

# **BUSINESS PLAN TO START AN ORGANIC BAKERY**

**Asst. Prof. Dr. William P. Wall, WemeyieMero**

Master of Business Administration in Management, School of Management, Shinawatra University,  
Bangkok, Thailand

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## **ARTICLE INFO**

Corresponding Author:

WemeyieMero

Master of Business Administration in Management,  
School of Management, Shinawatra University,  
Bangkok, Thailand  
wemeyiemero@yahoo.com

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## **EXECUTIVE SUMMARY**

Nagaland a state in the eastern part of India has changed drastically. With the coming of modernization and westernization the lifestyle of the people has changed, the people now tend to have an easier way of living. At this present juncture, there is an upsurge of middle working class people who have less time to spend in their homes. Likewise they drink and eat from shops that are situated close to their working place. And moreover there is no bakery inside the state that provides organic baked products to the citizens. The negligence by the public of not taking the bakery goods seriously in terms of hygienic and other related bakery issues like diabetes can ruin their life in the long run.

Taking note of this present scenario starting up an organic bakery “Yummy Start Bakery” making use of the local Glutinous rice to make bakery products in the midst of the capital city of Nagaland i.e. Kohima will prove out to be beneficial and also providing the people with a healthier lifestyle. The bakery (YSB) will also provide customers with coffee and espresso products, all from high quality Indian grown and also imported coffee beans.

In recent years there have been uprisings of middle class and upper class people who are working in the private sector jobs as well as working for the government in different type of agencies or department. Yummy Start Bakery will cater to the needs of this group of people who have fewer time to spend in their homes by providing them with freshly prepared bakery

products at all times during business operations. And at the same time providing hygienic bakery products with Glutinous rice but also to provide a healthier lifestyle.

In Kohima, there are local bakeries that provide baked products each and every day to fulfill the needs of the public. But such type of bakeries in Kohima, maintain a low profile and are not well recognized in the capital city because of their lack of hygiene and also people are prone to diseases such as Diabetes, Heart Diseases, Obesities and so on. YSB will be a new generation organic bakery that will see its customers as its main priority, focusing in providing them with high class bakery goods and coffee and espresso products that will be imported from outside the state as well as outside the country. The Glutinous rice that YSB will be using for making its products has many benefits as the people are living in the cold region it helps in strengthening spleens and warming limbs. And also helps in improving the lungs by aiding in treatment and prevention of excessive perspiration, and the so called coeliac disease, which is an autoimmune disorder of the small intestine that occurs in genetically predisposed people of all ages from middle infancy can be treated.

## **Mission**

YSB aims to offer high quality coffee, espresso, and glutinous organic baked products at a competitive price to meet the demand of the middle and upper income working class people and tourists who travel to the city for its scenic beauty.

## 1. INTRODUCTION

YSB is a bakery and coffee shop that will be managed by a sole proprietor. The funding for the bakery will be done through personal savings, which will cover the start-up expenses and provide a financial cushion for the first months of operation. The bakery will consist of three employees 1. The first employee will greet the customers and take the orders 2. The second employee will take the order and prepare the desired coffee and cakes 3. The third employee will be in the counter handling the bills of the customers. The company plans a strong market position in the town, due to the mild competitive climate in the area.

- **Variety:** No other coffeehouse in the area will provide the range of coffee drinks, tea and organic bakery products like Yummy Start does.
- **Expansion:** Assuming this store is successful, it will be the first of a chain of Yummy Start Bakery located in markets that have similar demographic profiles, significant traffic by the store, year-round tourist activity and a sizeable student population.

The Yummy Start Bakery staff members who prepare the coffee are highly trained and experienced. They know how to prepare an excellent espresso-based drink and brew tasty coffee. We use the highest quality equipment and ingredients to deliver a noticeably superior product. They will suggest the best organic snacks to ensure that the customers are satisfied of what he/she orders. To ensure that the customers and employees are satisfied with YSB, a monthly questionnaire will be carried out.

Yummy Start Bakery will be located in the high traffic area of PR Hill in Kohima. The company will secure a one-year contract with the commercial building 'PR Complex'. With an estimated room rent of \$9,200 Per annum and an addition of \$400 USD as security deposit.

