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# Business Plan for a Restaurant

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2012 Laurea Leppävaara

**Laurea University of Applied Sciences**  
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## **Business Plan for a Restaurant in Eldoret Kenya**

Shiyo Angela & Keter Noah  
Business Management  
Bachelor's Thesis  
April, 2012

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**Business Plan for a Restaurant**

Year	2012	Pages	53
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The objective of this thesis is to develop a business plan for a restaurant named Ushanga in Eldoret Kenya that will focus on food services around the area. The main purpose of this study is to determine whether this business plan is viable and able to function as a normal restaurant. The business plan evaluates different features that are related to restaurant management. The intention is to obtain a broader picture of business planning in general and its particular parts. The author's own learning objective is to use in practice the knowledge obtained during the study in Laurea University of Applied Sciences.

The essentials of business planning are outlined in the theoretical framework. The study's theoretical objective is to define the models of business planning, to create a general understanding of the important theories of a business plan and to offer a theoretical base for the empirical section. The study's empirical objective is to make a business plan for a new company by analyzing the theoretical section, literature, Internet sources and the author's own knowledge. The thesis signifies the main objectives and strategies of a business plan, defines the possible competitors and potential customers. The industry, market analysis, marketing plan, financial plan and SWOT-analysis are included in the plan as well.

As per this study is a qualitative research, the sources used in the research are interviews transcripts, literature and internet sources related to the topic. As a learning process the study is beneficial to the authors. The knowledge gathered through analysis of this topic and writing the business plan for a new restaurant will be used by the author in the future when establishing the business.

Key Words: Business plan, SWOT Analysis, PESTE Analysis, Marketing planning.

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## 1 Introduction

Business is an interaction of trading in goods for money. It involves at least two people benefiting from each other by trading. The purpose is to provide both parties with value; profit for a seller and satisfaction for a buyer's need. However, the hardest part of starting a business is to get most likely coming up with a good business idea itself (Biz Foundry 2010). It could be a new invention or an original solution to an everyday problem. In the business of making money, an idea should be a viable business proposition.

The modern world assumes that business cannot prosper without planning its future. The business plan of a company defines how the business will be conducted and how it is going to operate. (Westwood 2004) To be able to succeed in the current business environment, organizations are forced to analyze their operations with more facts. The authors believe that careful preparation and business plan creation can create competitive advantage for any business. The focus in this study is restaurant business in Eldoret Kenya.

### 1.1 Purpose of the Thesis

The purpose of this thesis is to determine the feasibility of starting a new restaurant situated in Eldoret Kenya. Its feasibility means that there is a potential for a market niche for this kind of restaurants business idea in Eldoret. The potential market niche will be analyzed by use of market research, environmental analysis and the strategic planning methods.

The information discovered from the research will enable the authors to assess whether the Ushanga restaurant concept is feasible and worth implementing and so make a business plan for the restaurant. The research study takes into consideration customers aged between 20 and 55 years old, the travelers, people from the learning institutions and the sports activities within the town and other industries as a target group.

### 1.2 Research problem

The research problem is intended to find out the problems affecting restaurant customers in Eldoret. By doing so, the authors seek to prove the hypothesis that restaurant customers in Eldoret are poorly served and whether there is a potential market niche for Ushanga restaurant. The research analysis took into consideration issues such as the menu, food quality, customer service and product prices. Apart from the above, the research further sought to find out the problems affecting restaurant businesses and the solutions to the challenges.

### 1.3 Research Approach

The intension of this project is to open a restaurant that satisfies the needs of customers where many restaurants have failed to notice. This means that Ushanga restaurant will be a new restaurant serving its customers with new desirable concepts and experience. Ushanga will exploit pro-activity, its trend awareness and customer satisfaction as its key success factors.

### 1.4 Theoretical Approach

The theoretical framework of this document includes theories about the business plan, SWOT analysis, PESTE analysis and marketing planning, these theories give a general understanding on how to open and run a real business.

The business plan will give the reader the what, where, why and how a business will accomplish its objectives and tells who will be involved in running it, the SWOT analysis will help the marketer to focus on the key issues when planning a business, PESTE analysis will help in understanding clearly the business operating environment and marketing planning will help in marketing the products and services of the restaurant.

### 1.5 The structure of the thesis

This thesis consists of four main sections: introduction, theoretical framework, research methods and the most important one which is the empirical framework and finally the summary.

The empirical section is the biggest part of the whole study. It takes the form of a business plan based on the theory of business planning examined and the information gathered in order to make what would be a real business plan.

The introduction section gives an overall perspective of the subject, the objective and background of the study. It also defines the essential concepts used in the study, and the structure of the work.

In the second section of the thesis the fundamentals of business planning are outlined. The theoretical objective of this study is to define the concepts of business planning, to create a general understanding of the relevant theories of planning and offer a theoretical base for the empirical section of the study. This sector also refers to key questions of all planning work and different types of business plan.



The research methods section describes the construction process of the study, which includes gathering and analyzing literature and articles, combining the existing information with the theoretical framework, evaluation and reliability and validity of the study.

In the fourth, section the theoretical base described is put into practice. The study's empirical objective is to construct a business plan for the restaurant business in Eldoret Kenya. The study represents the main objectives and strategies of a business plan, defines the possible competitors and potential customers. The market and industry analysis, financial plan, marketing plan and SWOT analysis are included in the plan as well. Thus, the empirical section intends to create a real business plan that will be applied for a new restaurant for two years from 2013 to 2015. The study's last section consists of the risk analysis and controls, and also the conclusions and discussions.

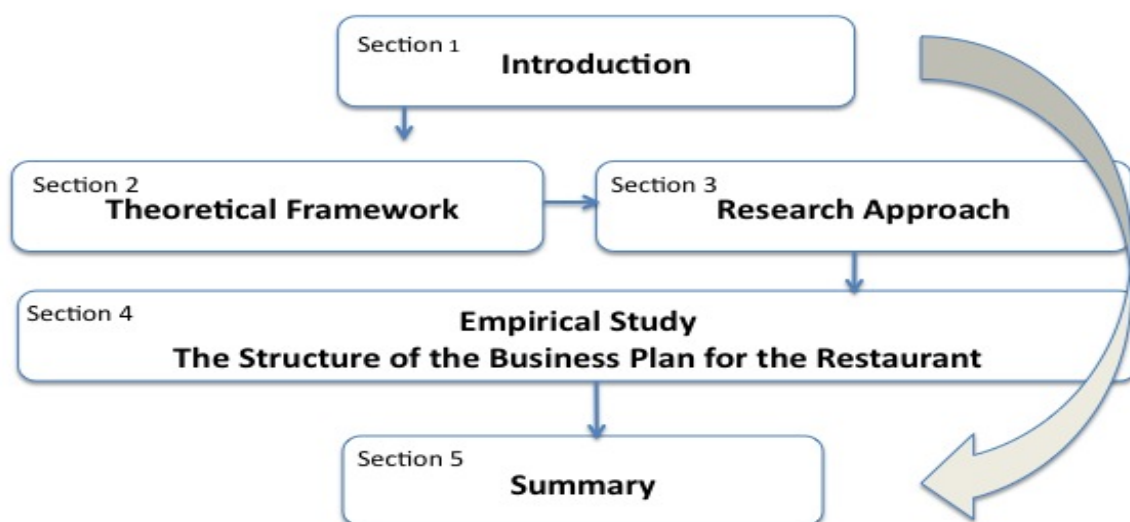


Figure 1: Structure of the thesis

## 2 Theoretical background

### 2.1 What is a business plan

A business plan is a written document that demonstrates well that enough products or service can be sold at a profit to become a practical business. A business plan gives the reader the what, where, why, and how a business will accomplish its objectives and tells who will be involved in running it. (Hatten 1997, 94)

However according to Fiore (2005, 10) a business plan is two things; an organizing tool to simplify and clarify your business goals and strategy, the second one is a selling document that sells a business idea and demonstrates that a product or service can make a profit and attract funding and company resources.

It is very important to take time to write a concrete business plan, which will be the road map during the first couple of years of running the business. Business plans vary in length and complexity, but almost all business plans include the following: an executive summary, a mission statement, a business overview, a market analysis, a competitive analysis, a marketing plan, an operations plan and a financial plan. (Joyce.W. 2007)

## 2.2 Why needing a business plan

Planning has one of the most imperative roles in any business establishment. A business plan helps keep person focused, as well as giving a way of measuring the business performance.

We need a business plan for the following reasons: For running the business in order to optimize growth and development according to priorities, that we could look ahead and allocate resources appropriately and to enable us to focus on key issues and prepare for problems and opportunities. (articles.bplans 2011)

Preparing a business plan is the initial and most important duty to be undertaken by any business starter. The preparation process makes it possible for a businessman to test his energy, motivation and commitment. There are indeed some advantages and disadvantages of owning a business like in any other business. It is usually quite intense, time-consuming and non-rewarding work in the phase of business establishment. But a well-designed business plan and properly structured management usually brings outstanding outcome and good income.

However, Pinson (2004, 2) has pointed out that the business plan will provide the tools for the company to analyze changes that will make your business more beneficial. Business plan provides detailed information on the aspect of your company's past and current operations, its projections for the next few years, as well as the documents that a creditor or investor requires if you find it necessary to seek outside funding sources for your business.

## 2.3 The purposes of a business plan

A well-arranged business plan will provide a pathway to profit for any new or existing business. The business plan will also provide the documentation that a creditor or investor requires if it is necessary to seek outside financial source for the business. (Pinson, 2004)

A business plan is a requisite that is to say if one is planning to seek financing from other sources other than personal financing. The business plan details shows how the capital investment should be used using different methods of capital budgeting such as the Payback period, Internal Rate of Return or the Net Present Value so as to get the desired profitability.

Use of a business plan as a guide keeps one focused and makes it easier to progress during the business startup phases as a management tool the plan helps the investor to establish through monitoring the progress of the project.

