

Saimaa University of Applied Sciences  
Business and Culture, Imatra  
Faculty of Tourism and Hospitality  
Degree Programme in Hotel, Restaurant and Tourism Management

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## **Business Plan for an African Restaurant in Lappeenranta**

Thesis 2017

## **Abstract**

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The title of the thesis is "Business Plan for an African Restaurant in Lappeenranta". It was focusing on an ethnic restaurant offering meals from Asian and African cuisine. The purpose of this thesis is to prepare a business plan for a restaurant and to find out how an entrepreneur can achieve success in restaurant business. While writing the thesis, I made a research about how much people from Lappeenranta are interested in trying other culture's cuisine, estimate the amount of potential customers I could have when I start, and get to know what kind of image people in Lappeenranta have about Asian and African cuisine.

Thesis includes introduction, theoretical chapter, research methodology consisting of - survey based on distribution of questionnaires and focus group discussion about customers' satisfaction with other restaurants in Lappeenranta; interviews with owners of ethnic restaurants in other cities in Finland such as Helsinki, Jyväskylä, Kouvola and Kotka.

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## **List of abbreviation**

**PME:** Participatory Planning activities

**SMEs:** Small and Medium Enterprises

**SPSS:** Statistical Packaging for Social Sciences

**SWOT:** Strengths Weaknesses, Opportunities and Threats

## **1. Introduction on Business plan**

The most important tool of any business success is its business plan. The prediction and forecast of the project is a pillar to the success of the business. A good projection will bring loyal customers to business and therefore a huge potential; they buy more often, with a higher order value, and they are likely to bring potential customers (Wirtz, 1994).

A business plan shows your company's future growth opportunities. You use it to formulate the company's goals and show the measures you will take to achieve these goals (Mayer, Hutmacher & Charly Suter, 2016). The business plan outlines all the steps that the entrepreneur intends to follow in order to achieve the objectives and goals he has already envisioned for his business and it helps the entrepreneur to look ahead, allocate resources, focus on key points and prepare for problems and opportunities (Basanta, 2013). A business plan is especially useful if the company is about to take an important step in its development, whether this is the founding of a business, the introduction of a new product, expansion abroad, the acquisition of another company, or the creation of a succession plan. In these and similar cases, it is crucial to show, with the help of a business plan, that there is an opportunity for future success. This requires a precise market assessment and planning of the company's activities.

### **1.1 Research Problem**

When I came to Finland, for the first 3 years I could not eat Finnish food, because it differed so much from what was I used to eat in Africa. For this reason I went to Helsinki to buy African food from ethnic food shops situated in Hakaniemi. I found out that all African and Asian people living in Lappeenranta went there to buy their own food because there was no that kind of shop in Lappeenranta. I also noticed that there were no restaurants offering African food in Lappeenranta either.

From that time I started planning to open my own shop in Lappeenranta since I had experience in that kind of business before. For the last years the number of African and Asian people in Lappeenranta has increased and there is need for a

shop where they can buy food they are used to. I also decided to open a restaurant of African cuisine in Lappeenranta. The idea about restaurant came to me during restaurant day which is organized in Finland every year. I always make African food on the restaurant day and people like it. They also ask me why I don't try to open my own restaurant serving African food – they could already become my customers.

After completing restaurant related courses in Saimaa University of Applied Sciences, I started being interested in cooking different kinds of food. I noticed that, I like not only preparing but serving food, too. After analyzing all this information it became obvious to me that there is need in African and Asian shop and restaurant in Lappeenranta. As a result, in the end of 2014 I opened my own food shop in Lappeenranta. I haven't opened a restaurant yet, but this idea is still in my mind and thesis topic is directly connected with this idea.

## **1.2 Aims of research**

The title of the thesis is “Business Plan for an African restaurant in Lappeenranta”. It is an ethnic restaurant offering meals from Asian and African cuisine. The purpose of this thesis is to prepare a business plan for a restaurant and to find out how an entrepreneur can achieve success in restaurant business. While writing the thesis, I made a research about how much people from Lappeenranta are interested in trying other culture's cuisine, estimate the amount of potential customers I could have when I start, and get to know what kind of image people in Lappeenranta have about Asian and African cuisine. Research about ethnic restaurants in different Finnish cities helped to understand strengths and weaknesses of running this kind of restaurant business in Finland. Therefore, the researcher analyzed the main challenges in opening and running ethnic restaurant in Finland.



## **2 Theoretical Literature Review**

A literature review is an account of what has been published on a topic by scholars and researchers. The literature review provides a theoretical framework of the research topic related to literature review. It is important for a researcher to show how the study fits into the body of knowledge generated. Literature review examines recent research studies, company data, or industry reports that acts as a foundation for the proposed study. The literature may also explain the need for proposed work to evaluate the limitations and informational spaces in secondary data sources. This analysis may go beyond examining the availability or conclusions of past studies and their data, to examining the precision of secondary sources, the credibility of these sources, and the suitability of previous studies.

### **2.1 Role of business plan**

The business plan helps management of the business to show prospective business partners or future members of management the opportunities and risks of the proposed business strategy. It creates transparency regarding the solutions for meeting real customer needs and thus promotes trust in the company. Together with good management, it forms the basis for long-term above average returns for the company. The business plan is therefore important as an acquisition and negotiating document. A business plan plays a vital role in identifying the probable, the unforeseen opportunities and the forthcoming hurdles so as to navigate well through business unique competitive environment. In simple words it can be well-defined as a business functioning. A business plan involves truthful thinking of the business concepts, the opportunities, and the recipes to be successful and most importantly the team that will be involved (Ashwin & Lewlyn, 2015).