This property is located in a commercial area within a walking distance from the main Police Headquarter, the radio station and it is one of the major area in the capital city as students from different schools and colleges get their respective transportation here be it taxis or a buses. The commercially zoned premises have the necessary water and electricity hookups and will require only minor remodeling to accommodate the coffee bar, kitchen and storage area. The coffee bar's open and clean interior design with modern wooden decor will convey the quality of the served beverages and snacks, and will be in-line with the establishment's positioning as an eclectic place where people can relax and enjoy their cup of coffee with high quality snacks that YSB will provide. . The clear window displays, through which passerby will be able to see customers enjoying their beverages, and outside electric signs will be aimed to grab the attention of the customer traffic.

This area was chosen for various reasons, including:

- Proximity to other areas like Jakhama and Jotsoma.
- High Visibility: Can have a clear vision of North Kohima and its surroundings.
- Proximity to the many local churches in North Kohima.
- Diverse population within the community.
- Scarcity of other Bakery and coffee house in the area.

All of these qualities are consistent with YSBs' goal of providing a community hub for socialization and entertainment.

## 2. PRODUCTS

Yummy Start will offer its customers the best tasting coffee beverages in the area, all from high quality Indian grown and imported coffee beans. YSB caters to all of its customers by providing each customer coffee and espresso products made to suit the customer, down to the smallest detail. This will be achieved by using high-quality ingredients and strictly following preparation guidelines. The store layout, menu listings and marketing activities will be focused on maximizing the sales of higher margin espresso drinks. YSB will also offer its clients pastries, small salads, sandwiches and most importantly its organic baked cakes and biscuits made out from glutinous rice. Six to eight moderate batches of bakery goods will be prepared during the day to assure that bakery products are always available to satisfy the needs of the customers, at a competitive price. For the gourmet clientele that prefers to prepare its coffee at home, Yummy Start Bakery will also be selling coffee beans.

The menu offerings will be supplemented by free books and magazines that customers can read inside the coffee bar.

The menu of the Yummy Start coffee bar will be built around espresso-based coffee drinks such as lattes, mochas, cappuccinos, etc. Each of the espresso-based drinks will be offered with whole, skimmed, or soy milk. Each of these coffee beverages is based on a 'shot' of espresso, which is prepared in the espresso machine by forcing heated water through ground coffee at high pressure. Such espresso shots are combined with steamed milk and/or other additives like cocoa, caramel, etc., to prepare the espresso-based beverages. Proper preparation techniques are of paramount importance for such drinks. A minor deviation from the amount of coffee in the shot, the size of the coffee particles, the temperature of milk, etc., can negatively affect the quality of the prepared drink.

The product that will give Yummy Start an edge from its other competitors will be its organic baked goods made out of glutinous rice. Like any other food products it has its own advantages, as Kohima is a cold region the

consumption of glutinous rice will help in strengthening spleens and in warming up limbs, as the people in the region are prone to flu. And also it helps in improving the lungs by aiding in treatment and prevention of excessive perspiration, and the so called **coeliac disease**, which is an autoimmune disorder of the small intestine that occurs in genetically predisposed people of all ages from middle infancy, can be treated. Yummy Start Bakery will be the only bakery in the whole of Kohima, which provides organic foods at a competitive price.

"Organic" for those of you, who are unaware of it, is a term, or a definition of a farming process which shuns conventional methods of farming. Things such as chemical pesticides and synthetic fertilizers are put away in favor of natural pesticides and fertilization methods. Moreover, genetically plant organisms are also rejected in the organic farming method.

## 3. MARKET

YSB focuses on the middle and upper-income markets. These market segments consume the majority of coffee and espresso products, also including the bakery products. Though the market size is miniature, the positive response from the people is inevitable knowing the fact that 'Yummy Start Bakery' will be the first organic bakery to enter the market. Tourism on the other hand is booming up.

### Local Residents

YSB wants to establish a large regular customer base. This will establish a healthy, consistent revenue base to ensure stability of the business.

### Tourists

The number of tourists coming in the state is increasing each year. High visibility and competitive products and service are critical to capture this segment of the market.

Also, by appealing to several segments, Yummy Start Bakery does not become overly dependent on any single consumer group. For example, several local coffeehouses with primarily student customers do poorly during the non-school months. They must also market themselves anew each year to the incoming students. Yummy

Start will avoid these peaks and valleys in business with mix customers.