The plan could be comprised of the schedule, list of objectives that could be pursued through written documents and the assessment of the progresses and comparisons of the projections of the current work in progress to the intended project results. A business plan plays a major role in communicating to the possible investors, or strategic partners in the securing of initial capital. (Pinson, 2004)

## 2.4 Marketing planning

A marketing plan is a document that formulates a plan which will help in marketing products and services of the particular business company. (Wood 2011, 12)

However, Woods ( 2010, 2) define a marketing plan as a planned process that leads to a coordinated set of marketing decisions and proceedings for a specific period, based on a study of the current internal and external situation, including markets and customers a clear marketing strategies, objectives, directions and programs for targeted customer segments, support through customer service and internal marketing programs and management of marketing activities through implementation, assessment and control.

The importance of marketing in any business is vital because the customer rarely know what kind of actual service is. Not having any plans can lead to confusion, which means planning brings goals. Marketing strategy or planning is a widely researched and covered topic.

### 2.4.1 Pricing

The pricing determines the price asked to the consumer for a product, taking into consideration the willingness of the consumer to pay a certain price, intermediaries, demand, costs. If the price is not in line with these basics then, all the other marketing efforts and objectives are useless. Solomon, Marshall & Stuart (2008, 53) state that consumers will only pay when they perceive value thus when the perceived benefits outweigh the perceived price. (Wood

2010, 137) According to Kotler (2003, 476) in order to set a price, the company should look at the demand and estimate the consumers' sensitivity to the price thus determining if the price is elastic, pricing varies accordingly to changes in demand or inelastic, the price is hardly changes with demand variations. Elasticity is said to depend on the amount of competitors and substitute products, the reaction of noticing the price change in the market, slowly changing buying habits and accepting the increase in price. Kotler (2003, 480-486) also identifies several pricing methods such as perceived-value pricing, target-return pricing, markup pricing.

However, Wood (2010, 138-139) states that customers recognize value depending on the benefits offered by a certain product and so compared with substitute and competitor products, such benefits come from categories such as performance, features, value, personal benefits, accessibility, service, initial purchase price, maintenance and repair costs, ongoing fees, installation, training, ancillary products and financing. According to Wood (2010, 151) pricing a latest product is more difficult as the company must choose between market-penetration pricing, low price for rapid penetration, and market skimming pricing, setting a high price for getting maximum revenues from the market.

#### 2.4.2 Promotion

Promotion is communicating with the public in an effort to influence them towards buying your products or service. A company can have the best product, price and distribution but if it does not communicate it to the consumer through a proper strategy the marketing plan will achieve nothing. (Wood 2010, 180) Sales promotion includes a wide assortment of tools like coupons, contests, price reductions premium offers, free gifts and others all of which have many exceptional qualities.

They offer strong incentives to buy by providing inducements or contributions that give additional value to consumers. Sales promotion can be used to produce product offers and to boost floppy sales. They attract consumer attention and provide information that may lead to a purchase. Moreover, sales promotions invite and reward quick response. Whereas advertising says 'buy our product', sales promotion offers incentives to consumers to 'buy it now'. (Kotler et al 2008, 714)

#### 2.4.3 Advertising

Is a form of marketing communication that is used to convince an audience to take action with respect to services, ideas or products being offered, the preferred result is to persuade the consumer with respect to commercial offerings on the media as the advertised message comprising of images, themes and logos displayed contains similar messages that can be asso-

ciated with the company. These messages are viewed via various traditional media such as magazines, newspapers, radios, televisions, websites, direct mails, emails and text messages. (Marketingteacher 2012)

However according to Hiebing Jr & Cooper (2003, 292) advertising can be defined as a communication element which informs and persuades through paid media like television, radio, magazines, newspaper, internet, outdoor and direct mail.

#### 2.4.4 Place

Place or location is the crucial element in the marketing mix, companies can have great products and excellent strategies, but if they do not reach the consumer, it is obvious the product will fail. (Kotler 2003, 544)

#### 2.4.5 Positioning

Positioning is described as how a product or service is to be perceived by the market compared to the competition and so does explain why a customer should buy products or service from company A and not those from company B. (Lodish, Morgan & Kallianpur 2001) However, Hiebing Jr & Cooper (2003, 145-146) postulated that positioning means creating an image for your product in a way the customers would be attracted to the product. Positioning makes the product of one company attractive to the customers than those of the competitors the market. If there is no real or direct completion such as for some nonprofit organizations, the organization still needs a point of reference in order for the target market to understand and remember the message. In the case of the competitive marketplace, positioning positively differentiates the product from the competition. Remember positioning is used to differentiate your product to a specific target market, not to the whole world.

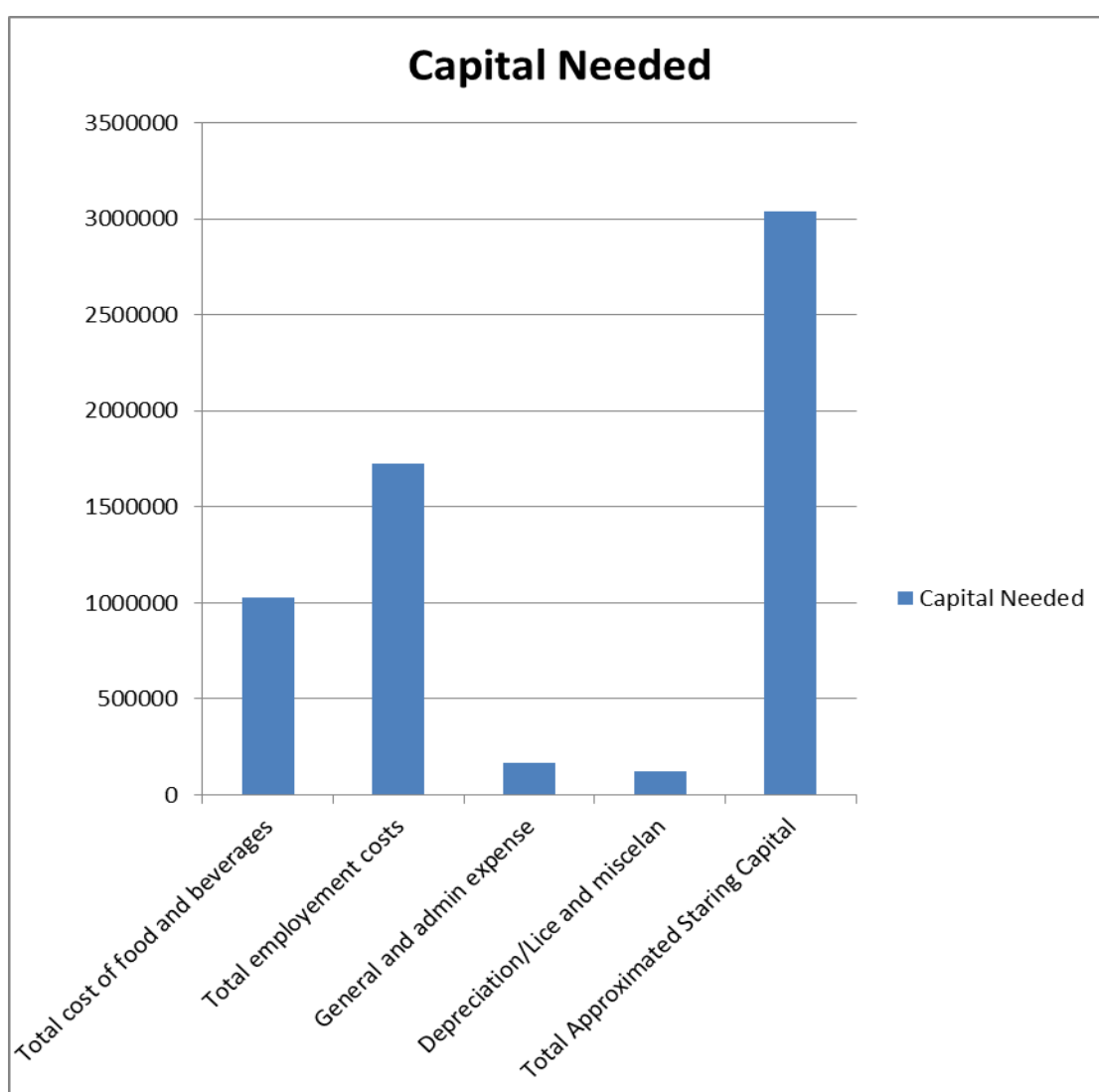
#### 2.4.6 Policy and control

The policy states what a business will do while control measures the accomplishment of the policy goals. The most important policy of a business is to find out what the markets demand, to satisfy those demands and to make a profit while doing so. Policy implementation depends on planning and using the plan as a means of controlling the business. Key to the operations is a sound accounting systems which give adequate accounting records and the required capitalization to start a business. (Bangs 2002, 69)

#### 2.4.7 Capitalization needs

The estimated capital required for the restaurant to be opened is approximated to be Kenyan Shillings 3040000.00. This figure is derived from all the estimated costs added all together as per present price values of total employment costs, general and administrative costs, depreciation, licenses and miscellaneous. The capital needed will be contributed by Ushanga's founders Keter Noah and Angela Shiyo from their own pockets equally in 50:50 ratio.

The graph below shows the total starting capital needed as compared with expenses.



Approximated Starting Expense	Capital Needed
Total cost of food and beverages	1028000
Total employment costs	1728000
General and admin expense	164000
Depreciation/License and miscellaneous	120000
Total Approximated Starting Capital	3040000

## 2.5 SWOT analysis

SWOT analysis is a tool used to audit any organization and its environment, whereby it is the first phase in planning and helps the marketer to focus on the key issues. SWOT stands for strengths, weaknesses, opportunities and threat. However, Kotler & Keller (2006, 52-53) defines SWOT as an overall assessment of a company's strengths, weaknesses, opportunities, and threat. SWOT involves monitoring of the external environment (opportunity and threat) analysis, whereby the business unit has to monitor key macro environment forces and significant micro environment actors which affect its ability in earning profits, and internal environment (strengths and weaknesses) analysis.

The main purpose of SWOT analysis is to discover an organization's distinctive competencies so that the organizations can choose and implement strategies that exploit its unique organizational strengths.

### a) Strength

Organizational strengths are skill and capabilities that enable an organization to conceive and implement its strategies. Organizational strengths may include; unique reputation, a pool of managerial skills, good financial resource, good facilities, well trained service providers and excess capital.

