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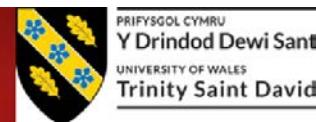
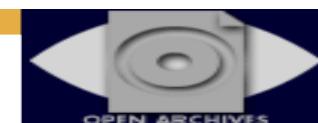
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# **A Feasibility Study for Snacks Manufacturing/Retailing Project in Saudi Arabia**

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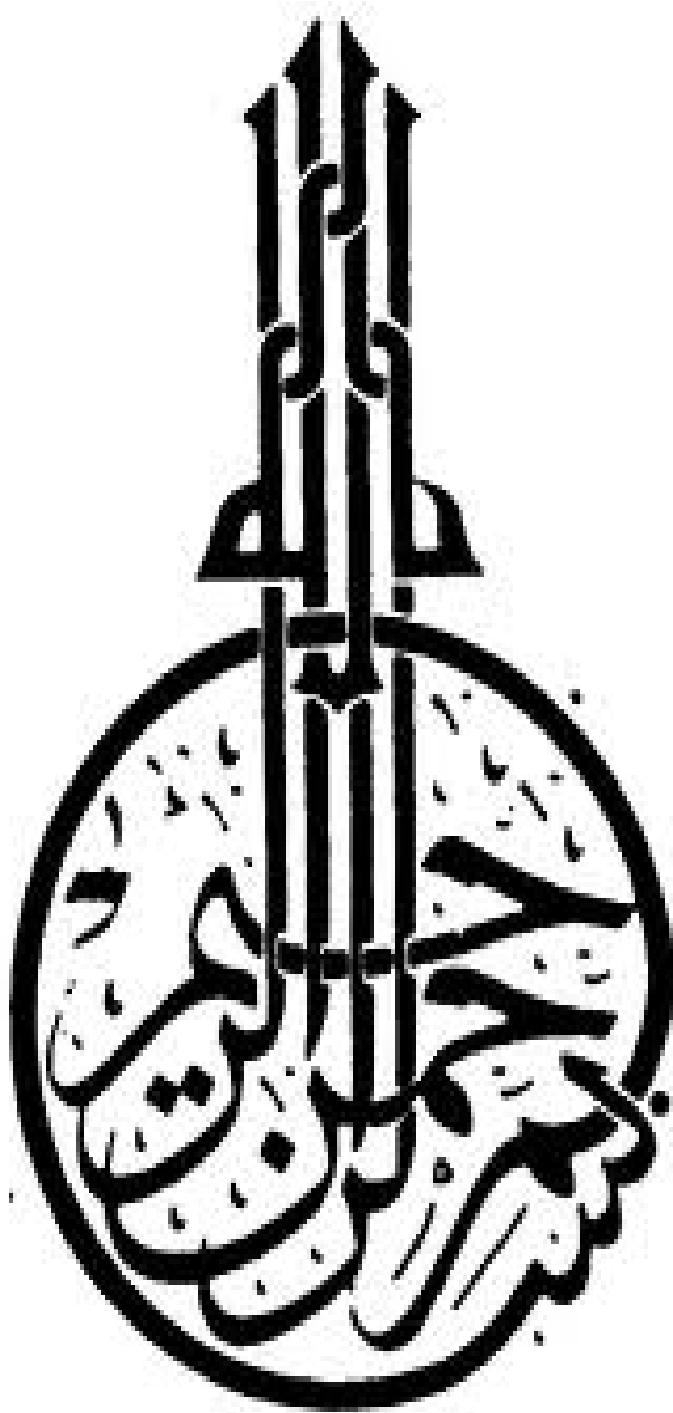
# **A Feasibility Study for Snacks Manufacturing/Retailing Project in Saudi Arabia**

**Ghalib Anas Khashoggi**

**This thesis submitted to fulfill the requirements for the degree of  
Master of Science [Industrial Engineering]**

**Faculty of Engineering  
King AbdulAziz University, Jeddah**

Jumada' II, 1438H – March, 2017G



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**By  
Ghalib Anas Khashoggi**