Business is often dependent on the support of partners. Whether it's a request for financing, a mandate for sales negotiations, or corporate consulting, the business plan is an important document when dealing with prospective business partners. With a financing request, especially equity financing, the business plan is usually a prerequisite for evaluating your business idea. Investors who provide your company with a considerable amount of capital and are therefore willing to

bear a portion of the entrepreneurial risk have to be given comprehensive information. This need has to be taken into account Decision makers are often forced to make fast decisions with limited information. Business planning increases the performance of both new and established small firms, yet different factors moderate the strength of the relationship (Jan,Dietmar & Diana, 2010).

Intended use of a business plan looking for investors/strengthening the equity capital base In order to implement future-oriented strategies, your company is looking for new shareholders. These investors always ask for a business plan. They use it to review the projects in terms of the business idea and market opportunities. Mergers, acquisitions, succession planning, and the sale of companies if you plan to sell your company, the business plan will help you present your company in a transparent manner. Potential buyers will take a closer look at those companies that they believe are healthy and that can be integrated successfully. Conversely, when purchasing a company, you demonstrate a policy of openness to the management team of the potential acquisition by letting them have a look at your own company. Therefore, business plan requires competency managers, because competency differences are apparent where the work environment differs. Moreover, assessed competencies associated with planning, organizing and motivating others distinguish more rapid career-advancing managers regardless of their work environment (Chong, 2011).

## **2.2 The main components of Business plan for restaurant**

In general, Business plan for restaurant covers following points:

### **Management summary**

This section is the business plan in abbreviated form. A reader should be able to read it in five minutes and then get in summary how the restaurant works, and what the owner of the business want from customers. This section should be limited to a maximum of two pages. Therefore, summary of project management indicates various aspects of a project in order to bring a positive result. This coordination can include elements such as personnel, materials, procedures and facilities (Amalraj, Christine, Kelly & Aparna, 2007).

## **Business strategy**

The business plan must provide background information about the restaurant or the initial situation. Business strategy provides a historical look at the development, the milestones that have been achieved and changes during the plan of business. This section also provides information about the restaurant's strengths and weaknesses. The strategy is the basis for the business plan, which must correspond with the strategy in all respects. It should therefore explain, briefly and in simple words, what strategy that are following with the company (Agarwal, 2012).

## **Products/services and Market/customers**

This section explains the existing and planned market services. It emphasizes in particular all points that we consider to be crucial. The evolution of customer needs and expectations have forced companies to change their perspective toward new business models to secure additional sources of revenue and profits. Concurrently, pressure from customers has forced many business to understand their sustainability through accountable business managers (Mathieu, 2001). No entrepreneur can get by without precise knowledge of the market and the needs of their customers. In this section, create a market overview and analyze your own market position. Indicate where you see yourself in the market in the future and how you will respond to new trends.

## **Production and competition**

This topic is so important that it is best to give it its own section. Using a competition analysis, the strengths and weaknesses of restaurant are compared against those of your toughest potential competitors. Even if you say that your restaurant is unique and has no direct competition, it is important to explain this (Fasua, 2006).

## **Research and development**

This section describes the current and future production facilities and the technologies that may be used in the business. Readers will want to know where manager get the expertise in the developments and trends in the sector, and how

business will ensure that it has a strategic advantage compared to the competitors over the long term. They may be interested in how business management responds to change, what development projects are already under way, and which ones are planned (Armstrong, 2006).

### **Location**

This section indicates where the restaurant is initiated. What advantages or disadvantages and development opportunities do the selected location offer? The corporate activities also have to function in the administrative area and show how to plan and organize the administrative area. The type of product or service offered will often influence how accessible the need to be to targeted market. Once the market is defined and competition has been identified and analyzed, site location becomes easier (Agarwal, 2012).

### **Market risk analysis through SWOT Analysis**

The SWOT analysis is one of several strategic planning tools that are used by businesses managers to ensure that there is a clear objective defined for the project and that all factors related to the effort, both positive and negative, are identified and addressed. Therefore, in business risk management the risk and SWOT analysis is a method of categorization, this method is usually used to indicate the strength, weakness, opportunities and threats of business. SWOT analysis is also a strategic planning method used to evaluate the Limitations that should involve in a business venture. In order to accomplish this task, the process involves four areas. SWOT Analysis is also the most renowned tool for audit and analysis of the overall strategic position of the business and its environment (Ifediora, Idoko & Nzekwe, 2014).

SWOT analysis is also a risk management tool that presents a components for helping the managers of the business to prioritize the business goals, and to further identify the strategies of achieving them. Moreover, SWOT analysis helps in finding possible solutions to existing or potential problems, either for an existing business or for a new venture. SWOT analysis is also a basic and candid model

that assesses what a business can and cannot do, as well as its potential opportunities and threats (Ommani, 2011).

The process of environmental risk analysis to identify organization's opportunities and threats provides information related to business success. Generally, external environmental analysis consists of some important steps. They are: deciding what to analyze, gathering the data, identifying current trends, and forecasting the trend orientation, assessing implications for the organization, and lastly identifying opportunities and threats for the organization, deciding what to analyze is a vital step because. Therefore, SWOT analysis also facilitates in an examination of an organization's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival. (Gretzky, 2010). This implies that external driving forces can bury a business if not appropriately dealt with.

