

THESIS

DMITRY GERASKIN 2010

**BUSINESS PLAN BLUEPRINT
OF A CAFÉ IN RUSSIA**



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Thesis

BUSINESS PLAN BLUEPRINT OF A CAFE IN RUSSIA

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This thesis provides an insight into business plan core chapters from the viewpoint of a starting company in North-Western Russia. The aim of the thesis was to comprehend the main steps on the way to the successful business plan such as the marketing plan, risk management issues, human resource management features and to facet the business idea itself with the help of the project commissioner.

The cooperation with commissioner was carried out via a theme interview and discussions using the qualitative research method. It was done by skype sessions, e-mails and personal face-to-face meetings. Catering business, marketing, risk management and other special literature was used along with internet sources and library databases.

It was decided to stick only to the main chapters of a business plan. Therefore, the primary objective was to dive into theory and practice data in order to understand the opportunities, tools and obstacles. The thesis covers research methods and its implementation, local business environment, defines business plan in general and goes through its main chapters such as marketing plan, human resource management, risk management and SWOT analysis.

The project result is a work cornerstone the commissioner can base his final plan upon. Despite many problems as unreliable sources of information or scarce data for instance, the commissioner considered it to be a well done preliminary work before launching the new enterprise.

Key words: business plan, Russia, research methods, marketing plan, human resource management, SWOT analysis

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1 INTRODUCTION

The idea of the thesis topic appeared in May 2008 when a starting business possibility was discussed between the author of the thesis and the future commissioner. At the time the commissioner already had some experience in investing money in starting businesses and this time he thought about starting a small scale business himself. The author's interest lied in a possibility of writing a practical business plan which I would consider to be a culmination of the International Business degree programme.

The thesis is about a tea café in the Murmansk central area which would specialize in organizing Chinese gung fu tea ceremonies, selling confectionery, bakery, sweets, beverages, coffee, tea and tea ceremonies accessories. This business is supposed to be very promising due to the lack of competitors and the local population's growing purchase power. The idea was to create a coherent and well-detailed business plan with a clear business idea, company principles and approximate figures in the financial part. It was meant to be adapted to the current trends and used presumably in 2011-2013. The work on the thesis started in November 2008. Having a Christmas season work and advanced practical training along with the final courses coming, it was to be a serious challenge.

A business plan is an all-embracing process and a person has to do best and use all the knowledge he gained at the university in order to succeed. That is why the thesis topic was accepted so fast – it is a litmus paper of one's knowledge gained at an university and it is a challenge which provides so much valuable experience. Moreover, working on such a complex project gives a vital experience and understanding of how and what was done, how could this be done better, what advantages and drawbacks were there related to the teamwork with the commissioner, what methods were used and how efficient they were, what was expected before the business plan writing process started and what it turned out to be. Comprehending these questions is essential for a proper project work and this part of the whole thing can not be underestimated. The main goal of the practical part of the thesis was to write a well-detailed, coherent and feasible business plan which would put

the initial idea into shape. However, due to enormous possibilities of going deeper in every chapter of business planning process, the initial goal was changed and it was decided to stick only to the main chapters.

The thesis will present an insight into all the main chapters of a business plan except the financial part. First, the business environment will be shown as it is essential for the starting business. Second, the business plan idea will be defined. Then, the marketing plan issues are explained both in theoretical and practical sense. As the marketing plan is one of the cornerstones of a business plan, this part of the thesis is emphasized. The next chapter considers Human Resource Management problems and the company's approach towards them. The SWOT-analysis and risk management chapters finish the main part of the thesis. The research methods part which follows then explains the tools that were used during the work on the project. In conclusion I sum up what was done in the work and consider what can be done better and what shall be put more attention to.

The following are the business plan blueprint chapters: executive summary, business_background, the concepts which defines the company type, its facilities and a product / service description, the market issues describing issues such as market attraction, public catering business structure, trends, entry barriers, customer base, competitors and competitive advantage, pricing and marketing strategy. After follows the company operations which are about inventory, supply, location and regulatory control, management, financial part / forecast, risk management, conclusion, and appendix. The Business Plan first draft was based on "How to Write a Business Plan" by Brian Finch which gave an understanding of the main issues to be included and the business plan structure. Later other books such as "Personnel and Human Resource Management" by Gerard Cole or "Business Security and Russia" by Pekka Iivari along with articles were used to understand the issues deeper.

2 RESEARCH PROCESS

2.1 Research Methods

Every research consists of the collection of data. The usual obstacle that arises when it comes to a data collection is not the lack of it, but on the contrary – abundance of it. The danger is to end up overloaded with useless, irrelevant or unreliable data one has no idea what to do with. Therefore, the data collection has to be well-planned and managed which requires a precise understanding of the difference of data types, approaches, research methods and specific techniques of data collection. Only after comprehending what kind of information is needed exactly it is possible to choose what approaches, methods and tools should be used and to plan the data collection process accordingly. Moreover, as it always takes time and effort to collect and analyze the gained information, it has to correspond to certain standards. The main requirement is that the information has to make the users of it capable of altering their behavior as a result of considering the information that has been provided. In other words, the information has to fit the following key elements to be worth the costs it takes to obtain it: meaningfulness; relevance; timeliness; accuracy; appropriate format. In order to avoid a possible confusion in terms, it has to be mentioned here that information differs from data. Data is a set of facts and figures that would not alter the users' behavior. Information on the other hand, is communicated in a way appropriate and understandable to the users. However, the acquiring information process always starts from the data collection. (Crowther – Lancaster 2009, 72-73.)

The research methods are divided into two groups: secondary research or desk research and primary research also known as field research. The secondary sources are the previously conducted researches, reports, articles, newspapers, journals, magazines and various kinds of statistics. Sometimes desk research is required at the beginning stages of the research in order to learn what is known already and what kind of new data is necessary. At other times, it can be the only research tool to be used.

Secondary research always requires the full citation of original sources being put down in form a complete listing or annotated listing. An individual or a company would prefer to use the desk research only when a summary or collection of the existing data is needed. In other words, unlike the data collected directly from research subjects (the process known as field or primary research), secondary data already exists. Furthermore, the research types can be assorted according to the character of research, repeatability of the research problem and according to the data collection method. Pursuant to the character of the research, it divides into four groups: descriptive research (figures out how the situation is at the moment or at certain point of time in the past); assessing research (evaluates the current state of something e.g. puts companies and products into superiority order); explanatory research (looks for the explanation to a certain question, why things are the way they are); anticipatory research (tries to prognosticate how things are in the future). (Kivirinta 2006.)

The research studies differ on the basis of the data collection method. Two methods are well-known quantitative and qualitative researches. The quantitative research answers as precisely as possible the following questions: how much, how many percent, how often etc. The study is usually done with help of statistical analysis computer software which provides the user with ready results to make decisions based upon. It can be surveys, personal interviews, panel studies, inventory studies or tests. The qualitative method, on the contrary, answers the question why. The respondent is not limited by the given alternative and can freely discuss the matter and express his/her own vision. The qualitative tools are group discussions, in-depth-interviews, projective tests and simple observations. (Kivirinta 2006.)