**This thesis submitted for the requirements of  
the degree of Master of Science [Industrial Engineering]**

**Supervised By  
Prof. Saeed Hassan Alqulaity**

**FACULTY OF ENGINEERING  
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# **Feasibility Study for Snacks Manufacturing and Retailing Project in Saudi Arabia**

**Ghalib Anas Khashoggi**

## **Abstract**

The main goal of this study is obtaining comprehensive and detailed information through a feasibility study for a confectionary factory located in Jeddah, which could answer the following question:

Will the idea of establishing a confectionary in Jeddah work and could we continue with this business idea?

The feasibility study will be divided by six main sections, which are: business strategy, marketing feasibility study, technical feasibility study, financial feasibility study, social and environmental feasibility study, and location and site feasibility study. In the marketing feasibility study all the needed information about supply and demand will be addressed. In addition, a detailed study on competitors is a major part of the marketing part. The technical feasibility study will help in identifying problems that could hinder the progress of our confectionary business and will list all the machinery needed for the business. The financial feasibility study will tell our investors and other important stakeholders as to identifying the resources that are essential for actual production and distribution purpose and for smooth running of our business and most importantly it will tell them whether the factory is going to make profits or not. After that, identification of best areas for the factory is going to be implemented in the location and site feasibility study. Finally, discussing the impact on the society and whether the factory is going to create jobs and it will also discuss the affect of the factory on the environment. For the more, the study will cover other areas, such as: Enterprise resource planning (ERP), Marketing and advertising, and Human resource planning. In order to do the study a primary and secondary research needed to be accomplished, more than three hundred surveys had been distributed for understanding the customers and for marketing purposes.

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## **CHAPTER 1: Introduction**

This master thesis presents a feasibility study for a confectionary factory located in Jeddah. This study will help us in gauging the viability of our business idea. It will also help in identifying problems that could hinder the progress of our confectionary business.

This study will generate detailed and comprehensive information about the business structure of confectionary. It will tell our investors and other important stakeholders as to which products our confectionary is going to offer and which markets it is going to serve. It will help us in identifying the resources that are essential for actual production and distribution purpose and for smooth running of our business.

### **1.1. Statement of the Problem**

In Saudi Arabia demand for high quality local authentic and western confectionary is growing, some people who are health conscious want to buy healthy confectionary products.

In the country, some local confectionary manufacturers are there, but still foreign companies are leading the market in all three major segments that is in chocolate confections and gums. We want to establish a confectionary in Jeddah that could produce high-end international products along with local confectionaries. It will also produce special low calorie and low fat products for health conscious customers. But for establishing this confectionary, we need to conduct a feasibility study so that we could determine the viability of our business idea. There are various components of a feasibility study. We need to describe our business idea and its strategy first. We also need to gain knowledge about marketing aspects, technical aspects, financial aspects and organizational aspects of our confectionary business.

## **1.2. The Goal**

Our goal is obtaining comprehensive and detailed information through which we could answer the following question:

Will the idea of establishing a confectionary in Jeddah work and could we continue with this business idea?

## **1.3. Objectives**

The objectives of feasibility study are:

1. To describe the confectionary industry, analysis of current market and to assess future demand and market potential;
2. Detailed description of competition and target customers;
3. Development of marketing plan;
4. Material, labor, transportation and technology needs assessment;
5. Projection about capital needs and how these needs would be met, what would be the ROI (Return on Investment);
6. Defining the structure of business and its organizational needs;
7. Development of human resource plan;
8. Determining the social feasibility of study;
9. Determining the environmental feasibility study;
10. Determining the location and site feasibility study.