In most cases, risks can be threaten the success of the business idea. For the purpose of identifying such underlying factors, many tools, especially SWOT analyses should be used. This tool may help to evaluate the hidden forces and enable the organization to judge their vulnerability of success or failures against all risks related to the business.

### **2.3 Concept of Business Planning**

Business planning, planning activities should be focusing on efficiency and cost-effectiveness. Effectiveness is the extent to which the objectives were achieved (Harold, 2006). It is the extent to which an intervention has attained, or is expected to attain, its major relevant objectives efficiently in a sustainable fashion and with a positive development impact. On the other hand efficiency is the measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results (Mackay, 2007). Planning enhance efficiency and cost-effectiveness through multiple strategies, not only to meet reporting needs but most importantly to support informed decisions that allocate resources effectively and efficiently, enhance direct and sustainable impact, and build the international

knowledge base toward improved development efforts around the world. Monitoring should be systematic, based upon predetermined indicators and assumptions (World Bank, 2004).

A major lesson learned by development agencies over the past years is that investing in capacities is at least as important as in infrastructure for sustained poverty reduction. Some people think that capacity development simply requires counting how many people attend training workshops. But attending a workshop does not necessarily strengthen capacity. Building capacity requires conscious effort to share decision-making with primary stakeholders over time (Carulli & Com, 2005). Participatory Planning activities (PME) approach serve as a tool for self-assessment. It strives to be an internal learning process which enables people to reflect on past experience, examine present realities, revisit objectives, and define future strategies, by recognizing different needs of stakeholders and negotiating their diverse claims and interests. It is increases trend in management circles towards 'performance-based accountability' with greater emphasis on achieving results; a growing demand for demonstrated impact/success due to limited donor funds. It also increases decentralization of authority calling for new forms of oversight to improve transparency; and stronger capacities and experiences of non-governmental and community-based organizations as decision makers and implementers (Florin, 2011).

Florin (2011) referred to monitoring as the systematic and continuous collecting and analyzing of information about the progress of a project or program over time. The importance of planning activities mainly lies in the fact that points of strengths and those of weaknesses can be identified in a project or program and the people responsible can be provided with sufficient information to make the right decisions at the right time. Evaluation on the other hand is sometimes used in the same way as review, which is the assessment at one point of a project or a program with an aim of making a closer look than is possible through the process of monitoring. A range of criteria is used to measure the progress looking at different aspects of a project or program. It is done for different purposes like to verify whether objectives have been achieved, the impact that has been made on different stakeholders, and seeing whether there is any improvement that can be made in the future (Janet, 2001). It is hard to carry out any monitoring without any

evaluative aspect involved. When we talk of “analyzing of information” as it is in the definition of monitoring, it is impossible to have an analysis that is not evaluative. In other words evaluation is in a way implied in monitoring (Janet, 2001).

### **3 Research Methodology**

The section describes the materials and methods employed by the researcher in collecting data for this work and how objective was investigated. It focuses on research design, sources of data, target population, sample size, sampling techniques, and data collection instruments, reliability and validity and data analysis procedures. It also describes the details of data collection methods that the researcher used and the various ways that were used in analyzing the data.

#### **3.1 Research Design**

The researcher adopted a research design which helps to give best responses to the research questions which governed the study. This research was a survey design and use descriptive statistics. Both qualitative and quantitative researches were also applied. This study used statistical skills to collect, summarize, analyze and interpret data.

#### **3.2 Target Population**

In this section, the researcher was expected to describe the nature of the target or parent population, that is intended respondents in terms of who or what they were, where they were found, why they have been chosen for your study, how many they were, usually by categories.

After finding out that all Africans and Asians people living in Lappeenranta visit other regions to buy their own food, I noticed that there were no restaurants offering African food in Lappeenranta. I was motivated to carry out the study on business plan for an African restaurant in Lappeenranta. The target population in this research was included 28 827 males and 30011 females above 18 years from Lappeenranta, this implies 58, 838 people. The researcher also interviewed five owners of ethnic restaurants from Lappeenranta, Helsinki, Jyväskylä, Kouvola and Kotka.

### 3.3 Sample design and sample size calculation

A sample is a smaller group obtained from accessible population. This group is carefully selected so as to be representative of the whole population with relevant characteristics. The study must consider a sample size that is within the cost constraint but should provide the ability to detect an independent variable effect. This study needs to determine sample size, because the research has limited time and cost, therefore from the population of 58,838. The researcher used Yamane formula and found that the sample size  $n = 204$ , as shown in Table 1. The proportion was obtained using simple rule of three.

Gender	Target population	Proportion	Sample size
Males	28,827	48.99	100
Females	30,011	51.01	104
Total	58,838	100	204

**Table 1: Sampling Techniques** (Lappeenrannan Kaupunki, 2017)

### 3.4 Data collection methods

The major source of data was primary source of information. Primary data came straight from the people or works to be studied. Primary data is considered to be the first hand data the researcher gather herself as result of her investigation.

In order to collect data, the main methods that were used were questionnaires, interviews and focus group discussions.