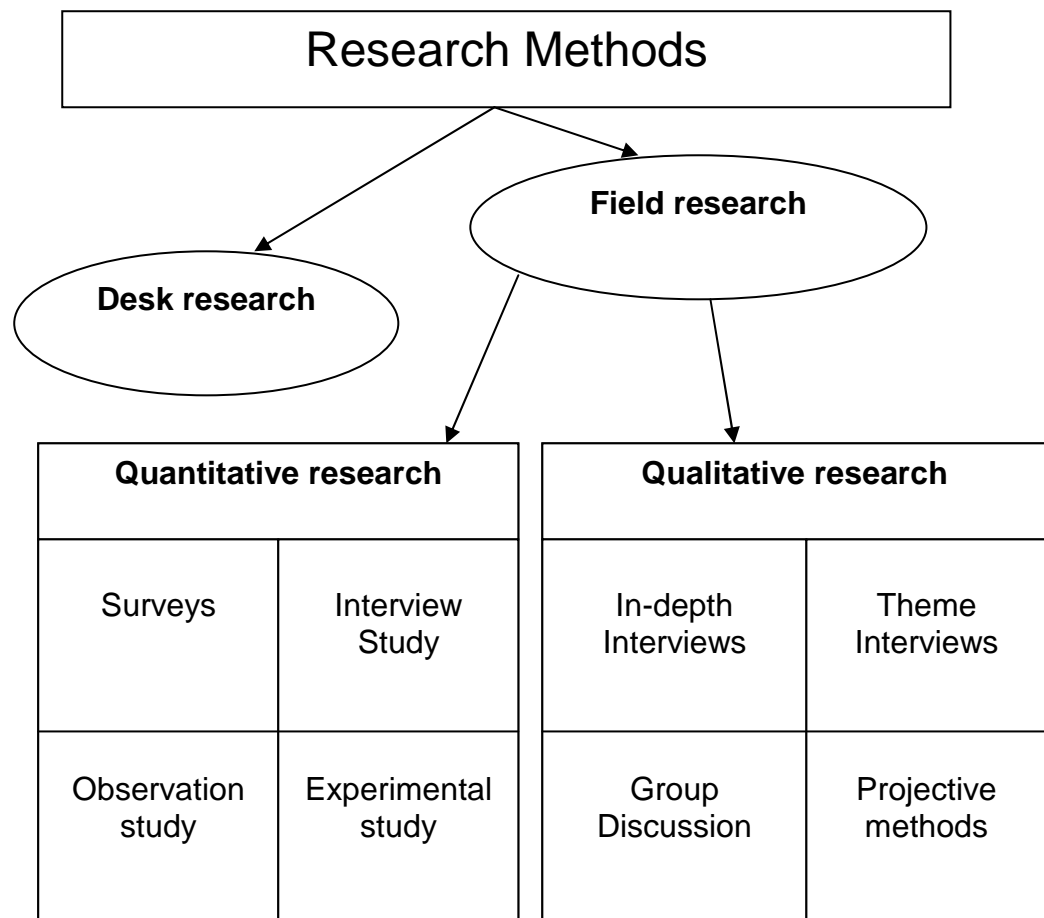


Figure 1. Research methods (Kivirinta 2006.)

In the work on the business plan blueprint the desk research and qualitative field research were used. They were considered to be the most appropriate and efficient research tools.

2.2 Qualitative Research

The qualitative research resides at the touchy-feely end of the research circle. There are no strict questionnaires or tests used but free-forms and open-ended questions instead which allows getting a feel for the topic, to answer the why question, to comprehend the core. For that purpose they prefer a small number of participants involved. Qualitative research techniques do not specialize in measuring hard facts, they penetrate into hard-to-define areas e.g. finding out reasons and motives for opinions and attitudes. The qualitative research is a perfect investigative tool that provides opportunity to grasp the mind-set and perspective of a customer, to identify the thought processes a consumer goes through when making decisions. It is flexible and consequently, one can easily adapt to changes that were not expected when the study was started. In hand of a professional practitioner these tools can bring decent benefits to an individual or a company. If we talk about advantages and drawback in that context, there are always two sides of a coin. (Grossnickle – Raskin 2001, 49-51.)

The value of qualitative methods is that its free-form design allows anything to happen, offers a fresh perspective from new angles. In case of losing sharpness letting people who are not involved show their perspective can have a profound effect. Another important pro is that the qualitative approach helps to be much more efficient when planning quantitative research. Before going for more sophisticated and expensive quantitative techniques, spending time in qualitative sessions is a big help if one is not sure he understands all the issues. Asking the wrong question may lead to quantitative research becoming exceedingly costly and less valuable. Moreover, in case of face-to-face format one can gain the subtle and embracing feedback which he/she might not gain in a structured and strict quantitative approach. As the researcher can observe the participants, what they do and how they act, a skilled practitioner can obtain a much richer insight and also have a context for a proper interpretation of the findings. The qualitative study is often conducted in a group setting where participants interact with each other and consequently, there is a tendency to draw out

ideas and solutions that may not have come up in one-on-one situations. However, it requires a certain level of professionalism from a moderator to tone down the most vocal members and to encourage a quiet participant to talk in order to get the most of it. The last but not the least positive feature of the qualitative approach is that it provides a human perspective. The commissioners of the quantitative research can forget that behind the charts, graphs and figures there are real customers who are people, not data points. On the contrary, qualitative research findings are understandable and comfortable to use. And as it is familiar, it is a decent foothold when introducing the company or oneself to a research process. (Grossnickle – Raskin 2001, 51-53.)

The drawbacks start from a limited small number of participants. In fact, it is possible to involve many participants in qualitative study, but will definitely be prohibitively costly and will take tremendous amount of time and efforts. That is why the result of the study is rarely representative. In case of a small sample size, there is a possibility that the group interviewed was a lot different from the rest of the target group. The quality of the study result highly depends on the moderator's skills. He or she has to be keen, analytical, and a friendly psychologist. It means that when thinking about basing a big decision on the findings, it would be wise to have groups led and analyzed by a professional. There is dependency on personal interpretation meaning that much of the findings are dependent upon practitioner's ability to interpret in a proper way and distill it into something valuable. It may become a big issue when the person conducting the research is one of the project team or is somehow influenced by the organizational factors. E.g. an employee who has spent last 400 working hours on the project is not the most appropriate person as he does not have a freshness of vision while analyzing the findings of the study. (Grossnickle – Raskin 2001, 53-55.)

2.3 Theme-Interview

The key aspects of interview implementation and design are the following: the range and scope of questions to be included, question types (open/closed), content of individual questions, question structure, question wording, question order. In addition to the features just mentioned the researcher should take into consideration method of implementation, method of distributing the questionnaires and method of response recording. When designing a questionnaire we need to have a clear understanding of the overall objectives, what information is to be secured, how to summarize the results. Writing a draft version and trying this out on a few people before committing ourselves to the main version would be a wise idea. In brief the good interview should be short, have a logical coherent structure, be simple wherever possible meaning no complex structures, no slang or jargon words, with no ambiguous questions and no “leading” questions that anticipate a particular answer (Crowther – Lancaster 2009, 151-154.)