### b) Weaknesses

Organizational weaknesses are skills and capabilities that prevent organizations from choosing and implementing strategies that support its mission. Weaknesses could include diminishing financial resource, aging, limited facilities and lack of expertise. Weaknesses can be solved

after an investment has been made or by modifying the mission to suit the already possessed skills and capabilities.

c) Opportunities

Organizational opportunities are aspects of vision that generate higher performance, additional programs and investments. Examples include, new staff expertise, expansion of services, new issues that have wider community interest and development of new facilities.

d) Threats

Threats are the conditions that undermine the stability or increase the difficulty of higher or better performance. Threats may include high competition and economic factors that could limit (human and financial) contributions. (Griffin 2011, 68-70)

## 2.6 PESTE Analysis

According to Grimm, Lee, Smith & Ken G (2006, 31), the environment is the larger determining factor of a firm's competitive advantage and performance. However it further explains that the firm's strategy and action in achieving a competitive advantage is very important.

Business units that have either failed to understand their operating environments or respond to the changes have ceased to be viable. For this reason therefore, business planning has to take into consideration the following factors which are regarded as business environment. A company external environment comprises of both the macro environment and the micro environment. The macro environment is the factor beyond the immediate environment such as political factors, economic, social and cultural and technological factors. The micro environment constitutes the factors influencing the organizational activities directly or indirectly. They include; the customers, suppliers, competitors, government, the financial community, and the local community. (Palmer & Hartley 2009, 5-16)

### 2.6.1 Political

In political it states that governments pass legislations that affect firm's business opportunities directly or indirectly. They also formulate policies that influence the rate of growth in the economy, impose restrains on activities of the firms in order to protect public interests, and most importantly state that the stability of political systems affects the attractiveness of a business environment. (Palmer & Hartley 2009, 9)

### 2.6.2 Economic



According to Palmer & Hartley (2009, 13) household disposable incomes vary with economic cycles and that consumption of goods and services increase during boom time and decline in the recession periods. It also states that the actual distribution of spending power among the population influences the pattern of demand for specific goods and a rise in unemployment may encourage low wage rates hence favoring the labor intensive service companies.

### 2.6.3 Social and cultural environment

Palmer & Hartley (2009, 9) states that business organizations should understand the process of gradual change in values and attitudes and be prepared to satisfy the changing needs of consumers. The values and attitudes that have changed include: The leisure which is increasingly becoming a big part of many people's lives has prompted businesses to respond with a wide range of leisure related goods and services. The changing role of women and men in society as men and women share expectations in employment and household responsibilities. A variety of green consumer products is gaining more attention among many environment concern groups in society.

### 2.6.4 Technology

According to Palmer & Hartley (2009, 11) the technology is rapidly advancing. These changes have allowed new goods and services like internet banking to be offered to consumers. They also have the effect of lowering the production costs and hence help lower product prices, create new methods of product distribution and new opportunities for firms to communicate with target customers such is afforded by mobile internet service.

## 2.7 Environmental

According to Mintzberg, Quinn & Ghoshal (1999), environmental factors are technological, economic, physical, social and political in kind and that strategic planners must be aware of the aspects of business environment that are likely to change and affect the future of the business.

### 2.7.1 Demographic environment

According to Palmer & Hartley (2009, 10), it is very important for firms to monitor the proportions of a population and develop goods and service that meet the aspirations of these different groups. A decline in teenagers means less labor supply to companies that used to rely on their input. Similarly, changing geographical distribution of a population between rural and urban areas and the changing ethnic composition are critical to many business organizations

### 2.7.2 The microenvironment

Organizations should know its customers so well that they can predict what the customers will need next by use of appropriate information gathering system. Even so, the organization has the ethical obligation to ensure that customer self-long term interests is considered. (Palmer & Hartley 2009, 14)

### 2.7.3 Suppliers

In cases where reliability of suppliers is very important, unreliable suppliers may hamper a manufacturer's production efforts. Companies too should act in a social responsible way and take into consideration the needs of suppliers. This helps eliminate market dominance power by big customers over small suppliers. (Palmer & Hartley 2009, 14)

### 2.7.4 Competitor

A direct competitor is similar in form and satisfies customer needs in a similar way. Indirect competitor may be different in form and satisfy quite similar need. It is very important for a firm to monitor competitors to understand their next likely move. (Palmer & Hartley 2009, 15)

### 2.7.5 Government

Governments have a greater role as business regulators than the needs of customers. While firms provide the governments with taxes and afford regional development to the governments, the governments have certain demands over the business such as payment of sickness and maternity fee. (Palmer & Hartley 2009, 16)

### 2.7.6 Financial community

For companies to expand, they may need to consider the needs and expectations of potential investors. The shareholders are interested in organizations that assure them of the achievement of the stated objectives. (Palmer & Hartley 2009, 16)

### 2.7.7 Local communities

By contributing to the welfare of the local communities through the use of charitable contributions, and sponsorship of local events, businesses enhance their images as good neighbors in the business locations. (Palmer & Hartley 2009, 16)

### 2.7.8 Internal environment

The constant changes in the consumer needs and the external environment demand that a company should have a flexible internal organizational culture. To manage it, companies have got to; avoid internal tension which prevents effective responds to consumer needs, eliminate rigid hierarchy and tradition; properly delegate and exercise authority, ensure that work is properly shared, team work and effective communication between different groups of employees prevails. A company should as well have the right staff at the right time and in the right place, train the staff, rewarding and motivate. (Palmer & Hartley 2009, 17) Furthermore, there are explanations summarizing the above environmental factors. This is explained as complexity and chaos theory, the business cycles and the risks and uncertainties.

#### 2.7.9 Complexity theory

Complexity theory states that the systems of interest under certain conditions perform in regular predictable ways and under other conditions, gradually perform in irregular and unpredictable ways such that the evolution lead to divergent dissimilar behavior. The chaos theory describes a sensitive system where it is mathematically possible to determine but quite much impossible to predict. Many business environments are considered chaotic in that they can be very difficult to predict after the disturbance of the initial equilibrium. (Palmer & Hartley 2009, 29)

#### 2.7.10 Business cycles

Business cycles is describe as being the results of the interaction between supply and demand such that when demand is high, prices increase and new entrants are attracted leading to low prices and increasingly less attractive markets that force other companies to exit which in turn lead to a rise in prices and a continuous repeat of the cycle. Business ideas too spread from one place to another and may have a rising and falling popularity over time.

#### 2.7.11 Risks and Uncertainties

According to Palmer & Hartley (2009, 29), companies have no certainty that the future will follow the recent past pattern. However, it is quite easier and cheaper for small companies to adopt to change than it is for big companies. For companies, there are a number of risks which may include; new better resourced competitor emerging, strategic supplier may exit business, governments may introduce new unfavorable legislations or raise taxes, new governments may come with unfavorable political agenda, consumer disposable income may change badly, failure to recruit skilled employees needed and the new legislations that may badly affect employee recruitment and training.

### 3 Research Approach

#### 3.1 Types of research method

##### Quantitative

Quantitative research methods were at first developed in the natural sciences to study natural phenomena. All quantitative researchers put emphasis on more on numbers than anything else. According to Pride, Hughes & Kapoor (2008) quantitative research involves the compilation of statistical data for analysis through a survey, test, or context analysis. Many researchers believe that the statistical information that results from analysis of numerical data represents a more objective and fair picture than the subjective in perpetration used in qualitative research.

##### Qualitative

Qualitative research is used to gain insight into people's attitudes, behaviors, value systems, concerns, motivations, aspirations, culture or lifestyles. Qualitative research is used to inform business decisions, policy formation, research, business decisions and communication. Figure 2 below illustrates qualitative research as multiple focal points.

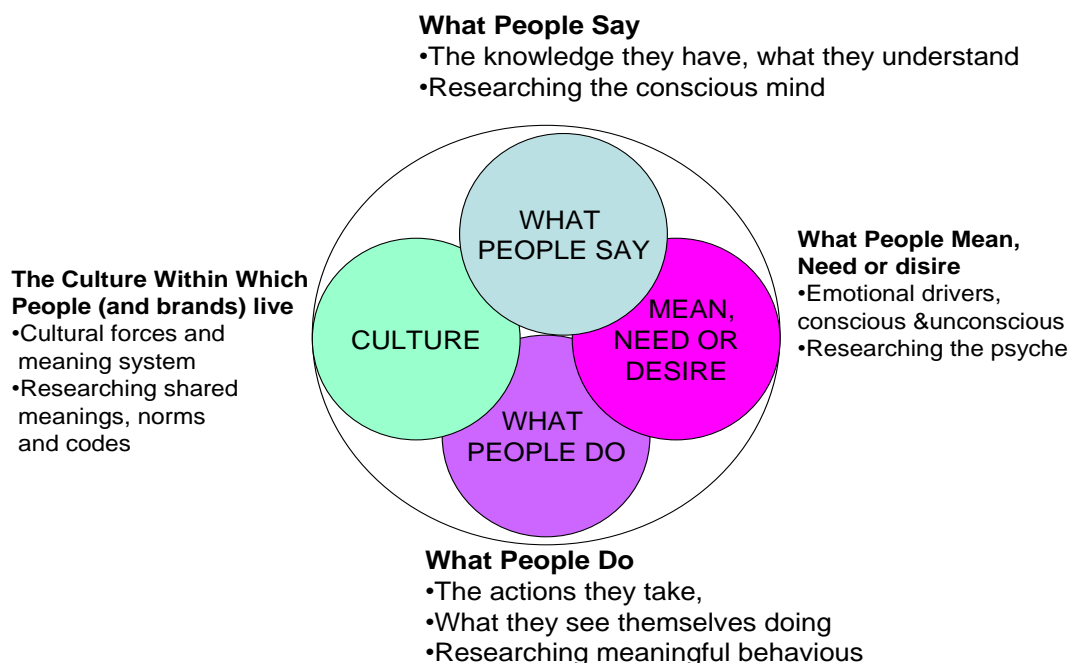


Figure 2: Multiple focal points. (qsrinternational 2011)

Also according to Myres (2009) qualitative research methods are intended to help researchers be aware of people and what they say and do. They are designed to help researchers understand the social and cultural contexts within which people reside. One of the key benefits of qualitative research is that it allows a researcher to see and understand the context within which decisions and actions take place.