#### **4. TARGET MARKET**

The dominant target market for YSB is a regular stream of local residents working in the private and Government sectors and a decent number of tourist customers who come to the state each and every year for the so called “Hornbill Festival”. Personal and expedient customer service at a competitive price is key to maintaining the local market share of this target market.

#### **5. MARKET NEEDS**

Because Kohima has a cool climate for 8-9 months out of the year, hot coffee products are very much in demand. During the remaining warmer four months of the year, iced coffee products though rare in the state can significantly be in high demand, it is obvious that introducing a new kind of consumer goods in Kohima will prove beneficial. Like any other state the common people like to try out new products and when YSB comes into the market as an organic organization and guarantee them in providing high quality coffee with glutinous rice products and other type of sandwiches and pastries, it is apparent that there will be a positive growth in the business. Much of the day's activity occurs in the morning hours before 10:00 a.m., with a relatively steady flow for the remainder of the day.

#### **6. SERVICE BUSINESS ANALYSIS**

The retail coffee industry in Nagaland has shown tremendous growth. Because of the geographical location of the state, Kohima has a cool climate all year long so the consumption of hot beverages in this small upcoming city is inevitable. Despite the competition from other local coffee bars across the region the advantage of starting an organic bakery will definitely give YSB the edge. YSB will position itself as a

place where customers can enjoy a cup of delicious coffee and espresso with fresh baked glutinous rice products.

#### **7. SWOT ANALYSIS**

a) Strength:

- YSB is the first organic bakery in the state which will be located in PR Hill
- The labor cost is reasonable comparing to other parts of India
- The organic rice that YSB will be using for its bakery products can easily be cultivated in the state
- The bakery will cater to the needs of the customers by providing excellent customer service

b) Weakness:

- Getting loans from the Government for financial support usually takes lots of documents to be prepared and moreover it is time consuming
- As the company is new to the market it will take some time for the people to rely in organic baked goods
- Bringing in coffee products from outside the country might cause transportation issues
- The rooms that YSB plans to acquire need some renovation for be done

c) Opportunities:

- People in the state are now concerned about health issues, creating a path for YSB to be known in the capital
- Yummy Start Bakery is located in the growing part of the state
- Other bakeries in the state are unaware of the necessity of organic bakeries
- Providing excellent products to the public will boost company's public image

d) Threats:

- The rental cost in the state capital is extremely getting high

- Existing competitors like local bakeries and Popular bakery might expand their business close to where YSB is located
- The Indian currency constantly fluctuates (Causing problems when importing goods from outside the country)
- Curfew and riots might slow the revenue of the bakery

## 8. MARKETING STRATEGY

Yummy Start Bakery's marketing strategy will be education of the consumer and subsequent word-of-mouth. Location will also play a crucial role in marketing and promotion. The business will be located in high-traffic retail area in Kohima, known as PR Hill. Yummy Start Bakery will target middle and upper working class and affluent consumers who are interested in trying new products and experiences and are dissatisfied with the limited selection and lack of personal service found in grocery store bakeries, neighborhood cafes and ice cream shops and area restaurant.

In order to build up its client base, Yummy Start Bakery will use banners and fliers, utilize customer referrals and cross-promotion with businesses in the community. At the same time, customer retention programs will be used to make sure the customers are coming back and spending more time at YSB.

## 9. WEBSITE MARKETING STRATEGY

The marketing strategy for the website will attempt to develop awareness for the website thereby directing people to the site for more information regarding the complete line of coffees and espressos that Yummy Start Bakery offers. Yummy coffee and glutinous products will make submissions to search engines such as Google! To ensure that when a perspective customer types in "Yummy bakery" or some other such key word that Yummy Start Bakery site is high up on the list of hits.

## 10. SALES FORECAST

Sales forecast for three consecutive years, is shown in the table below.

| Sales Forecast                       |               |               |               |
|--------------------------------------|---------------|---------------|---------------|
|                                      | (In US \$)    |               |               |
|                                      | Year 1        | Year 2        | Year 3        |
| <b>Sales</b>                         |               |               |               |
| Coffee                               | 9,000         | 14,000        | 21,600        |
| Bakery                               | 11,000        | 16,500        | 23,400        |
| <b>Total Sales</b>                   | <b>20,000</b> | <b>30,500</b> | <b>45,000</b> |
|                                      |               |               |               |
|                                      | Year 1        | Year 2        | Year 3        |
| <b>Direct Cost of Sales</b>          |               |               |               |
| Coffee                               | 2,250         | 3,525         | 4,800         |
| Bakery                               | 2,750         | 3,975         | 5,200         |
| <b>Subtotal Direct Cost of Sales</b> | <b>5,000</b>  | <b>7,500</b>  | <b>10,000</b> |

## 11. ORGANIZATION STRUCTURE

The organization structure of Yummy Start Bakery will consist of a general manager that will be the owner himself. He will maintain and review the operation system of YSB, keep track of how the customers feel about the service given out by Yummy Start Bakery.