2.4 Study Implementation

The description of the idea the commissioner had was quite vague and imprecise. Therefore, it was acceded to cooperate and we had been doing it very closely. Basically there was a possibility to reach him by an e-mail or a web-messenger whenever needed in order to ask about his vision on some issues concerning the café. I considered a theme-interview to be the most appropriate tool to comprehend the commissioner’s vision of the future business. It is a descriptive qualitative research study that was conducted on ad-hoc basis. I tried to prepare an interview that will correspond to the general requirements such as being short, coherently structured, and simple, with no ambiguous or “leading” questions. It was carried out via skype session at 2nd of November 2009 and took about twenty minutes. The questionnaire was made in Russian and then the respondents answers were carefully translated to English.

3 BUSINESS ENVIRONMENT

3.1 Location Background

The thesis describes the upcoming project of a café / tea club in Murmansk and therefore it is necessary to describe the background: the region, its demographics, economy, trends and potential. The Murmansk Region is located in the north-western part of Russia bordering Norway and Finnish Lapland which makes 144 936 square kilometers of territory. The northern and north-eastern frontier is washed by Barents Sea, while the southern frontier is washed by White Sea. It is a subject of Russian Federation, one of the biggest, economically developed and urbanized region among European North of Russia with the population of 864,600 (in 2006). The surface is series of elevations and depressions. The major part of the region is situated beyond the Arctic Circle and consequently, the climate is temperate cold thanks to the Gulf Stream impact. (Murmansk Region Government 2008.)

The economy of the Murmansk Region is based on unique natural and biological resources of White and Barents seas, advantageous geographical location and on the opportunity of year-round pilotage proper with a straight connection to international trade routes. A huge industrial utility system was established which satisfies the country's need in rare-earth resources: phosphates, tantalum, nickel, brazilite. At the same time, the region makes 1/6 of all Russian fishery industry. The commercial development of oil and gas deposits in Barents Sea is a perspective to become a big part of the world power system in the nearest future. If proceed with the region's potential, the economical state is improving through the years: the population purchase power is growing, the number of small and medium-sized enterprises (SME) is increasing. In year 2007 there were over 3000 SMEs in the Murmansk Region. Moreover, the region has a promising future in downhill skiing, climbing, Sami visiting, rafting, mineralogical excursions, and fishing tourism fields. (Murmansk Region Government 2008.)

3.2 The Present Catering Market

The present Russian catering market is represented by many sorts of Public Catering Establishments (PCEs) such as fast-food, free-flow restaurants where part of the workflow is visible to customers, sport-bars, cafés, taverns, dining-halls, coffee houses, tea clubs and pubs and so on. Generally, they are located in rented premises of 100-120 m² (cafes and bars) and 150-220 m² (restaurants) mainly close to a city's center. In accordance with ГОСТ (State Standard) P 50762-95, the Russian catering market is divided by the following categories: restaurants (includes taverns, fast food); bars (includes pubs and sport-bars); cafes (includes coffee houses, tea clubs); dining-halls and snack bars. (State Standards Library 2010.)

Besides, in compliance with State Standard P 50647-94 restaurants and bars are divided by the classes: lux (elite), superior (middle class) and first (all the rest). Apart from categories and classes PCEs differentiate depending on the product/service assortment, location and customer base. (State Standards Library 2010.)

For every kind of catering establishment there is a certain standard written in the law. According to State Standard P 50647-94 a café has to comply with the following standards: standard signboard, halls design using elements creating a certain atmosphere, ventilation system providing permissible temperature and humidity. Standard furniture should correspond with café interior, tables with polyester surface, forks, spoons, knives and other settings made of stainless steel, semi vitreous and faience plates and dishes, varietal glass blank plates and dishes, individual linen napkins, menu and pricelist with company's logo in Russian and national language made with typescript or other way, various assortment of meals, drinks and products including house ones made taking café's specialization in to account; serving by waiters, bartenders, head waiters or self-service; maintenance staff have to have sanitary clothes. (State Standards Library 2010.)

3.3 Current Market Situation

The current trends and specifics of the Russian catering market are put down as following. Growing of the market during the last years 20-30% annually - 2006 PCEs' profit is 397.5 billion rubles (9.3 billion euros) and 312.4 billion rubles (7.3 billion euros) in 2005, growing customer base - in 2006 38.8% of the population visited restaurants once in a while, whereas in 2004 it was only 26%. The demand of hospitality & entertainment products is growing 3-5% annually. The lack of PCEs is clearly seen - at the beginning of 2007 there were only 30 thousand PCEs in Russia comparing to 25 thousand in just one city of Los Angeles, USA (United Press 2008.). High informational saturation results in relatively complicated management processes. Interaction with the authorities and regulations issues, intent control by the authorities due to people's health on the agenda and lack of skilled personnel are other important issues. Growing demands and expectations of our potential customers result in necessity of substantially closer attention to quality issues of every customer related aspect of company work. In this connection, skilled personnel are of even greater significance. The amount of investments is growing and therefore, the quantitative and qualitative growth of the market makes the competition tough. Profitability is seasonal, especially in Murmansk where tens of thousands of people leave the city in summertime, day of the week and time. Then rate of premises rent for the PCEs is going up. In addition, the presence and strong influence of uncontrollable factors and deceleration of market growth rate in 2009 are important as well. (Scientific Research Center of Hospitality Industry 2008.)

3.4 Concept

When choosing a certain type of ПОП (public catering establishment = PCE) a tea café was chosen. It will be situated in the business part of Murmansk. The name is «Чайна» ("China" sounds like a Chinese word and there is a Russian word "tea" inside of it). The choice of PCE is based on the deficit or, rather, absence of similar institutions in the city. The average salary in 2004

was 10.177 rubles (239 euros), in 2008 – 18.281 rubles (429 euros) given the annual inflation 10-13% (Murmansk City Administration 2008.). In light of population purchase power increase and the city's infrastructure development, there appears a need of this sort of project.

The café will specialize in selling pastry, sweeties, various sorts of teas and accessories. In addition, it will function as a regular café in one of the two halls, while the second minor hall will be used for organizing the Chinese Tea Ceremony (gung fu). "China" will have a list of additional services such as a delivery, takeaway option, order of rare sorts of teas, taxi call and so on.

The core appearance theme is "China and Chinese culture throughout the history", therefore it will look in accordance with the guests' knowledge and stereotypes, however will stick to the real data at the same time: light and brown-light tones, hieroglyphs in the form of pictures and pictures of Chinese way of life centuries ago.

The café will be located, as it was mentioned before, in the business part of Murmansk. The place is characterized by high passableness which will determine a constant flow of clients.

The whole process of preparation to the day of opening will presumably take around eleven months (see Appendix 3). In case of delays, it may take longer but is supposed be within 14-15 months time-frame.

3.5 Company Type and Taxation

Given the relative simplicity of organization, registration and administration, the company type we fixed upon is OOO (limited liability company = LLC). In addition, LLC has the following advantages. It is flexible in administration, it can be administered by only one owner. The responsibility is within the company's share capital. LLC has a decent image as companies tend to deal with legal entities if compare with sole trader company type. Company's sale

simplicity (it is registered officially as handing a part of initial capital over to a newcomer, which is relatively easy from the red tape point of view) is another factor. The duties lie in preparing and rendering accounting reports for auditor's check and rendering all the financial documentation. For starting the LLC the following steps are necessary: Operating Agreement and Article of Organization, state duty payment, a deposit of 50% share capital registered in the Article of Association (minimum 100 Salary Lower Limit Size which makes 433,000 rubles or 10,140 euros). (Novosibirsk State Technological University 2010.)