There are many different ways to categorize and illustrate different types of research. However one of the most common distinctions is between quantitative and qualitative research methods.

Here are the few examples

Quantitative research focuses on numbers like survey, laboratory experiments, simulation, mathematical modeling, structured equation modeling and statistical analysis, while qualitative research which focuses on text, the action research, case study research, ethnography, grounded theory, semiotics, discourse analysis, hermeneutics, narrative and metaphor. However, according to Myres (2009) both qualitative and quantitative researches are helpful and required in researching business organizations.

### 3.2 Data collection

For valid and reliable study, it should be taking into consideration that adequate and quality information is essential to be collected in order to make the outcome research comprehensive enough for running a business. Major methods of data collection are used for this research because insufficient data is capable of having a negative impact on the research outcome. Therefore the technique data for the study was collected from primary, secondary and tertiary data. (Enhancing Customer Relationship 2008)

#### 3.2.1 Primary Data

Primary data collection involves the data which has been collected by the researcher himself using methods such as interviews and observations, direct experience, case studies. However, these data that have collected should be unique to only the researcher and to his research. This project uses primary data from a University student and restaurant business expert.

#### 3.2.2 Secondary Data

According to Preece (1994, 80) secondary data is involves in using the data that has already been collected and analyzed by someone else for a different purpose which the other person can facilitate. For example it could be by using:

- Journals

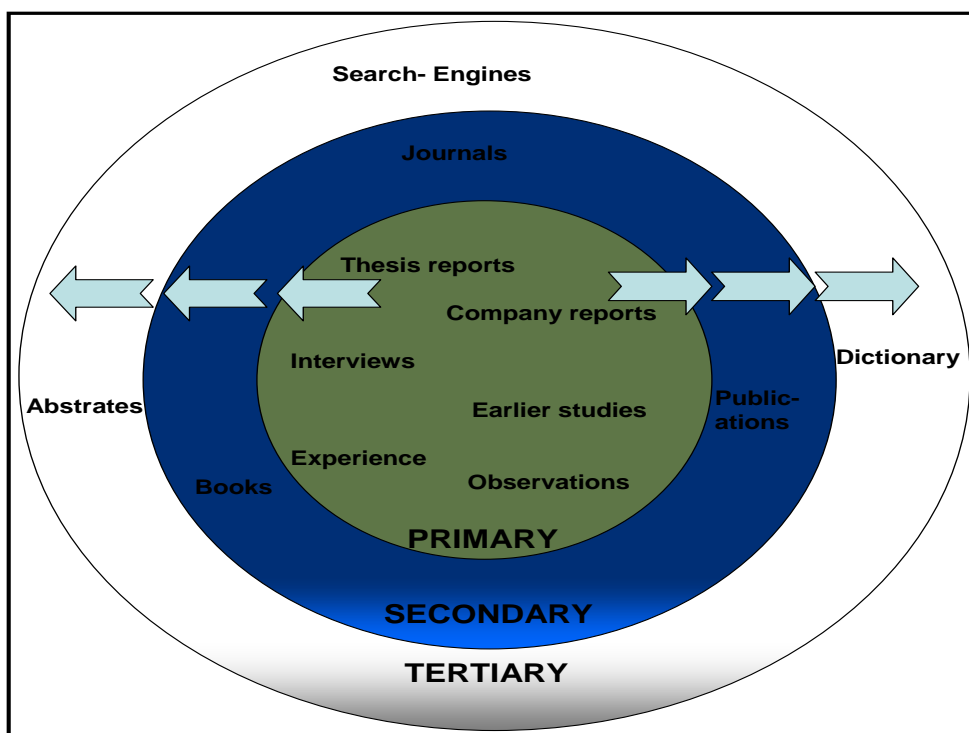
- Management books (e.g. Kotler etc.)
- Data supplied by a restaurant organization

Furthermore, secondary data can be used in different ways; it can be used as evidence to support an argument. In this plan, several business, marketing and restaurant books, journals and literature were used as evidence for the theoretical section, which was then later adopted to the empirical section to help solve the problem and facilitate improvement suggestions, because the authors of the books are academic expertise hence it is difficult to doubt their view-points.

### 3.2.3 Tertiary Data

Tertiary data is the third category of data sources, is the most problematic category, because it is almost synonymous with secondary data source. Hence people rarely differentiate between secondary and tertiary. Basically the tertiary data source is works which list primary and secondary resources in a specific subject area, and or the works which index, organize and compile citations to, and show the researcher how to use secondary sources.

In this plan (study), tertiary data was used, search engines, such as [www.learnthat.com](http://www.learnthat.com), [www.startups.co.uk](http://www.startups.co.uk), as well the online dictionary to find the simplest meaning of some professional terms, such as [www.dictionary.com](http://www.dictionary.com) and [www.helecom.com](http://www.helecom.com) which has indexes from several European databases on business and management.



(Enhancing Customer Relationship 2008)

### 3.3 Chosen research method

The authors decided to choose qualitative research as the main method of study in this thesis because it is the best given that the authors are focusing on a small population Ushanga restaurant (with respect to Eldoret town) is a medium size business enterprise. This method of research is also good for exploratory or descriptive research where facts are analyzed and the existing situation is investigated. In the analytical study, the authors have set the hypothesis and tested with the elements associated with the problem. The authors have summarized the questionnaire into four main questions that will facilitate information gathering and analysis given that Eldoret is much distant away that personal research by the authors would be impossible.

### 3.4 Methodology

The term methodology refers to the analysis of the principle or procedures of a conducted research, it is also describes the approach to problem which has been or to be solved. It is important to decide on the appropriate starting stage and which methodology should be used when conducting a research with the primary objective of solving any problem related to the outcome of the research. (Strauss & Corbin 1998, 8)

To find out the problem and possible solutions, the research has been conducted by two people separately on behalf of the writers. The University student interviewed restaurant customers, tallied their answers and did calculate the results of the interview regarding the questionnaire. The former restaurant manager (business expert) interviewed ten of the existing restaurant managers, noted down their answers and made his own conclusion based on the responds from the restaurant managers and his experience. The two of primary researchers sent their findings to the writers.

### 3.5 Evaluation of the study

After preparing the theoretical framework and the empirical section, the material was analyzed by reading all the way through and by making sure that the content of the theoretical section and the empirical section were in consent with each other. The theoretical section was reorganized by gathering more literature about the issues that were not discussed well enough in the study.

After making a general overview about the study, the authors analyzed how the study answered the problem questions set. Subsequently the conclusion section was produced, where the writer analyzed the results and scrutinized the discussion and conclusion of the study. (Birn, Robin 2004. 60), state that market research is complex and involves using statistics and analytical techniques that if not used incorrectly may not provide usable results. For that reason therefore, the authors have simplified their research in such a way that it will easily prove whether the project is feasible or not and if some changes to the project are necessary.

### 3.6 Validity and reliability of the study

Research depends upon two concepts, which are validity and reliability. Basically the validity of the study observes the capability of the research method to measure exactly what is intended to be measured. Measuring instruments and research methods are not always equivalent to the corresponding reality of what the researcher is researching. (Remenyi, Williams, Money & Swartz 1998, 289-291)

Irrespective of the research subject, a key question in research is how reliable the result is. Therefore, to a large extent the reliability independent, objective of the results and analysis the customer and readers expecting to see.

In this study, the validity is quite difficult to indicate. As the objective of this study was to construct a business plan for a running a restaurant, it can be concluded that the chosen measuring appliance was valid, while the reliability of this research and derives results have been ensured to be significant, because the secondary data sources for the theoretical study are dependable with a combination of deep study and initiatives, while the primary data source and the methodology of the research were qualitative approach in which the author strongly believes it provides an accurate and reliable information due to the nature of the research.

## 4 Empirical study

### 4.1 The City of Eldoret in Kenya

Amongst the popular tourist destinations in Kenya, Eldoret deserves special remark. The beautiful town of Eldoret is located in Western Kenya and is also the administrative center of UasinGishu district of the rift valley province.

Eldoret is located in the south of the Cherangani hill and it is now the fastest growing town in Kenya. It claims to be the 5<sup>th</sup> largest town in Kenya today.



The name "Eldoret" is based on the Maasai word "eldore" meaning "stony river" because the bed of the nearby Sosiani River is very stony. The white settlers decided to call it Eldoret to make it easier for them to pronounce it. At start of the colonial era, the area was occupied by the Nandi, before that by the Maasai and before that the Sirikwa.

In 1908, fifty eight families of Afrikaans-speaking South African settlers "trekked" to the Uashingishu plateau from Nakuru after a journey from South Africa by sea and by rail from Mombasa. They were followed by sixty more families in 1911 and more later. Eldoret was established in the midst of the farms they created.

The official town site of Eldoret itself started in 1910 with a Post Office on what was known to the white settlers as "Farm 64", "64" or "Sisibo" to the locals because, at that time it was 64 miles from the newly built Uganda Railway railhead at Kibigori Willy van Aardt owned the farm. The Central Lounge in Eldoret is all that remains of Willy's farm.

When the governor decided to establish an administrative center, the Post Office was re-named from "64" with the official town name as "Eldoret" in 1912. After it became an administrative center caused an enormous increase in trade within the prospective city. A bank and several shops were built.

The Uganda railway extension, from Kibigori towards Uganda, reached Eldoret in 1924 started a new era of prosperity and growth. In 1928, a piped water supply from the Sosiani River was installed. In 1933, the East African Power and Lighting Company installed an electricity generator plant by that time, Eldoret had a small airport, and low-rental housing had been constructed.



Map of Eldoret Kenya (Eldoret Map 2011)

#### 4.2 The Restaurant Industry today in Eldoret

Eldoret town has many small scale restaurants and a few of the medium sized ones. This has the implication of high competition in the restaurant industry. Despite the competition, the lifestyle changes created by modernization - quick information flow, coupling with health consciousness, full time occupation for both women and men which means less time spared for cooking, higher income, urban immigration and the increase in the number of travelling people all continue to support a positive trend of which Ushanga is well positioned for lighter, healthier foods at moderate prices.

