[illegible]	132,300.00	[illegible]	[illegible]
Night shift Staff (2 staffs)	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BONUS (2 MT)			100,000.00	[illegible]	[illegible]	[illegible]	[illegible]
Total salary expense			[illegible]	*735,000.00*	*771,750.00*	*810,337.50*	[illegible]
Other expenditure (Increasing 5 % every year)							
Advertising expense	[illegible]		[illegible]	[illegible]	92,610.00	[illegible]	[illegible]
Other expense	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total other expenditure			[illegible]	[illegible]	*125,685.00*	[illegible]	*138,567.71*
Total transaction cost			2,452,000	2,505,600	[illegible]	2,620,974	2,683,023

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