Russian Federation (from now on – RF) Tax Legislation implies the usage of YCH (Simplified Taxation System = STS) by legal entities and sole traders on conditions that the annual revenue is less than 20,000,000 rubles (468,384 euros) and the staff is less than 100 employees. This option is preferable for SME because of simplified calculations, simplified taxation reports, relatively low Single Tax rate and a possibility to choose a taxation object. STS has the rates of Single Tax of 6 % when the object of taxation is income. It turns into 15% when the object of taxation is income reduced by expenses. In view of moderate expenses in the restaurant business, the preferred rate is 6%. Apart from Single Tax STS implies payment of insurance contributions in RF Pension Fund. (Federal Tax Agency 2010.)

4 BUSINESS PLAN

4.1 Business Plan

In order to prepare a coherent business plan which can be used when starting no matter what kind of enterprise, it is vital to understand all the important concepts and approaches such as the business plan itself, marketing analysis, human resource management (from now on - HRM), company operations processes, risk management et cetera. They are tools which a business plan author uses to comprehend the current situation in the market, problems which the enterprise will face and an actual potential of the business idea. Furthermore, the concept of the public catering business is also clarified here as it is the background and sphere where the company will operate.

A plan usually reviews the current situation of an enterprise and sets up an overall business strategy for a precise period of time which can be from half a year to long term perspective up to 10 or even 20 years. It emphasizes the operational and financial plan for one year ahead. However, the strategy and business plan will cover all the key areas of business. The most important issues differ from one company to another, but in general the key focus is on management, product, marketing and sales. (Stutely 2002, 8.)

Another definition states that the most important step in starting any new venture or expanding the existing one is the construction of a business plan. Such a plan usually consists of the short and long-term goals for the enterprise, a description of the services it will provide along with the market opportunities anticipated for them and finally, an explanation of the resources and means the company will employ to achieve goals in the face of likely competition. Preparing a comprehensive and coherent business plan along these lines takes time and effort. However, such an effort is essential if one is both to define and focus the idea, and test the resolve about entering or expanding business. Once completed, the business plan will serve as a blueprint to follow which, like any map, improves the user's chances of reaching his destination. (Barrow 2001, 6.)

Thus, business plan is unavoidable step in understanding the core of future venture, a great tool to shape an idea into a thorough, well-detailed and coherent strategy, a map, which will lead to one's profitable destination. Moreover, it is also a perfect tool to attract potential sponsors, creditors or investors. It is not a secret that a widespread myth about "starting a business right away" does never properly work and that a solid team of would-be entrepreneurs frequently split up after starting to work on the plan, and that better be done before lots of money and effort was put into the venture, not after.

4.2 Mission Statement

It is vitally important for a starting enterprise to have a clear vision of its goals and perspectives which is traditionally done via mission statement. The mission statement of an enterprise is supposed to give a clear indication to readers, employees, business partners and customers. It states what they should be working towards achieving or what they should be expecting. A high-end mission statement ought to include precise description of what one will be doing in the closest future and what he or she wants to achieve. It is supposed to be a statement of purpose with specific goals focused more on the business and on customers' needs and benefits rather than products themselves. (Stutely 2002, 57.)

The mission of the starting enterprise is "to preserve and promote the high quality standard of services to offer to the customer while serving needs of company members. The company is committed to services development, quality steadiness, family relationships within the company and enlightenment about Chinese traditions."

5 MARKETING PLAN

5.1 Marketing Plan

The marketing plan is a core of any business plan which will make or ruin the prospects for any future venture. Without it even a great idea along with carefully drafted financial forecasts will be meaningless as one won't find customers. The marketing plan should feature the explanation of how it will convince the customer to buy the product or service. The good plan must feature at least the main chapters such as customer research, target marketing, competitor strategy, pricing strategy, promotion strategy, positioning strategy and place issues. (Lawrence - Moyes 2008, 14.)

An appropriate customer research is needed in order to convince readers that a company will have a sufficient customer base. The data comes from would-be customers' feedback which can be gained in different ways: providing potential customers with products to get their reaction and suggestions, surveys, trade exhibitions, secondary data research and so on. This information is essential for having a clear understanding of the situation in the market concerning company's service or product demand and ways to improve it. (Lawrence 2008, 14.)

Another valuable chapter of any marketing plan is the target marketing. It is based on market segmentation which is an analysis of a market performed in order to identify potential customer groups of similar needs and price sensitivity. Each group is measured and assessed on such factors as price sensitivity, size, purchase power, growth tendencies, level of competition and the fit between its requirements and company's capabilities. It must be noted that the most attractive market is not necessarily the biggest, though on the other hand, these market are being identified by the competitors rather fast and attract a high level of competition. Another valuable thing to know is that there may be flocks of customers who are not satisfied by companies that compromise their marketing mix by trying to serve too wide audience. Finding such customers is a prime idea of market segmentation analysis. Moreover, target marketing provides an opportunity to adjust their marketing mix the

specific features and demands of groups of customers much more effectively than struggling to satisfy diverse needs. (Jobber 2004, 810-811.)

Competitive advantage which is yet another marketing plan ground relates to the specific features or qualities of a product or a brand that give a company some supremacy over its direct competitors. These features are of various types and may refer to the product itself, to the added services that come along with the product/service, to the modes of production, channel strategy, promotion, pricing strategy, etc. When existing, this supremacy is measured and defined in comparison with the priority competitor in the market or segment. (Jobber 2004, 689.)

One of the cornerstones of a successful marketing plan is a marketing mix which consists of four Ps: product, price, promotion and place. Understanding and working on this four sides of the marketing plan is crucial in satisfying or exceeding customer needs better than the competitors do. Decisions concerning the four Ps play one of the leading roles in marketing concept implementation. The product decision implies deciding what goods or services should be offered to a group of potential customers. Product development is another important issue as technology and tastes of customers change day by day, products which were high-tech yesterday become out of date and inferior to those of the competition. This 1st P also includes decisions regarding packaging, guarantee, brand names and the services that go along with the product. The price shows what the enterprise receives for the product or service. It consists of many elements: expenses on product design, promotion, transportation and distribution just to mention few. The necessity of discounts and allowances in some transactions must be also taken in consideration by the marketers. Therefore, they should be very precise and clear about pricing objectives, methods and influencing factors for setting price. Furthermore, even things like payment period and credit terms may also influence the final price. The third P stands for promotion. Promotion decisions are made based on promotional mix which consists of the following: advertising, Internet and online promotions, public relations, personal selling, sales promotions. With these tools the target customer base is reached and made aware of the product or service and the

benefits it offers to the consumer. The last P – place consists of decisions about locations of outlets, inventory levels, transportation methods, distribution channels to be used and their management. The idea that lies behind is to keep the appropriate quantity of products/services at the right time in the right place. (Jobber 2004, 861-870w.)

5.2 Implementation

In the current subchapter the theory of a marketing plan will be put into practice. In other words, all the solutions of marketing plan issues will be shown.

The cafe will provide the following services: services of making cookery and confectionery; services of organizing consumption and serving; services of organizing a tea ceremony gung fu; services of selling products (variety of teas and tea ceremony accessories); table reservation; information services; product ordering via the official café web-site; other services (delivery, serving clients at their premises, calling taxi by request, minor repair and leaning of clothes, storing services and so on).