The town of Eldoret has four quality restaurants serving a population of up to 500,000 people who live within the town. Quite a good number of people approximately 200 000, frequently visit or pass by each and every day. The majority of the restaurants in the town are small which serve between 10 and 25 customers at once, their service quality is mostly bellow a customer's expectation. The waiters are virtually untrained in restaurant service thus are expected to use their own home kitchen knowledge. This situation applies to the chefs as well. The authors find the weakness of the majority restaurants in Eldoret as an opportunity favouring this business plan.

#### 4.3 Results of the study

Because of the obvious large distance between the authors and Eldoret which makes personal data collection almost impossible, the Ushanga founders sought to confirm the perceived problems and find possible solutions by contacting an interview with the help of a university student who lives in Eldoret town and a restaurant expert who conducted their researches separately. The two people are well known to and trusted by one of the authors. They were separately well informed on the purpose of the research and the application of the results in determining the feasibility of this project.

The paper questionnaire was carefully summarized by the authors and sent to the student in paper who then carried out the interviews. As he carried out the interviews on restaurant customers, he tallied the answers as given by the interviewees appropriately against the question concern. He then calculated the percentages represented by the tallies. Of the 90 people interviewed 80 of them respondent satisfactorily.

When asked about the problems associated with medium size restaurants in Eldoret, the 80 frequent restaurant customers gave the following results: 20% said that the restaurants have bad, monotonous, traditional old menus. 35 % said that they are concern with their poor quality food while 30% said what concerns them is the bad services. Another 15 % were concern with the long queues in the only good restaurant.

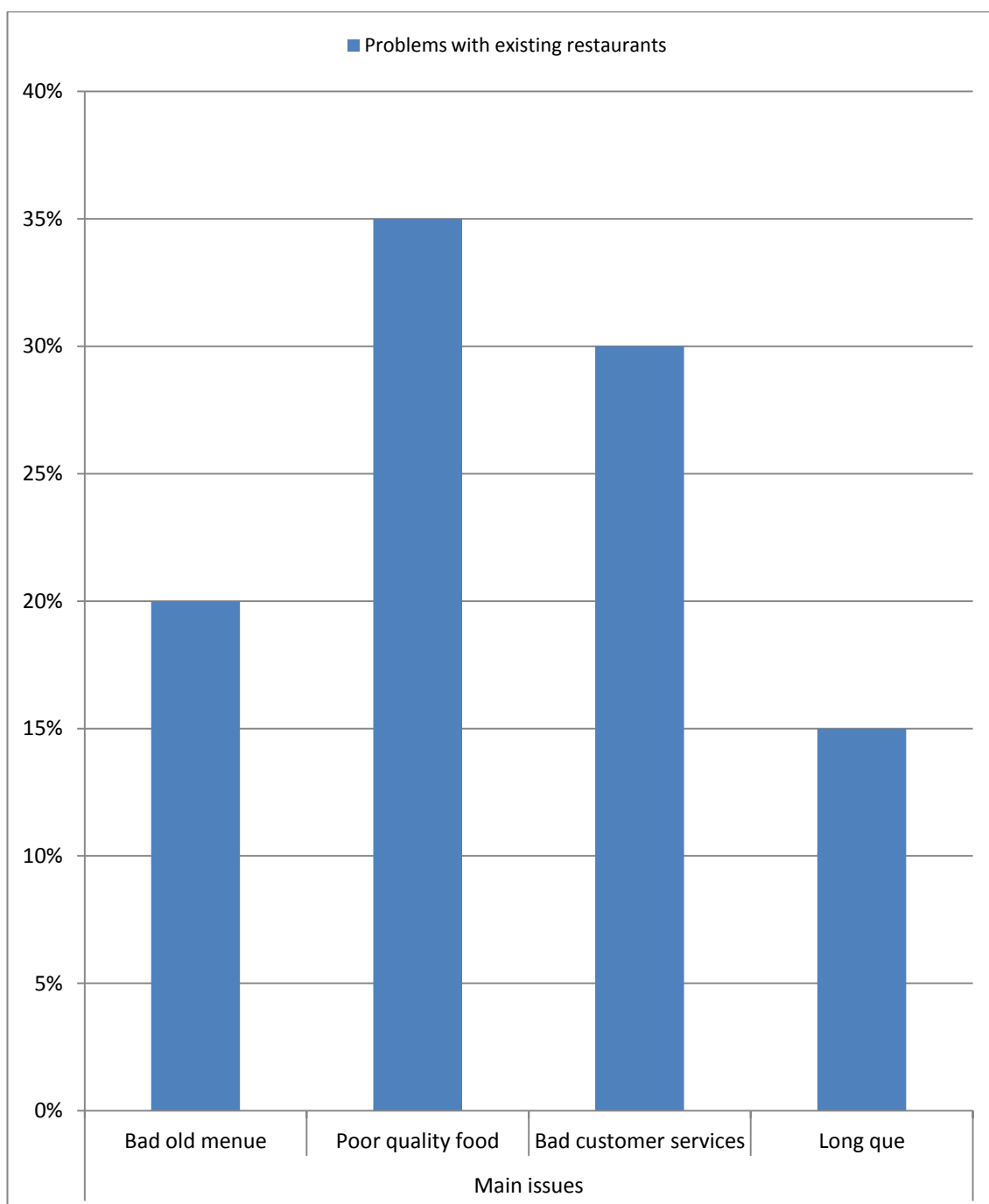
The results above were not that surprising because we already had an idea of what is happening in the town. As we tried to find out more about each of the four important problematic issues raised by Eldoret restaurant customers, it emerged that:

60% of the interviewers would like to have a large variety in the menu to choose from. Of the remaining 40%, only 25 % cared more about attractive food colors and the rest 15% not able to describe what they value in a menu.

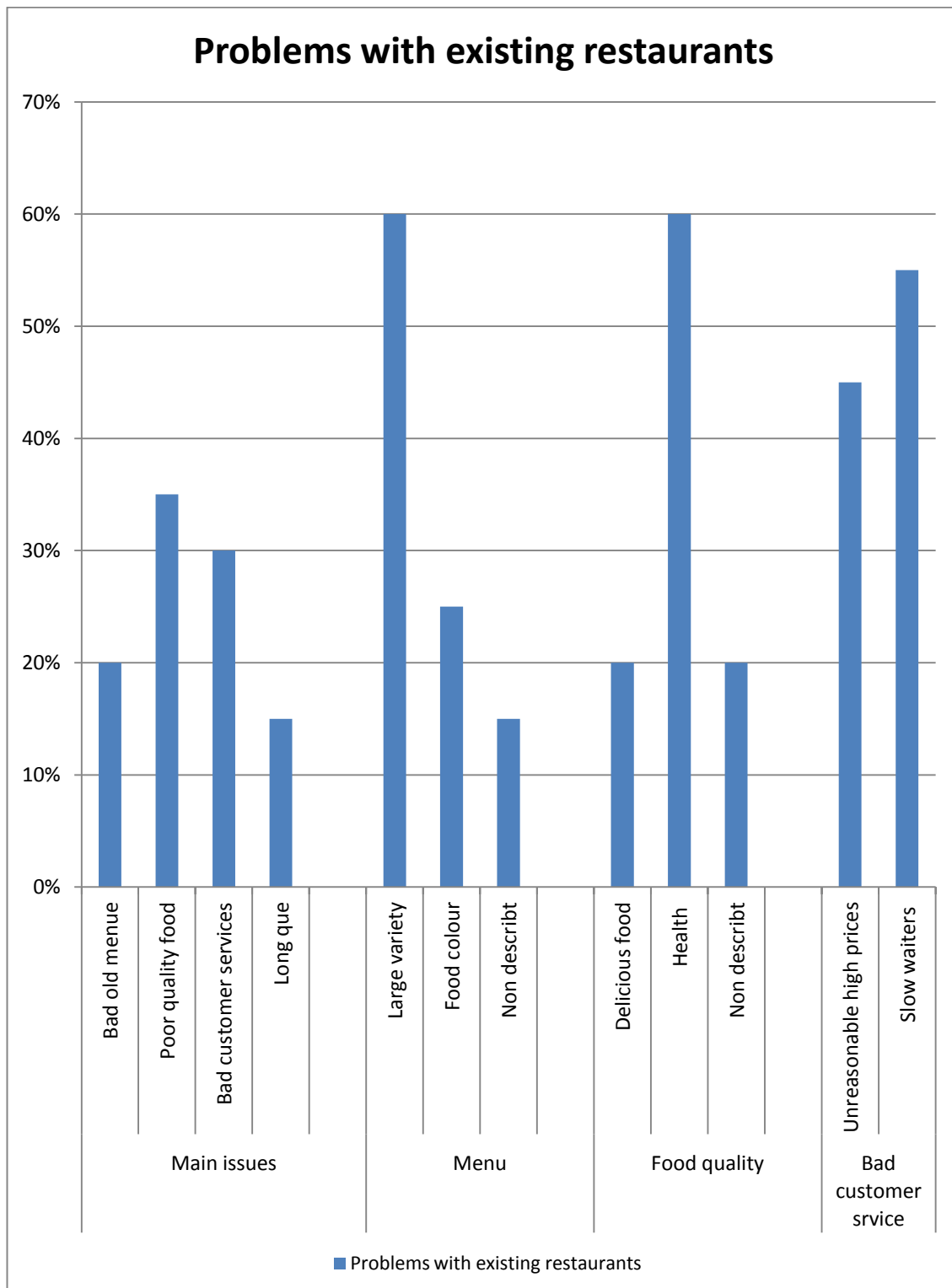
The food quality question has the following results: 20% would like to have delicious food, 60 % care about the health content, while the rest could not describe what exactly matters in food quality.

The fourth question was posed in respond to the bad customer service mention by potential customers out of the 80 people who took part in responding to the question of bad services, 45% did not like the highly charged prices which don't match the portions. 55% hate the way the waiters are slow. We were very much satisfied with the work done by the student and the contribution he made towards the success of the research.

The graph below shows the summary results of the problems facing the existing restaurant customers.



The diagram bellow shows the general problems associated with restaurants in Eldoret and the importance of each of the problems when looked at separately from the customer perspective.



Below is the summary of his interview which he gave to the authors.