Questionnaire is a type of data collection where by a set of questions will be given to respondents and answers written in the same nature. A questionnaire is an instrument for data collection consisting of a set of questions which is sent out by mail in the hope that the recipient will fill it and return it. In this study self-administered questionnaires were distributed. Self-administered surveys have special strengths and weaknesses. They are useful in describing the characteristics of a large population and make large samples feasible. In one sense, these surveys are flexible, making it possible to ask many questions on a given topic. This also



provides flexibility in the analysis of the responses. On the other hand, standardized questionnaire items often represent the least common denominator in assessing people's attitudes, orientations, circumstances, and experiences. By designing questions that will be appropriate for all respondents, it is possible to miss what is most appropriate to many of the respondents (Babbie, 1992).

The research administered the instruments through face to face conduct with respondents who were informed the purpose of the study and were requested to express their views on the study topic. Appointments were made with active respondents on when best to have questionnaires filled and picked. Self-administered surveys have special strengths and weaknesses. They are useful in describing the characteristics of a large population and make large samples feasible. In one sense, these surveys are flexible, making it possible to ask many questions on a given topic. This also provides flexibility in the analysis of the responses.

The interview is an alternative method used in this research of collecting survey data. Rather than asking respondents to fill out surveys, interviewers ask questions orally and record respondents' answers. Interviewers also provide a guard against confusing items. If a respondent has misunderstood a question, the interviewer can clarify, thereby obtaining relevant responses (Babbie, 1992). As noted previously, personal interviews are a good way to gather information from owners, particularly those who might be unwilling or too busy to complete a written survey. The main aim is gathering information from them. These interviews give more information about feeling attitudes and reaction of respondents. During the research the interviewer asked questions to each and every person found to be able to give real and interesting information. The interviews are designed with a view to collect the required information related to the topic of the research through questionnaire. The interview was used for five owners of ethnic restaurants from Lappeenranta, one owner of ethnic restaurant from Helsinki, one owner of ethnic restaurant from Jyväskylä, one owner of ethnic restaurant from Kouvola and one owner of ethnic restaurant from Kotka. The interview was also applied to 20 customers from different restaurants in Lappeenranta. This implies that it was used to 29 people.

Another method of collecting information is the focus group. Focus groups are useful in obtaining a particular kind of information that would be difficult to obtain using other methodologies. A focus group typically can be defined as a group of people who possess certain characteristics and provide information of a qualitative nature in a focused discussion. Focus groups generally are composed of six to twelve people. Size is conditioned by two factors: the group must be small enough for everyone to participate, yet large enough to provide diversity. A trained moderator probes for different perceptions and points of view, without pressure to reach consensus. Focus groups have been found helpful in assessing needs, developing plans, testing new ideas, or improving existing programs (Krueger, 1988; Babbie, 1992). In this study, the focus group discussion was applied to 88 customers from different restaurants in Lappeenranta.

### **3.5 Reliability and Validity**

For the reliability and the validity of this work, the researcher structured the questions to suit the subject matter. Again questions were designed using simple English language ranging from close to open-ended ones. However the close-ended questions dominate to avoid the tendency of over burdening the respondents and also not to bore them. Furthermore for the authenticity of this work, the researcher used other instruments such as personal observations and informal questions for confirmation. This however helps to ensure the validity and the reliability of the responses and also enhanced the efficiency of the data collection instruments used. In dealing with reliability, the researcher wants to ensure the degree of consistency and stability of the instrument; hence the research was examined several times by checking for reliability in relevance, clarity and ambiguity of items in the instrument. For achieving this, a pre-test was carried out. A total number of 10 customers from a random restaurant were used for the pretesting. Tables were used and the research instruments were considered reliable where a Cronbach's Alpha coefficient of 96.4% was obtained using Statistical Packaging for Social Sciences (SPSS) software. Alpha was developed by Lee Cronbach in 1951 to provide a measure of the internal consistency of a test or scale; it is expressed as a number between 0 and 1 (Mohsen, & Reg, 2011).

### **3.6 Data Analysis Procedures and processing**

Data processing analysis is link between data collection and analysis. It concerns the transformation of the findings collected from the field into a system of categories. Data processing, relevant to the objectives of the study was considered and transformed into meaningful information for interpretation and understanding. Data processing also refers to the transformation of respondents' views into a meaningful text.

Editing is a process where errors in complicated interview schedule and questionnaire are identified and eliminated whenever possible. The researcher used editing to check completeness, accuracy, uniformity and comprehensibility of data collected. Coding is the procedure by which data is categorized through coding, the raw data and numeral data were tabulated and counted. Thus, the researcher used the coding to summarize data collected from the field. The Statistical Package for the Social Sciences (SPSS) was employed to organize and tabulate the data collected. In this research the following statistical tools from SPSS served to analyze data: frequencies and percentages. Actual statistical tasks were taken and frequency distribution of each question was done. For this study, both qualitative and quantitative data analysis techniques were applied.

### **3.7 Ethical Consideration**

During the research, the researcher kept her honesty and integrity, in data collection and analysis. The researcher avoided any kind of bias to provide relevant and reliable information. The information from respondents was confidential.

## **4 Summary of Findings and Discussion**

This chapter presents, analyses and interprets the findings of the study in relation to the questionnaire, interview and focus group discussion. The researcher presented the collected data using table from which percentages and frequencies were ascertained to provide a basis for analysis and interpretations. The researcher also interviewed five owners of ethnic restaurants from Lappeenranta, Helsinki, Jyväskylä, Kouvola and Kotka. Focus group discussion and questionnaire were used for customers. Focus group discussion and interview helped the

researcher in interpreting data and drawing conclusion related to the research objective, the 96 questionnaires were analyzed.