The first issue when it comes to the customer base is its structure. By income level, it is middle (which was 18.2 thousand rubles – 426 euros - per month in 2008) and high income level population (Murmansk City Administration 2008). By occupation, it is businessmen, office workers and other. Another priority is to have families as one of cornerstones in the customer base. In sense of age it will be people from 20 (working students) to 55-60. Unfortunately, nowadays older people do not have a decent purchase power, so there is no possibility to rely on them. Certainly, there will be teenager and children guests as part of families. As for nationality the target is a Russian citizen indeed. However, attracting foreign visitors of the city is considered to be important, too.

Another important issue is customer base size. In order to have a comprehension of approximate customer base size, a desk research of

similar PCEs in other Russian cities was conducted. The results which are taken from the PCEs' official web-sites are: Tomsk (population – 512.6 thousand people) – tea club "Tomsk tea club" serves around 48,000 clients annually; Rostov-na-Dony (population – 1.06 million people) – tea club "Ulun" serves around 83,000 clients annually; Petrozavodsk (population - 282 thousand people) – tea club «Tea house» serves around 37,000 clients annually; Saint-Petersburg (population - 4.568 million people) – tea club "Yellow stork" serves around 53,000 clients annually. In light of similar size (approx. 320 thousand people) and geographical neighborhood with Petrozavodsk we assume that when operating successfully the company might count on 30-40 thousand clients annually.

In the beginning one of the primary tasks is to attract more and more new customers and make them loyal. The core promotion strategy here is a word of mouth. The quality of provided products and services and the appropriate image of the café is the primary stake in the long run. However, we do not forget about all sorts of promotional events and campaigns supporting the growing brand recognition among the population. Among these there is a lottery of certain sum coupons around double average bill approximately 100 per year. We assume that in most cases the client will spend more money than the coupon covers. The expected result is that this feature will bring us a number of loyal customers. Another event called manufacture excursions will give the children an opportunity to see how the warm and fresh buns, cakes and sweeties are made. The expected result is more loyal families. The so-called compliments are single big discount up to 100% if consider there is an opportunity to make a client loyal. Small and simple gifts to children are another way to have more loyal families.

Apart from these features the company will have other advantages ahead of the competitors: coupons sale for friends by face-value, so the clients can make their friend happy with this uncommon present; children's menu; English menu; takeaway option (in the company package); all sorts of free souvenirs with the café logo such as pens, stickers and key chains; free wi-fi internet for the customers and Braille system menu for the blind. There is more than one million of blind people in Russia (Vision Recovery Centre

2009.) which makes 2000-3000 blind Murmansk residents. Moreover, the internet web-site where the visitor will find all the information about the café, current campaigns, price-lists, and even a possibility to order the services by filling in a special form. In addition, newspaper and radio advertisement will be used and events sponsorship as means to make people aware of the company's existence. A big opening presentation with celebrities and journalists invited is planned as well.

The premises where the café will operate are located at Polyarnie Zori st. 25 b.1. The area is 119 m². The major hall will seat 60 people (10 tables). The minor hall will be divided into 3-4 gung fu cabins. The apartment has a separate way out and is placed on the 1st floor (it was the compulsory feature when searching for the premises). The passableness is high due to the city center location. In front of the future café there is Murmansk Property Department where all the regional property deals are arranged. Moreover, the location is good because of a nearby (3-4 minutes walk) congress-center Polyarnie Zori, one of the finest city hotels, and the biggest Murmansk supermarket Okay (8-10 minutes walk). Furthermore, 50 meters away from the café there is a bus station. Approach roads are in good condition. A medium-sized size parking lot of 15-20 cars is situated in front of the building. As for the opening schedule, the café will operate from 11 a.m. till 11 p.m. On Friday and Saturday it will stay open until 3 a.m.

The premises belong to the A3 building class which implies reconstructed building built in the middle or end of the 90s, adjustable climate control, central-heated system, a floor minimum height of three meters, effective layout and sufficient amount of parking places at the parking lot.

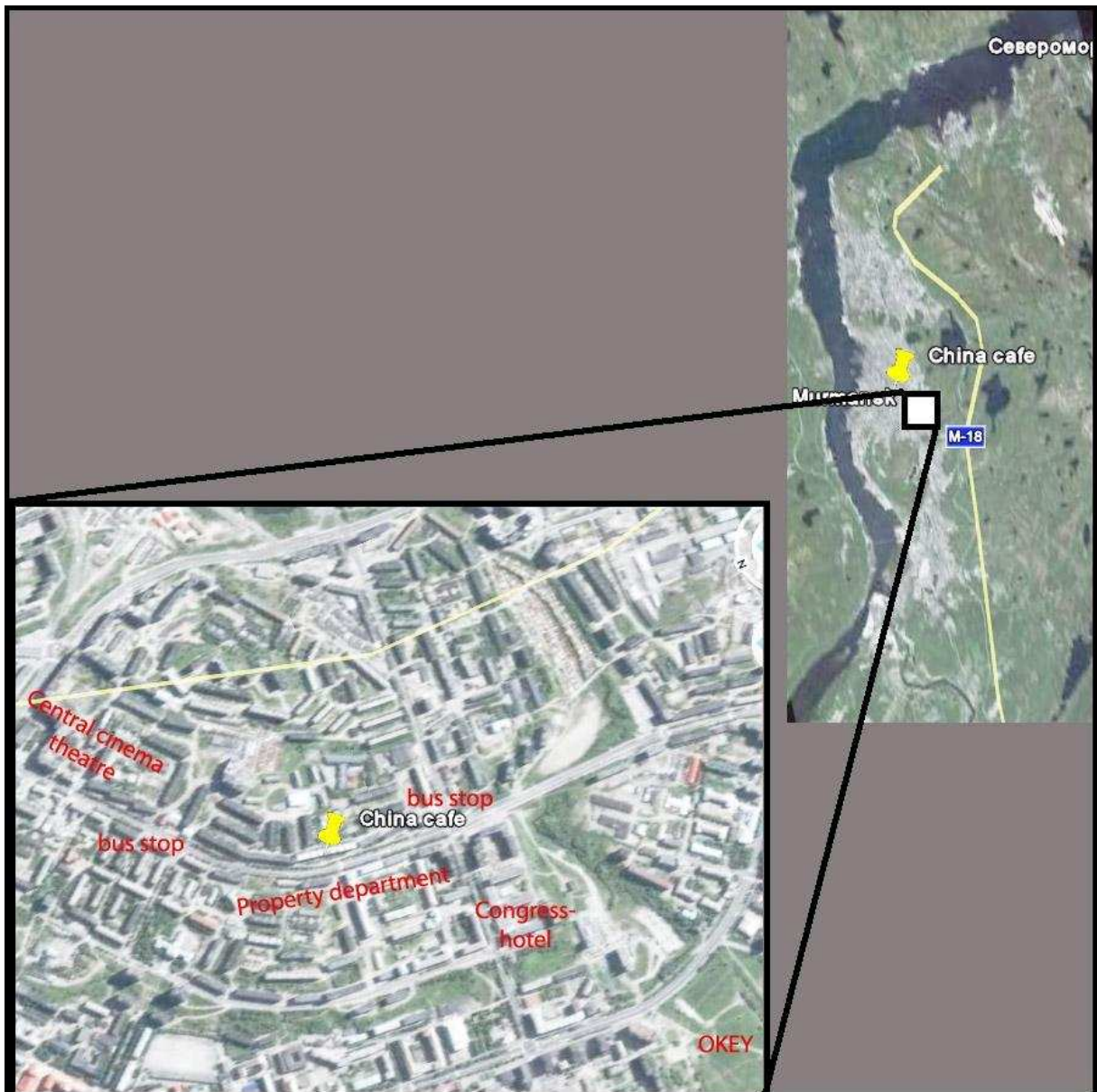


Figure 2. Café location.