Restaurant	Problems & challenges facing the restaurant	solutions
Elcove restaurant	The number of Chinese customers are still less	They have a few of the local dishes but Chinese food is the main focus. They also have problem with electricity supply
Burgers restaurant	Customers seem not to be well aware of us yet	Promotion activities are not enough yet
Ndupawa restaurant	No much problems but too much activities to care for	No solution but to try work hard. They are manageable
Wagon restaurant	The space is limited	Planning to get some big room
Other smaller Restaurants		
Road side restaurant	We have energy shortages, sometimes water shortages too, supplies are expensive	We want to buy own generator and arrange with municipal properly on water supply
Uchumindoko restaurant	Supplies are too expensive. All the costs are high	We will try to survive
Mbugua`s restaurant	We have energy shortages, labor problems and more other expenses	We will get some good guys to work then we see
Mama safi restaurant	Supplies are expensive, customers demand are now less	We will survive and see
Broad ways restaurant	Rent is too much	We will find a better house
Nakuru restaurant	Many customers don't come this way at present. The road is blocked by construction works	Wait till the road is ok

Mr sang who is an expert further gave his conclusion of the talk with the ten managers of the restaurants above according to his opinion. That the Chinese restaurant (Elcove) is still too hard on the Chinese food and that the local people fear that Chinese dishes could contain the otherwise forbidden dishes such as dog meat. That is the reason why it doesn't attract a good number of the locals.

The burger has a very limited customer target group that they do not see as a problem and even so they do not want to admit. The Ndupawa manager is a good hard working entrepreneur who wants to do everything a lone if it were possible. He is quit much rigid in his management responsibilities. The wagon restaurant is a future potential though competitor. However it is focused on the contemporaries.

As for the other six semi medium size restaurants which were include in the interview, Mr. Sang said that their problems are a characteristic of many restaurant businesses which are started without proper planning except for future misfortunes which may occur such as road constructions which may badly affect any business anywhere.

MrSang's conclusion from his talk with the managers is that some of the restaurant entrepreneurs were not completely honest in their discussions hence their problems and future plans cannot be known to 100% accuracy. Even so, he says that the entrepreneurs fear that because they have noticed their limitations, then they better keep them to themselves. This fear he says is harmful to the long term performance of the business in that the problems affecting most of the existing restaurants cannot be eliminated in a short period of time while some managers even prefer to live with them. He says that these problems if noticed and solved by a new start up restaurant is a great success opportunity by itself. The authors found the piece of advice by Mr. sang being so helpful and consistent with Ushanga's perception and so supports the reason for planning and starting this business project.

With respect to queue problem which is obvious, the authors found out that the only affected restaurants offers good food but have a small sitting capacity. Ushanga's food products will be marketed as value added products- clean, health, nutritious, delicious, unique and satisfying. We believe that our prospective customers who are aged between 20 and 55 years old will find the Ushanga restaurant a dinning destination in town which caters for all their needs. The reasoning is that this target group is looking for food with qualities such as described above and some spacious, elegant restaurants to dine in. Other people will be looking for food to fill up their stomachs. These customers will eventually choose Ushanga restaurant once they realize that our food is not only sold at normal prices but has more in addition.

#### 4.4 Company description

Ushanga is a partnership owned by the founders who are also directly responsible for financing the start-up costs associated with operations, maintenance, facilities and salaries. It is a medium size, Eldoret based single unit restaurant serving healthy traditional food. The restaurant will be located at Uganda road quite close to the main bus station.

##### 4.4.1 Legal structure

Our business will be operated as an ordinary (general) partnership because the two of us partners are equally capable in terms of business managerial skill necessary for operating a business of this kind and size at least for the beginning. One other main reason as to why ordinary partnership is suitable for our business is that the two of us partners will be equally liable for the partnership`s debts and that no much paperwork is required to start it.

##### 4.4.2 Mission Statement

Ushanga is a restaurant dedicated to providing its customers with health, satisfying, nutritious unique, quality food at affordable prices in it`s value added service driven restaurant business. This goal will be met by focusing on the following aspects:

The authors intend to produce innovatively unique food that will become the most perspective products in the town due to its sweet taste, freshness, it`s health nature and low cost. The authors will be keen to ensure financial stability and progress of the partnership by continuously implementing necessary cost cutting measures aimed at lucrative profit generation, growth and continued development in quality products. Ushanga will also maintain a friendly, fair and creative work environment which respects diversity, new ideas and hard work

##### 4.4.3 Business Vision

Our business vision is to be an innovative vibrant, successful restaurant business driven by value added service

The core values are:

- Prepare safe, high quality food for our customers
- Provide ourselves with an economic activity
- Practice and improve ethical business standards
- Take part in environmental conservation



- Meet the needs and the changing desires of the customer

The goals of our partnership include the following

- To increase our market share over time.
- To improve customer service by adding value.
- To improve profitability of our business.
- To increase efficiency of our staff.
- To improve staff training.

#### 4.4.4 Objectives

- Start the business by the end of 2014.
- Maintain a profit margin of 30% or higher while keeping the selling price same as those charged by its competitors- medium size restaurants.
- Increase the sales to more than 2 million Kenya Shillings by the third year
- To (expand) open other restaurants in the third year of operation.
- Promote and expand Ushanga's business concept as a unique medium size destination restaurant in the town.
- Increase the customer base by use of local radio advertising and posters in the strategic place in the town.
- To reduce operating costs by 35% in the 3rd years of business operation.

#### 4.4.5 Executive summary

The business idea is to open a medium size restaurant in Eldoret Kenya whose products will be traditional local menu with new innovative dishes will be introduced. The food demand is high in the town. However, problems faced by restaurant customers have emanated from many existing restaurant`s poor managerial skills and focus. Therefore, finding solutions to these problems has been the main focus of the author's intention to enter Eldoret restaurant market, the authors count on their learned knowledge of business management and the support of a restaurant business expert in Eldoret.

#### 4.4.6 Development and Status

The Ushanga partnership is to begin operating in December 2013. The founders are Keter Noah and Angela Shiyo who will take positions of the CEO and the vice respectively. The founders will loan the partnership are prepared to contribute the required capital for the business.

A suitable site for the first restaurant will be identified and lease negotiations are to

begin in December 2012. The location will be on Uganda road, just close to the main Eldoret bus station which is the most visited area of the town by the estimated 500 000 inhabitants excluding the travellers which number around 200 000 per day. When the lease is signed, there will be three months of free rent for construction and decoration. During that time the balance of the start-up funds must be ready. With that phase completed, Ushanga Restaurant can then open and the operations phase of the project can begin.

#### 4.5 Industry analysis

##### 4.5.1 Products and Related services

Ushanga Restaurant will be offering a menu of food and beverages with a distinctive image. There will be two ways to purchase these products; table service at the restaurant and take-out from the restaurant.

##### The menu

The menu is to appeal to a wider customer segment from the age of 20-55 years old. It will be of moderate size, moderately low priced, and made of flavorful familiar natural ingredients. The menu features typical east African dishes much of it being ethnic with additions of a few non ethnic delicious dishes. Ushanga's goal is to create an image of healthy satisfying nutritious food, good reputation and constant performance to performance standards.

Samples of dishes to be offered by Ushanga restaurant:



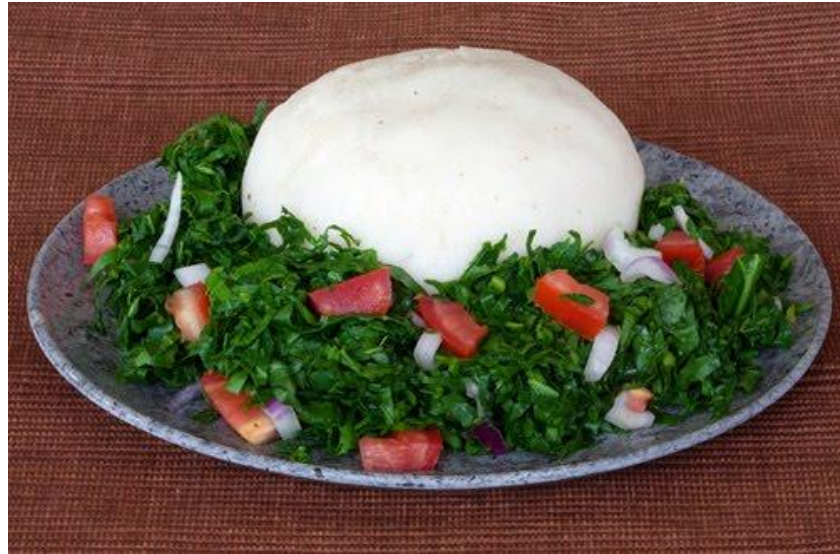
NdiziBukoba



Vegetable Soup



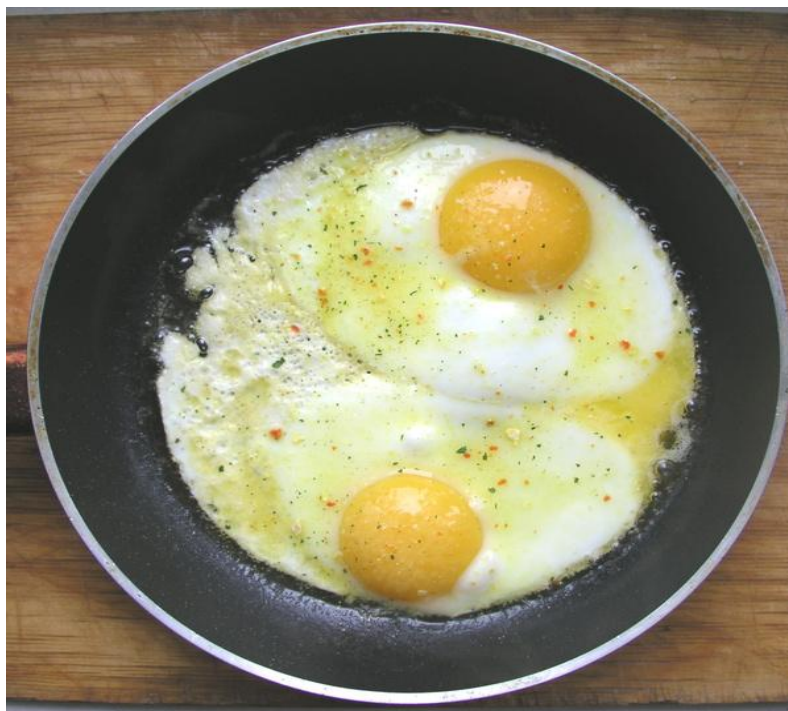
Roasted fish



Ugali Vegetables



Chapati (pancakes)



Eggs



Rice



Pineapple juice



Carrot juice

#### 4.5.2 Production

In the first year, Ushanga will purchase some of the required inventory (supplies) from the supermarkets in the town. Some of the supplies such as cereals and vegetable will be purchased from the contracted farmers to reduce the otherwise high market prices. The contracts will be arranged and sign in January 2013. The restaurant owners have planned for and will adopt a self-sufficiency principle where possible in the required crop production in the 2<sup>nd</sup> year of operation. This will be achieved by the use of own farm tractor for both cultiva-

tion and transportation of the farm inputs to the farms and the products out of the farms and into the storage facilities. This will help reduce crop production costs, increase efficiency, reliability and facilitate year round crop production therefore increasing and improving own supplies.