<b>Statements related to views of respondents</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Types of staple foods from African kitchens</b>		
Food that is chili flavored	52	54.2
Mild food	29	30.2
Other	15	15.6
Total	96	100
<b>Times respondents need African foods</b>		
Daily	52	54.2
2-5 times	29	30.2
Weekly	6	6.2
Monthly	7	7.3
Never	2	2.1
Total	96	100
<b>Most frequently needed African food</b>		
Canned things	22	22.9
Lemon grass	57	59.4
Takeaway Chinese food	4	4.2
Raw fish	10	10.4
Sweet potatoes	2	2.1
Others	1	1
Total	96	100
<b>Kind of restaurants are in Lappeenranta</b>		
Finnish restaurants	31	32.3
Nepalese	39	40.6
Pakistani	5	5.2
Chinese	14	14.6
Turkish	4	4.2
Others	3	3.1
Total	96	100
<b>Times respondents eat in a restaurant</b>		
Daily	44	45.8
2-5 times a week	4	4.2
Weekly	13	13.5
Monthly	23	24
Never	12	12.5
Total	96	100
<b>Kind of food respondents like to eat in a restaurant</b>		
Healthy food	62	64.6
Very cheap food	34	35.4
Total	96	100
<b>Types of food is missing in Lappeenranta</b>		
Variety of cuisine	27	28.1
Vegetables food with more spices	22	22.9

Others	47	49
Total	96	100
<b>The challenges of a new African restaurant</b>		
The smallness of the African community	60	62.5
African food is not so popular	36	37.5
Total	96	100
<b>Measure to protect an African restaurant from failure</b>		
Enough variety of cuisine	30	31.2
Reasonable price	8	8.3
Offering healthy food	18	18.8
Good advertisement strategies	11	11.5
customer care services	6	6.2
Location of the restaurant	23	24
Total	96	100

**Table 4.1: Statements related to views of respondents** (Researcher, 2017)

In relation to the many types of staple foods eaten in the various and diverse kitchens of the African continent out of 96 respondents, 54.2 per cent chose food that is chili flavored, 30.2 per cent chose mild food and 15.6 per cent chose others. People who were asked about Asian food, out of 96 respondents, 28.1 per cent chose very spicy food, 62.5 per cent chose mild food and 9.4 per cent chose others. According to the time they would like to have these Africans food, out of 96 respondents, 54.2 per cent chose daily, 30.2 per cent chose between two and five times a week, 6.2 per cent chose weekly, 7.3 per cent chose monthly and 2.1 per cent said never.

People who were asked about the time they can have these Asians food, out of 96 per cent respondents, 28.1 per cent chose daily, 54.2 per cent chose between two and five times, 8.3 per cent chose weekly, 6.2 per cent chose monthly and 3.1 per cent chose never. In their daily lives people who were asked if they can decide to buy African or Asian food in Lappeenranta out of 96 respondents, 49.0 per cent said yes and 51.0 per cent said no. Different people ticked different food they most frequently buy. Out of 96 respondents, 22.9 per cent ticked canned things, 59.4 per cent ticked lemon grass, 4.2 per cent ticked takeaway Chinese food, 10.4 per cent ticked raw fish, 2.1 per cent ticked sweet potatoes and 1.0 per cent ticked others.

The kind of restaurants which are in Lappeenranta: out of 96 respondents, 32.3 per cent replied Finnish restaurants, 40.6 per cent replied Nepalese, 5.2 per cent

replied Pakistani restaurants, 14.6 per cent said Chinese restaurants, 4.2 per cent replied Turkish and 3.1 per cent said others. Some people from Lappeenranta like to eat in restaurants and others do not, but according to the people who were asked, 42.7 per cent replied yes, 56.2 per cent replied no and 1.0 per cent said yes. In relation to how often they eat in a restaurants, out of 96 respondents, 45.8 per cent said daily, 4.2 per cent replied between two and five times a week, 13.5 per cent replied weekly, 24.0 per cent replied monthly and 12.5 per cent said never.

The kind of food they like to eat when they go in restaurant: out of 96 respondents, 64.6 per cent eat healthy food and 35.4 per cent eat very cheap food. The study also analyzed what respondents think about lack of other restaurants here in Lappeenranta, out of 96 respondents 28.1 per cent chose variety of cuisine, 22.9 per cent chose vegetables food with more spices while 49.0 per cent chose other types. In relation to the challenges related to establishing an African restaurant in Lappeenranta, out of 96 respondents 62.5 per cent relied on the smallness of African community while 37.5 per cent said that African food is not so popular. The study also indicated that there are adequate measures to avoid the failure of African restaurant, such as enough variety of cuisine, reasonable price, offering healthy food, good advertisement strategies, customer care services and location of the restaurant.

## **5 Business Plan for Afro Best Test Restaurant**

### **5.1 Executive Summary**

Afro Best Test Restaurant is African Restaurant with high quality products. This restaurant intends to be established in 2018. Afro Best Test Restaurant needs to be an umbrella restaurant representing the restaurants in Finland, especially in Lappeenranta. Afro Best Test Restaurant is a business that has been conceived with a purpose to promote African food by connecting them with potential consumers in Finland especially those in Lappeenranta. During the marketing process, Afro Best Test Restaurant will use all the possible approaches to market its products especially meetings with customers.