Moving on to the next issue, pricing calculation is based upon marketing pricing or in other words, worth of a service is based upon the going compensation rate for comparable services in the current market. Adjustments are to be made depending on the image of the café and its customer base. Overcharge may scare the potential clients while understated price may result in being considered as low quality institution, none of which is acceptable. Preliminary average prices of primary products/services based on overview of the prices of the other market players:

Table 1. Approximate price level.

№	Product/service	Unit	Price in euros
1	tea	teapot	from 2.08
2	pastry	1	from 2.86
3	sweeties	1	from 2.60
4	cake in slices	1	around 3.37
5	desert	1	from 2.60
6	tea ceremony	1 hour	from 7.80
7	take away	-	face-value

Another important dimension of marketing plan to mention is competitor analysis. The list of potential competitors situated within a radius of 2 kilometers is the following:

Table 2. Competitors and their location.

Bars	Restaurants	Cafes
“Cactus” (Polyarnie Zori, 30)	“Polyarnie Zori” (Knipovicha, 17)	“Venskii dvorik” (Burkova, 17)
“Barents-Bar” (Knipovicha, 17)	“Brigantina” (Knipovicha, 43)	“Sladkaya jizn” (Polyarnie Zori, 32/2)
“Ledokol” (Knipovicha, 17)	“Shanghai” (Polyarnie Zori, 35/2)	“Ya i ti” (Polyarnie Zori, 33/1)
“Lotsman” (Polyarnie Zori, 51-33)		
“Rodger” (Polyarnie Zori, 62)		
“Hmel’ i solod” (Polyarnie Zori, 8)		
“Pizzeria” (Polyarnie Zori, 62)		

(Open Database of Murmansk Entertainment Sites 2009.)

The prime interest here is cafes. We will look into every café: “Venskii dvorik” is café-bar under “a place for sweethearts” slogan. It serves “home cuisine” meals, beverages and alcohol of reasonable prices. The feedbacks are mostly positive. They are not direct competitors as the company operates in

adjacent but different spheres. "Sladkaya jizn" is café and bakery-confectionery shop. It serves bakery, confectionery, desserts and sweeties. The café is not widely known and the feedbacks are not positive in general, however, we consider them as the main competitor in the area. "Ya i ti" is a café-restaurant which specializes in serving exquisite meals and famous wines at a relatively high price. The feedbacks are mostly positive. They are not direct competitors as the company operates in adjacent but different spheres.

One of the competitive advantages is that at the moment it is the only tea-club. This temporary monopoly in the niche will give us an opportunity to enjoy a decent flow of new clients and a chance to make them loyal before other players come. If sum up all the company's competitive advantages, the company will have already mentioned monopoly in the niche, decent location, additional services and uncommon features like Braille menu, wi-fi internet which is not common in Murmansk cafes these days, internet delivery orders, coupons. All this with a cozy unusual atmosphere and high quality products and services will give us a big chance to become a strong player in the market.

6 HUMAN RESOURCE MANAGEMENT

6.1 Human Resource Management

What is the difference between modern Human Resource Management (HRM) and traditional Personnel Management? Let us take a look at history processes. Organizations have existed in some form or another since the times of collective Homo sapiens life. Day by day, year by year, century by century our society has changed due to constant growth of knowledge, resources. As a result, such features of human life as power relations, needs, culture and behavior have transformed. Organizations changed, they adapted to the changes in society. Personnel Management origins date back to the nineteenth century due to recognition of the need to compensate the exploitation aspects of Industrial Revolution. It was the time of welfare in Personnel Management, time when the first trade unions were emerged. Subsequently the focus was placed more on training, staffing and work organization. Since World Wars many other changes took place: higher standards of living (when talking about Western culture), changing attitude towards work, growing education levels, globalization, legislation, sophisticated technologies and so on. All this forced organizations to turn Personnel Management into Human Resource Management in order to satisfy the needs of modern society and enterprises and correspond to the modern way of life. (Martin 2009, 13-14.)

Notable aspects of the definition of Human Resource Management are its relation to caring role of the management in its relations with its employees, fair terms of employment, motivating staff, satisfying work as responsibility for management in providing an opportunity for employees to enjoy job satisfaction, justice and efficiency. The modern approach is about committing of satisfied employees to reaching company goals such as profitability, customer satisfaction and cost-effectiveness. (Cole 2002, 4.)

It is vital to understand that human resources play one of the most important roles in organization. From the functional objective of HRM, organization has to be sure that it has enough skilled personnel for the right positions, so it

should take care of the recruiting, training and finding out what skills are required. However, especially nowadays a certain balance between expenses and performance has to be found. When thinking in terms of social objectives, the company has to be ethically and socially responsive to the needs and challenges of society, but at the same time it has to think about its profitability and prevent any negative impact of the mentioned demands to the organization. It is important to assist and help employees in achieving their personal goals, especially if they fit organizational goals. This way the staff is kept motivated and henceforth, their performance grows and they will become more loyal to the current company they work in. Again, it is very important here to find the right balance between personal and organizational objectives. The major issues HRM department is in charge of are organizational design, reward systems and promotion, staffing, employee training and organizational development, performance management and appraisal, coordinating and facilitating change processes, identifying environment trends that might affect organization and staff, managing occupational health and safety, management of staff termination and so on. (Korkeakoski 2007.)

6.2 Human Resources in Russia

Nowadays, HRM in Russia has many problematic issues. Severe shortage of skilled personnel at every level is a result of an absence of well-functioning training educational system. Most administrators come from the working staff such as bartenders, waitresses etc. Another problem lies in sphere of effective motivation and keeping of the personnel: many catering businesses workers nowadays change their employers at will. There is a “rule of thirds” which is known among HR managers in Russia: when one establishes a catering business entity and it takes say a year, then he/she has to expect 1/3 of personnel to leave at the preparatory stage, another 1/3 in the first half-a-year of operation. This leaves only 1/3 of initial staff after six months of functioning as a restaurant or café. Furthermore, there is a fertile ground for staff misuse and it can anticipated that at least some of staff will be tricky as present Russian mentality implies searching for dubious opportunities. Here

comes also inevitability of barely controllable staff work with cash flow and its consequences. Moreover, it is relatively easy to arrange a sale of own products to the prejudice of the enterprise, not mentioning a possibility of other different machinations. (Zatulivetrov 2007, 76-77.)