Cultivation of the required cereals, vegetables and root crops will take place on the 40 acre rented fields of local agricultural enterprises. Some of the crops intended to be produced in the farms such as obviously required cereals include maize, sorghum, millet and wheat. The root crops include potatoes, sweet potatoes, carrots, etc. the vegetables include garbage, kale, a variety of traditional vegetables and salads. Others will include onions, pumpkins, pepper and variety of beans.

#### Kitchen production

Food production and assembly will take place in the kitchen of the restaurant. Meat, fresh vegetables and dairy products will be used to create most of the dishes from scratch. The chef will exercise strict standards of cleanness, quality production, and presentation or packaging over the kitchen and service staff.

Different food product lines will slowly be introduced into the menu. Food products such as chapatti for example will be available from the ordinary ones made of purely one main ingredient (wheat flour and oil) to the innovative ones where other ingredients such as mash pumpkins, mash potatoes or un-chaffed wheat flour will be added to the chaffed flour and oil. Porridge as another example will be made in the same way. Process cereals meant for porridge that are bought from super markets will be mixed in different proportions with Ushanga's own other cereal flour already to produce. The Ushanga's own porridge flour will include the fermented and the unfermented to serve different customer taste.

The slow introduction of the new, unique and innovative food products lines will make Ushanga a distinctly unique restaurant and enable it to create a market niche that has the capacity for expansion.

#### Service

There will be three ways a customer can purchase food. They may sit in the dining room and get full service from a waiter. A separate take-out counter will service those who wish to pick up their food. Most take-out food will be prepared to order with orders coming from either the telephone or fax. Delivery (an indirect form of take-out) will be available at certain times and to a limited area.

## 4.6 Peste Analysis

The PESTEL, analytical conditions apply to the whole country and the local town area of concern -Eldoret. Because the conditions are generally very similar, the authors find it hard to point out minor difference that may be particular to (Eldoret) the town of interest.

### 4.6.1 Political

The Kenyan Government has been trying to boost private enterprises by reducing, the license fee, the paperwork required for starting a business, and the income tax charged on small and medium size businesses. Though the Government position is that there should be a minimum pay level and benefits to employees, the issue is still largely left for the employer and the employees to agree mutually. Though changes in government policies are not predictable, they are generally favoring private enterprises. However, there are a few local municipal council rules to mind about and the thought of a possible election associated unrest which may pose a little problem to smooth business operation.

### 4.6.2 Economic

Kenyan economy relies on agriculture and tourism. During the months of June- July, tourism industry experiences low season and as such, product prices increase. In the other months, prices are much more stable except for the current future unknown increasing instability in oil producing countries which may cause shortages and thus translate into inflation. The current 12 month inflation rate stands at 17.32%, and the value income tax is just 16%. Kenya was not severely affected by the recent economic recession.

### 4.6.3 Social and cultural

To satisfy the changing needs of the customers, Ushanga will modify its operations to suit the process of gradual change in values and attitudes. The restaurant will over time focus on a wide range of leisure relate food products and services. The changing role of women and men in society as men and women share expectations in employment and household responsibilities would create an opportunity for another product line if customers will prefer the pack and carry food products.

### 4.6.4 Demographic environment

Kenyan population is growing at the rate of 2.69% per year. The population is dominated by people within the Ushanga`s customer target segment. 20 - 55 years old. The total population



as of July 2012 is estimated at 41.07 Million. 0-14 years: 42.3%, 15-64 years: 55.1% and 65 years and over 2.6%.

This targeted age segment (20-55 year old) is the most mobile, they move to towns for business reasons, search for work, education and even leisure. Kenyans are hardworking people though income distribution in towns is as high as 49% on average according to World Bank sources.

It is very important for Ushanga restaurant to monitor the proportions of a population and develop goods and service that meet the aspirations of this group. The relatively good proportion of teenagers means more labor supply to firms like Ushanga that rely on their input. Similarly, the increasing rural to urban geographical distribution of a population and the changing ethnic composition is important to UShanga's business operations, stability and growth.

#### Internal environment

To manage the constant changes in the consumer needs and the demands of external environment Ushanga will develop and adopt a flexible internal organizational culture from the start. To promote and foster effective responds to consumer needs Ushanga will avoid and prevent internal tension from arising, eliminate rigid hierarchy, which is customary, to many businesses. Ushanga will also delegate and exercise authority in a proper and fair manner, ensure that work is properly shared and ensure that team work and effective communication between different groups of employees are prevailing. It will also be Ushanga's endeavor to have well trained staff from the start, occasionally reward and motivate them always.

#### 4.6.5 Technological

With the invention of mobile phone money transfer by means of SMS in Kenya, coupling with the internet, the country is one of the most financially innovative countries in Africa. The new financial product development allows cheaper, immediate financial transfer in the country. Any other new technologies from anywhere in the world such as IT is quickly adopted in Kenya.

#### 4.6.6 Physical environment

The authors plan to use gas, electricity and wood fuel in food preparation in the restaurant. Despite the availability of much wood in the town vicinity, the authors plan to invest in research focused on environmental conservation methods, contribute to waste recycling effort in the town and practice proper waste disposal methods laid down by the local municipal council.

#### 4.6.7 Legal

Ushanga is planned as a unique and innovative restaurant serving health safe food to its customers. The authors will ensure that the laws on health and customer safety, employment, competition and local licences and planning permission are all kept.

#### 4.7 Market analysis and segmentation

Ushanga's business idea came from the perception that most of the existing restaurants businesses in Eldoret have key problems. The Ushanga owners do think that by starting a new restaurant which provides solutions to the perceived problems, they shall have created a successful business.

##### 4.7.1 Specific segments

Local population of Eldoret town is around 500,000. The daily additional commuters to and from the town have a significant number approximated to around 200,000, though, this number is not included in the town's population statistics, as it can be expected, a large percentage of this group too is mostly within the Ushanga's target group.

##### Colleges and Universities

Moi University has two different schools, the furthest being around 10 kilometres away and the other situated in the town. Students are more young people that are anxious to taste in a different style though the ingredient may be ordinarily local.

##### Local businesses

The town has over thousands of businesses with about an estimated average of 5 employees each. These businesses are considered to contribute greatly to potential customers of the planned Ushanga restaurant.

#### 4.8 Marketing Planning

To outline the marketing plan, the pricing strategy and promotional techniques, positioning and advertising are defined for customer centric and goal-oriented mind set.

##### a) Pricing

Ushanga founders have decided to enter Eldoret restaurant market with customer value pricing strategy which in other words is following the market leader strategy. The reasons for the chosen pricing strategy are:

Ushanga founders are careful not to lose potential customers to existing restaurants, which are the competitors by setting prices higher. Similarly, low prices may have the effect of creating a cheap bad quality food image hence damaging the business.

The Eldoret market target segment is price sensitive. This segment is more willing to pay what is regarded as the price level or the general going prices as long as a plate of food is worth it. The price sensitivity affects the market share and competitive position in regard to this restaurant business in Eldoret.

Given that the target customer segment is the same as those for Ushanga's competitor, so raising food prices because of its uniqueness and better quality will possibly act as an incentive to the competitors to produce the same products within a short time.

#### b) Promotion

Different promotions will be used and designed towards Ushanga customers in Eldoret Kenya as follows:

- A good website and made to score well in Google search.
- Printing out brochures about the restaurant and what it offers with 10% coupons attached as the first time dining in the restaurant.
- Catalogue of food which is different from food menu or normal menu will be made to describe characteristics of different types of food served in the restaurant.
- Marketing of a product or service before launching means that Ushanga founders will advertise the restaurant once or twice in local newspapers before restaurant opening day.
- Direct mails with restaurant brochures will be sent to different companies around the area.

#### c) Advertising

Ushanga will be using opportunities presented by the yearly agricultural shows (exhibitions), local seminars to advertise it to the target customers. This will be done by the use of local radio air time and the use of posters at strategic places in the town.

#### d) Suppliers

Suppliers are the key element in the whole operation process. They play a quite important role in operating a successful restaurant. When considering saving cost, food quality guarantee, suppliers who are close to the restaurant's locations may be among the top selections. With more furious competition, suppliers are more often known to give discounts, so it is not always beneficial to keep one supplier. For that reason, therefore, Ushanga will keep different suppliers.

List of potential suppliers:

Eldoret town has a good number of medium size supermarkets including Eldorado, Ukwalla, Tuskys, Nakkumat, Eldo supermarket, Eldoret supermarket and Uchumi supermarket. All these supermarkets are situated within the town and would be a good source of supplies to Ushanga.

#### e) Positioning

Ushanga's products will be positioned for those customers who looks for food with added value such as will be offered by Ushanga's restaurant. These customers include the town inhabitants, travelers, students, business people, athletes and their fans.

## 4.9 SWOT analysis

### 4.9.1 Strengths

Ushanga founders who have also assumed the positions of management find the strength of Ushanga restaurant in the following areas: Their knowledge of the culture and the behavioral characteristics of the customers, their understanding of customers and the ability of the to get cheaper supplies, the restaurant location which is accessible to a large number of potential customers and the ability of the planned restaurant to offer affordable prices, value and quality to Ushanga restaurant customers. The dining environment area will be elegant in order to attract customers.