Afro Best Test Restaurant begins the process of selling foods. The first medium-term corporate plan covered the period 2018/05/30 – 2019/04/30. Afro Best Test Restaurant will be a business targeting Finnish citizens' needs as well as the foreigners' needs. Our goal, beyond becoming a profitable business, is becoming a trusted destination whereby the clients in our community can come to refresh their minds and bodies and chat with their colleagues and friends. This will require a total start-up cost of 150,000 Euros. Total expenses per year (2018) are 132 574 euros. The average projected annually sales of 143 245 which will yield a net profit of 1 729 euros (annually).

## **5.2 Strategic Objectives**

The main aim of our business is to become Lappeenranta's best restaurant in efficiency, profitability and customer satisfaction. We will strive to be the leader in responding to the changing needs and priorities of our stakeholders. We will strive to lead in providing a variety of restaurant's services and increasing outreach to our customers. We will further strive to extend services to a wider community so that with revenue earned from the comparatively well-off clients, we are able to invest more extensively in services specific to our target clients.

We will strive to provide a respectable return on investment to all stakeholders through market-leading efficiencies, by understanding our clients, and by leading with technology and other innovations. This will allow us to extend our outreach and impact on our target clients while creating and maintaining a financially sound, stable and growing institution with the biggest market. We will strive to become one of the most professional restaurants, acting with honesty, integrity and care towards our customers. Our restaurant processes and procedures will meet international standards.

Moreover, the business sector in Lappeenranta has proven to be a viable vehicle for the national industrialization take-off in the years to come. The Afro Best Test Restaurant will brand African food in Finland for the purpose of opening up new market frontiers for their products and at the same time to improve the performance of the sector hence increase its contribution in the economic development.

### **5.3 Environmental Analysis**

Despite the global financial meltdown of late 2008, Finland, albeit with a few constraints, continued to enjoy a relatively economic outlook. Finnish annual inflation rate came in at 0.5 percent in July of 2017, easing from a 0.7 percent rise in the previous month. It was the lowest inflation rate since October 2016 as prices increased at a slower pace for: Restaurants and hotels (1.7 percent from 3.0 percent in June). Finland has also put particular emphasis on restaurants and hotels business sector, which is seen as key to foreign exchange earnings for the country (<https://tradingeconomics.com/finland/news>).

### **5.4 Market and Competition**

Our restaurant targets the population of Lappeenranta, both Finnish and foreigners. About 60% of our restaurant's clients are 18 years and above.

### **5.5 Financial Statement Prediction**

The financial statements generally consist of the balance sheet, income statement, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements (Ali, Farhan & Akram, 2011). The balance sheet, also called statement of financial position portrays the financial position of the company by showing what the company owns and what it owes at the report date. The balance sheet may be thought of as a snapshot, since it reports the company's financial position at a specific point in time. Usually balance sheets represent the current period and a previous period so that financial statement readers can easily identify significant changes. The income statement can be thought of more like a motion picture, since it reports on how a company performed during the period(s) presented and shows whether that company's operations have resulted in a profit or loss. The income statement shows the record of a company's operating results for the whole year (ibid).

It also serves as a valuable guide in anticipating how the company may do in the future (Lynch, 2000). The statement of changes in shareholder's equity reconciles the activity in the equity section of the balance sheet from period to period. Gen-



erally, changes in shareholders' equity result from company profits or losses, dividends and/or stock issuances. Dividends are payments to shareholders to compensate them for their investment. The statement of cash flows reports on the company's cash movements during the period(s) separating them by operating, investing and financing activities. The statement of cash flows presents the changes in cash resulting from business activities. Cash-flow analysis is necessary to make proper investing decisions and to maintain operations. Cash flows, although related to net income, are not equivalent to it. This is because of the accrual method of accounting. Generally, under accrual accounting, a transaction is recognized on the income statement when the earnings process is completed, that is, when the goods and/or services have been delivered or performed or an expense has been incurred. Notes to the financial statements provide more detailed information about the financial statements. It will also include some examples of methods that investors can use to analyze the basic financial statements in greater detail (Penman, 2007).

Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognized and carried in the statement of financial position and statement of profit or loss and other comprehensive income. A number of different measurement bases are used in financial statements. They include historical cost, current cost, realizable (settlement) value and present value of future cash flow. Historical cost; assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of the acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. Current cost; Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently.

According to Higgins (2012), accounting is the scorecard of business. It translates a company's diverse activities into a set of objective numbers that provide information about the firm's performance, problems, and prospects. Finance involves the interpretation of these accounting numbers for assessing performance and planning future actions. The skills of financial analysis are important to a wide

range of people, including investors, creditors, and regulators. But nowhere are they more important than within the company. Regardless of functional specialty or company size, managers who possess these skills are able to diagnose their firm's ills, prescribe useful remedies, and anticipate the financial consequences of their actions. Like a ballplayer who cannot keep score, an operating manager who does not fully understand accounting and finance works under an unnecessary handicap. The most important source of information for evaluating the financial health of a company is its financial statements, consisting principally of a balance sheet, and an income statement. Although these statements can appear complex at times, they all rest on a very simple foundation.