6.3 Implementation

The company will consist of 9-10 people most of the time, except for the preparation stage where the additional temporary staff such as a head architect will be employed. The company's preliminary organizational structure is the following:

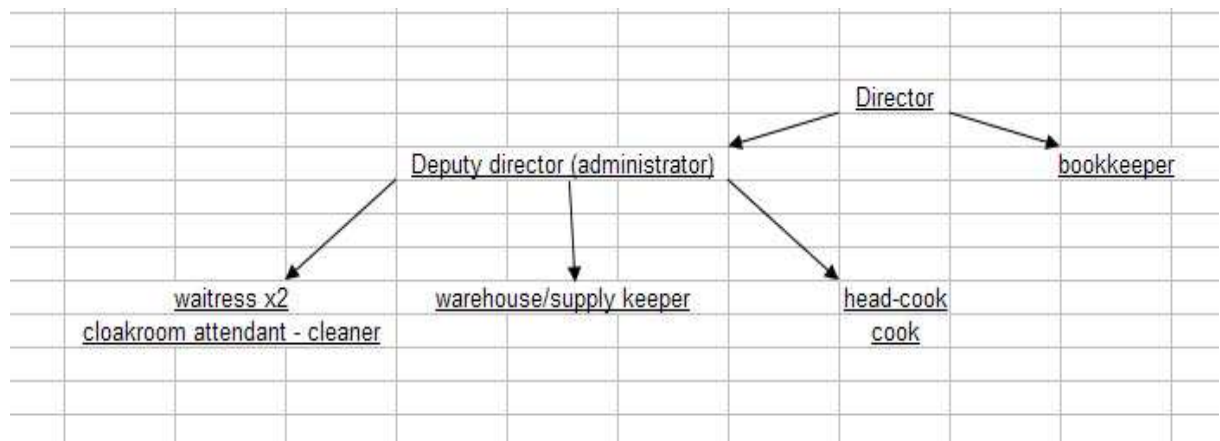


Figure 3. Preliminary organizational structure.

Understanding the role of professional staff underlines a need of training and development of employees' skills. For that purpose, it is planned to organize training program for the personnel, even though it is known that work force flow in Russia is strong. A reward system will take place in the company which as we estimate, will enhance staff productivity. The main idea of HRM approach will be to have a family atmosphere within the company. In other words, trust, stability, respectful relationship, empowering personnel with a possibility to exchange ideas on company's development are of the uttermost priority. For instance, in case of changes in the company, some of the most important steps would be to make people understand the necessity of it, motivate them and carry out termination management as carefully and

respectfully as it is humanly possible. Due to small scale of the enterprise all the HRM questions will be handled by deputy director alone or in cooperation with the director of the company.

7 RISK MANAGEMENT

7.1 Risk Management

The successful consistent forecasting is impossible when it comes to prediction in interest rates, stock market, exchange rates, systemic, operational and credit events with major financial implications. However, the risk that derives from uncertainty can be managed. What makes modern economies modern is that ability of companies to identify risks, understand its possible consequences, and measure it and then act accordingly. Risk management is an ongoing process towards corporate risk reduction to the possible extent. In fact, it is not only about eliminating the risk itself but finding the right balance, choosing the type and level of risk which is appropriate in current situation. In other words, risk management and risk taking are not opposites, but sides of a coin. The ability to make forward-looking choices concerning risk in relation the reward is a part of management process of all enduringly successful corporations. (Crouhy - Galai – Mark 2005, 1-2.)

One of the most serious risks a company in Russia will encounter is crime and corruption. In spite of increased stability since year 2000, stability is still a current topic. Judging by the Research Institute of the Finnish Economy, Russia is among the world's most unsafe regions, the legal system is weak and there is much organized crime. There is a decent probability that at some point it is necessary to enter into discourse with criminals; it cannot be avoided. Pressure on a company may come not from criminals directly but through unhealthy competition, too. Another reason of worry is poor functioning of public institutions. In addition, weakly protected ownership right and minimal independence of legal system are the case. Moreover, large-scale organized crime along with money laundering and economic crime also cause security risks. However, there is a certain improvement towards higher business security and for that reason the state pays attention to all possible violations, pirating and money laundering. The other side of the coin here is that one quite often faces different accounting and tax audits, fire and hygiene inspections or is visited by work permit officials. (Ilvari 2008, 8-11,

21.) Apart from crime, corruption and red tape issues one will have to deal with relatively smaller risks and uncertainties such as poor infrastructure, partner selection process and still some political instability.

7.2 Risk Management in Russia

Comprehensive risk management and protective measures are vitally important for an enterprise to be successful in Russia. One must be cautious and aware of different sorts of dangers, its reasons, ways to avoid and all the possible data available should be gathered. Moreover, one should avoid unnecessary risk-taking and dangerous situations. In general, security consists of many factors which should correspond with each other. If an organization uses only one safety tool like surveillance video cameras and doesn't pay attention to other factors like information security system, it will fail. Using compound locking system wouldn't be worth it, if one doesn't come up with right access rights to it. In other words, the level of security's measurement is strongly bound to its weakest ring in the chain of internal and external protection. As it is widely known, connections are essential when it comes to operating in Russia and good connection with authorities is twice important. That is why it will be wise for a company to establish these connections with city's network of security officials from internal affairs administration (UVD), rescue administration (MCS), security service (FSB). These organs are in charge of preventing ordinary and organized crime, permit administration and supervision of security companies. Another risk involved is choosing right business partner, be it trade partner, supplier or security firm. Checking the background of would-be partner is the most effective way to avoid danger. Security companies can provide background checks of a potential business partner. Sometimes companies may receive an offer from unknown firm which only mentions only the phone number and the business entity's name. In this case a check on the offer sender is even more important. These days consulting companies can also provide reviews and assessments of certain threats or issues concerning crime situation in a city or region.

You should write about business risks here. You are Russian, not a foreigner. Pekka Iivari's book is for foreigners starting or operating business in Russia. I think that it's not necessary to emphasize that kind of risks in the business plan. The risks that are important to evaluate are the business risks and how you are going to eliminate them. Or you leave it as a separate chapter away and include it in your fiscal part.

8 THE SWOT ANALYSIS

8.1 The SWOT Analysis

SWOT stands for Strengths, Weaknesses, Opportunities and Threats which is a widespread framework developed at Harvard by Andrews (1971) used for organizing the data gained from the company internal information circle and from the macro-marketing environment. The SWOT analysis is a model that provides a possibility to assess the opportunities and threats the company faces in different markets and an evaluation of its strengths and weaknesses. With the well-done detailed SWOT analysis a company can highlight its strengths and minimize its weaknesses to pursue opportunities and avoid threats. However, the simplicity of the method and lack of conceptual framework to guide the analysis often result to difficulties of results interpretation. The models vary a lot depending on the particular firm and industry that is to be analyzed. The SWOT analysis is a qualitative and general level method of assessment of the current company state. However, when done professionally the analysis can be rather proactive. (Lambin 2007, 233.)