### 4.9.2 Weaknesses

Ushanga restaurant could be in a weak position when it has to rely on advice from experts and or when replacement of the management would be necessary as a result of death occurrence. The authors who happen to be the founders are already well aware of their weak financial starting position.

### 4.9.3 Opportunities

Ushanga restaurant has a number of opportunities that will boost its business activity in the town. The large target market in Eldoret is a huge opportunity by itself. The management has flexibility afforded by adequate information about the country. The management has a big opportunity to lower the unit costs while most of the competitors have theirs high.

#### 4.9.4 Threats

The threats that Ushanga would have to deal will include; Occasional but bad political environment and violence which may affect the ethnic structure of the potential customers, poor economic stability of the country and hence high inflation leading to low customer disposable income and the possibility of eventual high competition occasioned by new stronger competitor entering the market. Also, Ushanga will face stiff competition from our main competitor.

## 5 Management Planning and Organization

### 5.1 Key Employees

Noah Keter will be the Chief Executive Officer of the partnership. He is also the owner of the Ushanga restaurant with Angela Shiyo. Noah Keter has about ten years' experience in business but not restaurant business. His experience in business will be important to Ushanga restaurant. Ushanga will offer competitive wages and salaries to all key employees with benefit packages except the owners in the first two years of restaurant operation. This will help boost financial performance of the restaurant.

### 5.2 Board of Directors

Ushanga Partnership will be operated by the owners with the help of four voluntary boards of directors. The board members have many years of professional experience in business to contribute to the Ushanga's daily operations. Mr Sang (chairman of the board) is a retired professional Hotel and Restaurant manager who started his career as a chef. He retired from his post as a general manager of Kitale Hotel in Kitale Kenya in 2006 with an award of the best manager of the year.

The board will form a close cooperation with Eldoret municipal council, the local town strategic partnerships, the town police, the local social service and interested firms in the town. This will ensure that Ushanga gets a unique image in the town and get to attract many customers. The board of directors will be a great asset to the development of the partnership.

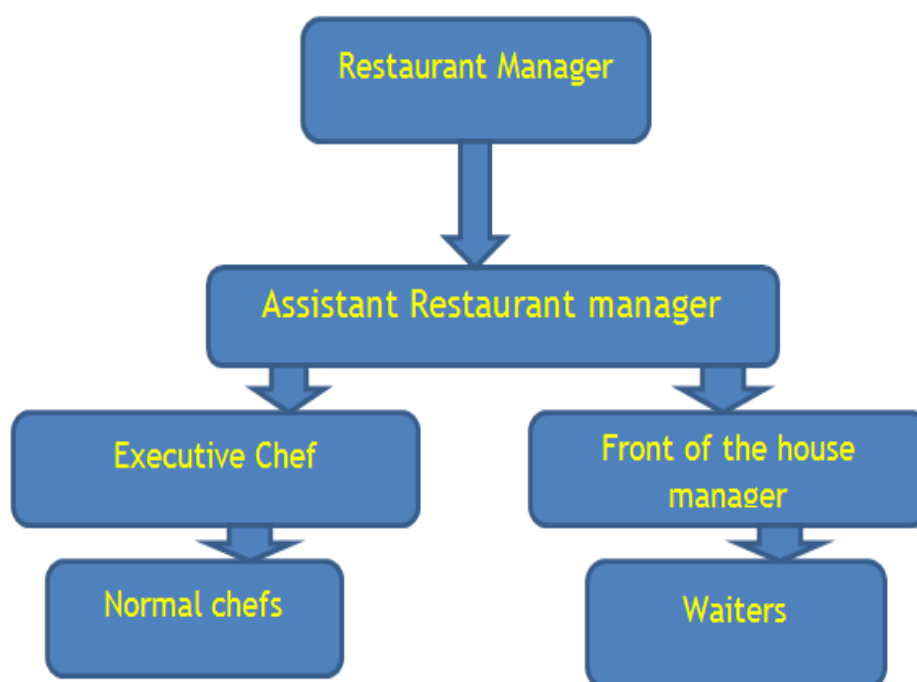
### 5.3 The added management

An executive chef, the assistant general manager and the waiters will be sought for in October. These key employees will be well chosen and given incentives for best performance in accordance to our values, mission and vision.

#### 5.4 Management Structure and Style

Noah Keter will be the chief operating officer (CEO), the general manager and chef will report to him. The assistant managers, the waiters and all the subordinates will report to their respective managers. Ushanga Partnership will be co-owned by Keter and Angela. If appropriate, then there will be a possibility of offering stock to the key performing employees after three years of operation and expansions.

#### 5.5 Organizational Structure of a restaurant



##### Restaurant manager

The restaurant manager is responsible for the day to day decision making of the restaurant. Restaurant managers often work the most hours in the restaurant because they are key holders that work open to close.

##### Executive chef

An executive chef is the manager of the kitchen. They are responsible for all the products coming into the kitchen from providers and vendors. They do report directly to the restaurant manager about everything which is happening inside the kitchen.

#### Front of the house

The front of the house manager is an important tier in the restaurant. Their responsibility is to assist the restaurant manager and the executive chef about customer relations and managing front of the house employees.

### 5.6 Employees hiring qualities

#### Employee trustworthiness

All employees should be trustworthy. Ushanga`s employees will be involved in trustworthy demanding activities such as purchasing, handling cash from customers and giving them the change back and sometimes helping with other activities beyond their normal duties if someone is sick.

#### Employees' attitude to work

Ushanga will be looking for those employees who have a positive attitude to work. This is a group of people who like to work and not those who see work as a punishment.

#### Employee experience knowledge and skills

Ushanga will consider experience, knowledge and skills of the prospective employees' key to employment. This will help reduce the training time, reduce accidents and improve employee work efficiency productivity and reliability.

#### The employee health conditions

Restaurants are expected to keep high standard of hygiene and health principles. Health workers are more reliable, productive and efficient at work. For that reason therefore, Ushanga will employ health workers and ensure that all employees do know the importance of this principle.

## 6 Financial plan

The table below is an illustration of Ushanga's five years projected capital expenditure and the income statement

Capital expenditure					
Computer	50000				
Printer	6000				
Stamp	2000				
Furniture	300000				
Telephone	6000				
<b>Totals</b>	<b>364000</b>				
Revenue	1st Year	2Year	3rd Year	4th Year	5th Year
Food sales	3500000	4500000	5500000	5600000	7000000
Beverages sales	700000	750000	760000	810000	820000
<b>Total sales</b>	<b>4200000</b>	<b>5250000</b>	<b>6260000</b>	<b>6410000</b>	<b>7820000</b>
Cost of sales					
Food	900000	1200000	1300000	2000000	2200000
Beverages	128000	130000	132000	160000	200000
<b>Total cost</b>	<b>1028000</b>	<b>1330000</b>	<b>1432000</b>	<b>2160000</b>	<b>2400000</b>
<b>Gross profits</b>	<b>3172000</b>	<b>3920000</b>	<b>4828000</b>	<b>4250000</b>	<b>5420000</b>
Payroll					
Salaries	672000	672000	675000	676000	676000
Wages	1056000	1056000	1057000	1057000	1058000
<b>Total employment costs</b>	<b>1728000</b>	<b>1728000</b>	<b>1732000</b>	<b>1733000</b>	<b>1734000</b>
Direct Operating expenses					
Rent	120000	120000	120000	125000	125000
Commision	15000	15000	15000	15000	15000
Marketing	9000	9000	10500	10600	10700
Utilities	20000	20500	22000	23000	24000
<b>Gen administrative expenses</b>	<b>164000</b>	<b>164500</b>	<b>167500</b>	<b>173600</b>	<b>174700</b>
Total controlable expenses	1892000	1892500	1899500	1906600	1908700
<b>Controlable profits</b>	<b>1280000</b>	<b>2027500</b>	<b>2928500</b>	<b>2343400</b>	<b>3511300</b>
Depreciation	100000	100000	100000	100000	100000
Licenses	15000	15000	18000	18000	20000
Misscelaneus	20000	15500	15500	15700	16000
<b>Totals</b>	<b>120000</b>	<b>115500</b>	<b>115500</b>	<b>115700</b>	<b>116000</b>
Profit before taxes	1160000	1912000	2813000	2227700	3395300
	0,33 %	3839,6	6328,72	9311,03	7373,687
<b>Net profit</b>	<b>1156160,4</b>	<b>1905671</b>	<b>2803689</b>	<b>2220326</b>	<b>3384062</b>



## 7 Summary

The main objective of this thesis is to create a business plan for a restaurant in Eldoret Kenya, which will focus on selling food, beverages and providing service to the people around the area.

The business plan has been built by analyzing the market in the specific chosen area, possible customers and competitors around the area. The plan is made to help establish a restaurant that solves the problems facing the existing restaurants and their customers in Eldoret town. It is, therefore, a plan made to take the existing opportunity and provide solutions.

The results from the interviews confirm the Ushanga's founder's perception that there are important problems associated with the existing restaurants. The restaurant managers contacted by the expert agree to the existence of these problems. The conclusions were found to be valid and consistent with the observations and the research findings, therefore, the Ushanga's business plan can be relied upon to provide practical solutions to customers and create a feasible business project if all that has been planned is adhered to and executed in the real business.

The authors expect to open a new restaurant in Eldoret area after two years of business operation if the projections will be realised. The author's four year plan is to have at least 3 restaurants in Eldoret with a combined annual profit above Kenya shillings 200, 0000, 00 per year.

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## The questionnaire

The main questions posed to the potential customers was therefore simplified as follows

1 What do you think is the problem with medium size restaurants in this town?

- A. Bad old menus
- B. Poor quality food
- C. Bad services
- D. Long queues

2 What concerns you most about a menu?

- A. It must have a large food variety
- B. Small food variety
- C. Must feature colored food
- D. Nothing to say

3 What do you care most about when you think of buying a plate of food?

- A. Should be delicious food
- B. Should be generally health and of balance diet
- C. Nothing to say
- D. Other (describe)

4 What is it that you don't like about the services provides by the restaurants concern

- A. The prices are high
- B. The prices are high and do not correspond to portions
- C. Waiters are slow
- D. Waiters are not friendly