<b>Particulars</b>	<b>2018 Euros</b>	<b>2019 Euros</b>	<b>2020 Euros</b>
<b>Revenues</b>	<b>143, 245</b>	<b>154, 195</b>	<b>186, 643</b>
Sales	142,490	153 ,066	185,018
Miscellaneous income	75,5	1 ,128	1 ,624
<b>Operating expenses</b>	<b>132 ,574</b>	<b>123, 384</b>	<b>147, 108</b>
Raw materials consumed	118 ,137	128 ,350	151 ,560
Transports expenses	2 ,245	2 ,642	2, 859
Other services consumed	2 ,190	2 ,391	2 ,687
<b>Gross profit</b>	<b>20,671</b>	<b>30,811</b>	<b>39,535</b>
<b>Added values</b>	<b>8 ,228</b>	<b>18 ,628</b>	<b>25 ,555</b>
Miscellaneous losses and short-ages	1 ,649	1 ,796	1 ,843
Salaries and wages	13 ,758	15 ,558	20 ,516
Interest due	639	7 ,264	8 ,372
Excise duties	122	187	192
Depreciation expenses	2 ,058	3 ,821	4 ,629
<b>Earnings before taxes</b>	<b>2 ,442</b>	<b>2 ,182</b>	<b>3 ,979</b>
<b>Taxes</b>	<b>713</b>	<b>635</b>	<b>1 ,174</b>
<b>Net profit</b>	<b>1 ,729</b>	<b>1 ,547</b>	<b>2 ,805</b>

**Table 2: Predicted income statements 2018-2020** (Primary data, 2017)

<b>PARTICULARS</b>	<b>2018 Euros</b>	<b>2019 Euros</b>	<b>2020 Euros</b>
<b>Fixed assets</b>	<b>22, 573</b>	<b>101, 401</b>	<b>121, 804</b>
<b>Inventories</b>	<b>25 ,724</b>	<b>8, 671</b>	<b>9, 208</b>

Inventory of raw materials	7,908	2,535	2,814
Inventory of packages	8,334	2,990	3,052
Inventory of finished goods	9,481	3,146	3,341
<b>Receivables</b>	<b>3,612</b>	<b>2,834</b>	<b>2,033</b>
Debtors	3,612	2,834	2,033
<b>Cash and cash equivalent</b>	<b>41,243</b>	<b>485</b>	<b>419</b>
Cash at banks	40,851	401	251
Cash in hand	391	84	167
<b>TOTAL ASSET</b>	<b>93,153</b>	<b>113,393</b>	<b>133,466</b>

PARTICULARS	2018 Euros	2019 Euros	2020 Euros
<b>LIABILITIES</b>			
<b>Owners equities</b>	41,351	43,143	44,678
Capital	35,844	35,844	35,844
Retained earnings	5,507	7,299	8,833
<b>Long and medium liabilities</b>	46,193	64,494	76,653
Long- term loans	46,193	64,494	76,653
<b>Current liabilities</b>	3,879	4,212	9,331
Short- term loans	2,633	1,034	6,784
Creditors(suppliers)	532	2,538	1,371
Tax payables	713	635	1,174
Net profit	1,729	1,547	2,803
<b>TOTAL LIABILITIES</b>	<b>93,153</b>	<b>113,393</b>	<b>133,466</b>

**Table 3: Predicted financial position 2018-2020** (Field Data, 2017)

### Indicators of predicted financial growth

**2018**

#### Profitability ratios

$$\text{Gross profit \%} = \frac{\text{Gross profit}}{\text{sales}} * 100 = \frac{106712}{1432455} * 100 = 7.45 \%$$

$$\text{Net profit \%} = \frac{\text{Net profit}}{\text{sales}} * 100 = \frac{17291}{1432455} * 100 = 1.207 \%$$

$$\text{Return on Assets} = \frac{\text{Net profit}}{\text{Average total asset}} * 100 = \frac{17291}{931539} * 100 = 1.86\%$$

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Average total equity}} * 100 = \frac{17291}{413518} * 100 = 4.18\%$$

## 2019

$$\text{Gross profit \%} = \frac{\text{Gross profit}}{\text{sales}} * 100 = \frac{208112}{1541954} * 100 = 13.5 \%$$

$$\text{Net profit \%} = \frac{\text{Net profit}}{\text{sales}} * 100 = \frac{15470}{1541954} * 100 = 1 \%$$

$$\text{Return on Assets} = \frac{\text{Net profit}}{\text{Average total asset}} * 100 = \frac{15470}{1133937} * 100 = 1.4\%$$

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Average total equity}} * 100 = \frac{15470}{431439} * 100 = 3.6\%$$

## 2020

$$\text{Gross profit \%} = \frac{\text{Gross profit}}{\text{sales}} * 100 = \frac{295352}{1866433} * 100 = 15.8 \%$$

$$\text{Net profit \%} = \frac{\text{Net profit}}{\text{sales}} * 100 = \frac{28051}{1866433} * 100 = 1.5 \%$$

$$\text{Return on Assets} = \frac{\text{Net profit}}{\text{Average total asset}} * 100 = \frac{28051}{1334661} * 100 = 2.1\%$$

$$\text{Return on equity} = \frac{\text{Net profit}}{\text{Average total equity}} * 100 = \frac{28051}{446781} * 100 = 6.2\%$$

## **6 Conclusions and Recommendations**

In this section, the researcher presents the conclusion of the study, gives the recommendations and suggests the possible areas for the future researchers.