The SWOT analysis shows the critical items from the internal and external audits which the business should focus its attention upon. It is managers' responsibility to identify the main threats and opportunities their company faces. The purpose behind the analysis is to anticipate important developments that can have an impact on the firm. Opportunities and strengths are external issues that one cannot control. For example, improving or worsening economic climate, demographic changes, new technologies, competitive activity, channel pressure, politics and so on. A manager should assess the opportunity's attractiveness or the threat's potential damage and act accordingly, so that the company would gain most positive environmental trends and is prepared to face and minimize most probable and harmful threats. The strengths and weaknesses are internal factors over which one has some control or influence. The strengths and weaknesses are relative and failure to understand them can be dangerous. For instance, strengths can be the following: being a leader in the certain market, a very good

distribution chain, decent image in the market etc. The weaknesses can be a bad position in the market, little known brand name, low advertising and promotion budget, many manufacturing skills needed for the product range, overall poor profit performance. By using the SWOT analysis tools a company might develop and become more successful. (Kotler – Wong – Saunders – Armstrong 2005, 58-60.)

8.2 Company's SWOT

Conducting a SWOT analysis is a very important task to perform at different stages of business functioning in order to have a helicopter vision of the current company's state. At this preliminary stage the SWOT analysis can be done only on a very basic level. The opportunities of the company are the improving economic climate, growing purchase power which comes with the increasing demand for luxury and entertainment which benefits the business and temporary monopoly in the niche. However, there are many threats such as bureaucracy, crime, red tape issues, unstable politics, deceleration of the market growth in 2009 due to the world economy crisis, growing premises rent price for PCEs, growing competition, low skilled personnel and intense work force flow. Moreover the demographics is a really serious issue in Murmansk these days. First of all, it is declining constantly decreasing the customer base. Second, the seasonal change in the amount of clients is huge as many people move to their south residents in Central Russia. The strengths of the business are decent location, uncommon services like free wi-fi internet and internet orders, high quality products, unique environment of China and family atmosphere within the personnel. When it comes to weaknesses and challenges, they are quite the same as the ones in every starting business: lack of experience, lack of knowledge and lack of important connections.

Most threats are well thought of. For instance bureaucracy, crime and unstable politics are factors possible to cope with as it can be seen from the risk management chapter. Other threats as the growing premises rent or

intense work flow are hard to resist substantially on the paper. However, there are always possibilities to solve these problems.

9 CONCLUSION

The aim of the thesis was to prepare a real-life business plan worth using it. However, there was some underestimation from the thesis author's side. There are entrepreneurs who claim that there is no need for a business plan to facet one's business idea, it is enough to have it in mind. After having the Introduction to Business Planning course, the author knew that it is a lot more to business plan than that. In the process of writing a practitioner faces more and more questions and issues which are better solved a way before starting the project itself. Nevertheless, the amount of work concerning the plan was unexpectedly constantly growing. That is because during preparing a theory foundation for the project the author would find more interesting concepts to be used in the plan or pitfalls to avoid, so it was decided to stick only to the main chapters such as marketing plan, human resource management and risk management. Even though the project ended up not so detailed and thorough as planned, the commissioner and the author consider it to be a great preliminary work before launching the venture which helped a lot in comprehending what has to be done in order to become successful. Now in case of turning the business idea into reality, the commissioner has a cornerstone work to base the final plan upon, which has all the necessary tools to run the business.

Various obstacles arouse while working on the project. Unreliable sources of information, scarce data on the current situation in the market or only pay data available just to mention a few. In fact, the only way for starting a medium or big scale enterprise is to conduct its own research or buy one from consultancy companies which would mean decent expenses for the company.

In order to prepare a high-end professional business plan one should be ready to spend a lot of working hours in the beginning, to change the plan's structure and its chapters if needed, to be very cautious when it comes to the sources and to be very critical about every part of the finished plan, because only then there are good chances to succeed in the business nowadays. Although the business plan is meant to be used in the future, the essence of

it lies not in a practical usage of the mentioned plan, but in a possibility to take hold of the business plan creating skills as an uttermost vital tool of focusing and elaborating business ideas in general. The present business plan is not just a good chance for a thesis writer to take part in a starting enterprise, but also a great experience and example which helps in acquiring a deeper look at things when it comes to business related issues.

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APPENDICES

Interview	appendix 1
Interview results	appendix 2

APPENDIX 1

Interview blueprint:

QUESTIONNAIRE

Date and time of the interview: _____

General approach

- What is the business idea you would like to work?

- What is your perception of Murmansk catering market business environment?

Marketing

- What is your customer base?

- What is your price level?

- How are you going to make possible customers aware of your brand?

- How tough is competition according to your knowledge?

Human Resource Management

- What is organizational structure in the company?

- How do you cope with low professional skills and intense work force flow?

Risk Management

- What risks do you see in your future business project?
-

- How are you going to minimize their influence?
-

Future cooperation

- Can I contact you in case of any further questions?
-

Thanks for your time. I appreciate your cooperation.

If you have any comments or suggestions, I am glad to hear it.

APPENDIX 2

Interview:

QUESTIONNAIRE

Date and time of the interview: 02.11.09

General approach

- What is the business idea you would like to work?

I would like to establish a tea-club in Murmansk somewhere close to the city centre which would specialize in organizing gung fu tea ceremonies (they are

one of the most widespread tea ceremonies which come from china) and selling bakery along with beverages, tea and tea ceremonies accessories. High-quality tea and different tea traditions are my passion, you see, that is why I want to run my own tea club. Moreover, lack of competitors and actually no competitors in the niche make the idea sound even better to my ear. And also last 8-9 years the purchase power of population is constantly growing, so they are more inclined to buy products of luxury and entertainment which is another favorable factor. That's about it, if we put it simple.

- What is your perception of Murmansk catering market business environment?

I don't know much actually. Only some basic things like constant problems with personnel, frequent authority audits, maaany red tape issues and so on and so forth.

Marketing

- What is your customer base?

Well, I was mostly thinking about wealthy and middle-class people like businessmen, managers, office workers, and servicemen and so on. On the other hand, I want also normal people with average income to visit the place once in a while.

- What is your price level?

Yes, that's another thing to point out. The price level will not exceed that price standards of our main competitors.

- How are you going to make possible customers aware of your brand?

In the beginning we will use newspaper and radio advertisements to attract people to the brand. Moreover, we'll think of event sponsorship, but that

depends on the budget we have at the time. One more thing to mention is an opening presentation where we will invite popular guys, you know, and ladies known to majority of population. In the long term, we would like to have many loyal customers, so we will use word of mouth a lot to spread a word among more and more potential clients.

- How tough is competition according to your knowledge?

To my knowledge, there are no competitors in the niche so far. However, there are coffeehouses, cafes and other catering establishments around. Well, that question has to be studied.

Human Resource Management

- What is organizational structure in the company?

I don't think we will need many employees. Most probably we will end up have about 10 permanent workers, may be even less. I am not surprised you asked that question, because I well understand the importance of good functioning personnel system.

- How do you cope with low professional skills and intense work force flow?

One can hardly cope with these things. As we have a small scale company, we'll try to stick to warm and cozy atmosphere, so that people will like it working and being within the company. Low professional skills? Well, there only two ways to solve the problem: to organize training or to hire skilled workers, so we have to find out what is more appropriate.

Risk Management

- What risks do you see in your future business project?

I already mentioned bureaucracy, authority audits, organized crime. These are the issues that come in my mind. Probably, there are others, but it is another thing we have to research and may be use consultancy companies' services.

Future cooperation

- Can I contact you in case of any further questions?

Certainly.

- Thanks for your time. I appreciate your cooperation. If you have any comments or suggestions, I am glad to hear it.

You are welcome. We'll have time to think of the details, right? So, good luck with your project.