A baker (to be hired) will manage kitchen operations and be crucial to maintaining food inventory stability and assistance in menu development.

An assistant manager/senior server (to be hired) who will be a salaried employee will provide regular table service as well as assistance to the general manager.

Two attendants that will help in taking the orders and in serving the customer with their ordered coffee, espresso and baked goods.

Part-time personnel will be hired to handle serving, and dishwashing functions.

The marketing and accounting function will be handled by the general manager.

## 12. PROJECTED PROFIT AND LOSS

The projected profit and loss for three consecutive years is given in the table below.

| Projected Profit and Loss  |                 |               |               |
|--|-----------------|---------------|---------------|
|  | (In US \$)      |               |               |
|  | Year 1          | Year 2        | Year 3        |
| <b>Income</b>  |                 |               |               |
| Revenue from sale of goods                                       | 20,000          | 30,500        | 45,000        |
| <b>Total income</b>  | <b>20,000</b>   | <b>30,500</b> | <b>45,000</b> |
|  |                 |               |               |
| <b>Expenses</b>  |                 |               |               |
| cost of sale of goods  | 5,000           | 7,500         | 10,000        |
| Selling expenses   | 4,000           | 4,000         | 4,000         |
| Administrative expenses  | 37,100          | 12,400        | 14,000        |
| Other expenses   | 15,000          | 4,700         | 5,500         |
| <b>Total expenses</b>  | <b>61,100</b>   | <b>28,600</b> | <b>33,500</b> |
|  |                 |               |               |
| <b>Profit(loss) before finance costs and income tax expenses</b> | <b>(41,100)</b> | <b>1,900</b>  | <b>11,500</b> |
| Finance costs  | -               | -             | -             |
| <b>Profit (loss) before income tax expense</b>                   | <b>(41,100)</b> | <b>1,900</b>  | <b>11,500</b> |
| Income tax expense   | -               | 140           | 650           |
| <b>Profit (loss) for the year</b>                                | <b>(41,100)</b> | <b>1,760</b>  | <b>10,850</b> |
|  |                 |               |               |
|  |                 |               |               |
| <b>Note</b>  |                 |               |               |
| <b>Gross Margin(\$)</b>  | 15,000          | 23,000        | 35,000        |
| <b>Gross Margin(%)</b>   | 0.75            | 0.75409       | 0.77777       |

### 13. START-UP FUNDING

The investment in starting up the bakery is shown in the table below

| Start-up Funding                |          |
|---------------------------------|----------|
|                                 | In US \$ |
| Start-up Expenses to Fund       | 6,000    |
| Start-up Assets to Fund         | 61,000   |
| Total Funding Required          | 67,000   |
|                                 |          |
| <u>Assets</u>                   |          |
| Non-cash Assets from Start-up   | 21,500   |
| Cash Requirements from Start-up | 34,600   |
| Additional Cash Raised          |          |
| Cash Balance on Starting Date   | 5,000    |

|   |        |
|---|--------|
| Total Assets                              | 61,100 |
|   |        |
| <u>Liabilities and Capital</u>            |        |
| <u>Liabilities</u>                        |        |
| Current Borrowing                         | -      |
| Long-term Liabilities                     | -      |
| Accounts Payable (Outstanding Bills)      | -      |
| Other Current Liabilities (interest-free) | -      |
| Total Liabilities                         | -      |
|   |        |
| <u>Capital</u>                            |        |
| <u>Planned Investment</u>                 |        |
| Investor                                  | 67,100 |
| Other                                     |        |
| Additional Investment Requirement         |        |
| Total Planned Investment                  | 67,100 |
| Loss at Start-up (Start-up Expenses)      | -6,000 |
| Total Capital                             | 61,100 |
| Total Capital and Liabilities             | 61,100 |
| Total Funding                             | 67,100 |

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