### **6.1 Conclusions**

According to the research objectives and findings gathered from data collection instruments, such as questionnaires, interview and focus group discussion, this research concluded that business plan analysis in new business like restaurant business in Lappeenranta is a key of success. The varied types of food have an important influence on the good performance of African restaurant in Lappeenranta. From the interview of owners of restaurants from different town in Finland, the study also concluded that balancing the elements of a complex project - time, money, and scope and customers satisfaction - is one of the best factors of restaurant management and performance. Moreover, when objectives of the restaurant business are not clearly identified, the whole business goals cannot be achieved. Hence, African Restaurant is really needed and important in Lappeenranta city as this research indicated, but the owners and managers of the business must follow the following recommendations in relation to these research findings.

### **6.2 Recommendations**

The business plan in any project should be thought of as an endogenous outcome of decisions that reflect the influence of business success. The owners and business managers that emerge, whether concentrated or diffuse, ought to be influenced by the project objectives, so that, as a result, there should be relation between variations in business objectives and variations in its success. Therefore, from the research findings, this research recommends as follows;

Restaurant projects, in order to attain sustainable project success should focus on customer needs. The owner of restaurant project should also assess the determinants challenging business performance such as, competency in the workplace.

The researcher recommended also that restaurant projects should have variety of foods in order to perform better, attract and retain more customers. Owners and managers of business should ensure that they manage project in the best ways that are able to lead and to improve performance. The researcher further recommends that the government should help small and medium sized businesses to know the benefits of planning through different organized training and support them in terms of marketing.

Therefore, the researcher recommends that all starting businesses should concentrate on planning in order to achieve their performance; this is so because planning helps projects to know the environment in which they are operating and how to go about it.

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## **8 Appendix**

Appendix 1. Questionnaire Related to Business Plan for an African restaurant in Lappeenranta

My name is Mediatrice Nyiramugisha, living in Lappeenranta and studying in Saimaa University of Applied Sciences, Business and Culture in Imatra, Faculty of Tourism and Hospitality, Degree Programme in Hotel, Restaurant and Tourism Management. I noticed that here in Lappeenranta we do not have a restaurant offering African food. That is why I was motivated to carry out the study on business plan for an African restaurant in Lappeenranta. Therefore, we are requesting you to spare about 15 minutes to answer this short questionnaire.

African cuisine involves many types of staple foods eaten in the various and diverse kitchens of the African continent. Do you understand African food as:

Food that is chili flavored

Mild food

Other, specify.....

- Asian cuisine characterized by :

Very spicy food

Mild food

Others , specify.....

- How regularly would do you like to have these foods?

Daily            2-5 times            Weekly            Monthly            Never

African food

                                                                                                              

Asian food

                                                                                                              

- In your day-to-day life, have you ever decided to buy African or Asian food in Lappeenranta?

a) Yes

b) No

- If you choose yes, among the following tick on the one you most frequently buy:

Canned things

Lemon grass

Takeaway Chinese food

Raw fish

Sweet potatoes

Others  , specify...

- What kind of restaurants are there in Lappeenranta?

Finnish restaurants

Nepalese

Pakistani

Chinese

Turkish

Others  Specify.....

- Do you think people from Lappeenranta like to eat in restaurant?

Yes

No

Why?.....

- How often do you eat in a restaurant?

Daily

2-5 times a week

Weekly

Monthly

Never

- What kind of food do you like to eat when you go to a restaurant?

Healthy food

Very cheap food (Low price)

- What do you think is missing from other restaurants here in Lappeenranta?

Variety of cuisine

Vegetarian food with more spices

Others , specify .....

- What restaurant do you prefer to recommend to your friends here in Lappeenranta? Why?

.....  
.....

- Have you ever been interested in African or Asian food?

a) Yes                       b) No

- If yes, which one and why? If no, why?

.....  
.....

- In your opinion, what are the challenges related to establishing an African restaurant in Lappeenranta?

The smallness of the African community

African food is not so popular

- How can the challenges on Q12 influence an African restaurant's business?

Lack of clients

Others , specify.....

- Is there any adequate measure to protect an African restaurant from failure in Lappeenranta?

a) Yes  b) No

- If yes, are they among of the following?

Enough variety of cuisine

Reasonable price

Offering healthy food

Good advertisement strategies

Customer care services

Location of the restaurant

**Thank you very much for your time!**



## Appendix 2: Interview Guide Related to Business Plan for an African restaurant in Lappeenranta

After finding out that all Africans and Asians people living in Lappeenranta visit other regions to buy their own food, I noticed that there were no restaurants offering African food in Lappeenranta. I was motivated to carry out the study on a business plan for an African restaurant in Lappeenranta. Therefore, we are requesting you to spare about 15 minutes to answer these questions through the interview. The researcher plans to interview owners of ethnic restaurants from Lappeenranta, Helsinki, Jyväskylä, Kouvola and Kotka.

1. Who are your potential customers?
2. What kind of customers' segmentation do you have?
3. What kind of new restaurant business opportunities are there in your town?
4. Where do you buy your restaurant products?
5. What is the competitive situation of restaurant business in this town?
6. What were the challenges when you opened this restaurant?
7. What was the easy part when you started this business?
8. What kind of legal issues need to be considered for restaurant business?
9. In your opinion, what are the challenges related to an African restaurant in Finland?
10. How can these challenges can influence African restaurant's business?
11. How many clients do you expect per day?
12. What are the adequate measures to protect the failure of African restaurant's business in Finland?