## **1.4. Methodology**

1. Data collection: We will collect data about our feasibility study from secondary sources and reports from sites like [www.euromonitor.com](http://www.euromonitor.com), [www.techsciresearch.com](http://www.techsciresearch.com), [www.euromonitor.com](http://www.euromonitor.com), [www.foodbusinessnews.net](http://www.foodbusinessnews.net), [www.nielsen.com](http://www.nielsen.com), [www.forbes.com](http://www.forbes.com), [www.marketreportsonsaudiarabia.com](http://www.marketreportsonsaudiarabia.com), [www.industryreportstore.com](http://www.industryreportstore.com) etc.

2. Data analysis: The collected data will then be utilized for developing feasibility report.
3. Results: the results will be based on our findings of feasibility study. Last part of the study would consist of conclusions and recommendations.

## CHAPTER 2: Project Strategy

### 2.1. Project Idea

This master thesis presents a feasibility study for a confectionery factory located in Jeddah with a total land area of 3500 sqm. Our factory will mainly produce both sugar and bakers' confections like chocolates, candies, and baked products like biscuits, maamouls, cakes and coffee.



Fig. 1 Products

We are going to conduct this feasibility study for Saudi market. Our focused market would be Jeddah city and western region of Saudi Arabia. Through market research, the best options with regards to distribution of product would be identified. Scale of the business is medium. Initially, we will use our own retail network for distribution of our product. Our business would also supply products to the super markets and to some selected corporate offices after knowing that the customers have accepted the products and our production facilities are ready to meet their demand.

This feasibility study will give us an idea whether we should go ahead as it will help us determining that our idea is worth working or not. It will help us in recognizing hurdles and problems in our way towards our goals. We need to know about our customers and

marketing strategies. Assessment about our production capacities, financial and human resource capabilities is also essential before entering the planning phase of the project. How much competition exists in the market with regard to the products we are planning to sell is another important question. We need to estimate the financial requirement for starting and running a medium scale business as well. Feasibility study helps in answering the above mentioned questions. It also answers as to how we will operate our business and which place or location we will select for business operations. Mainly feasibility study is conducted to assess the probability of success of a project. It highlights all relevant factors that would contribute to the success of our business.

We need considerable investment for our confectionary project; the feasibility study will help our investors in making fact based decisions. All the factors that are important in decision making for investors including economic, technical, engineering and marketing would be analyzed in this study.

## **2.2. Project Strategy Elements**

Project strategy helps in identifying project's position and perspective and provides direction as to what needed to be done and how could a project realize its objectives. In order to gain best competitive advantage and highest possible value, development of a project strategy is a milestone. It provides direction and guidance as to how a project will move from its initial point to the finishing point and how it could achieve success as well.

## **2.3. Project Perspective**

Project perspective describes the why? of the project. For giving a comprehensive answer, it not only tells the background and context of the project but it also highlights main purpose of the project and its strategic concept as well.

## **2.4. Background of the Project**

Business background is also known as business case. This section of project strategy defines environment of the project. It also highlights the reason that why this specific

project is needed that is why we are conducting this feasibility study. It describes the opportunity on which project will capitalize to gain competitive advantage.

In this section of the study, we will see the business environment of the project. Basically business environment describes all the internal and external factors that have an impact on the functioning and profitability of the project. These factors include customers, management, business regulations and supply and demand. Identification of the customers is the main step in environment analysis. After coherently answering the questions like what are the needs of customers and how these needs could be met, project strategy identifies the opportunity. Strategy highlights as to how a solution could be provided for satisfying a certain need of the customers.

## **2.5. Economic Environment**

Business operations and organizational wellbeing are impacted a lot by the economic condition of a country. Saudi Arabia is moving away from being theocratic state towards a capitalistic state. Saudi government controls almost all business activities in the country. Economy of Saudi Arabia is facing decline due to decreased oil prices all over the world, it went through a budget deficit last year. GDP is falling after reaching its peak in 2014. GDP growth rate in 2015 was 0.9 as compared to 1.40 in 2014. GDP per capita has experienced a very slight growth.

Saudi Arabia was making good economic progress in last few years but now due to a slowdown, its growth rate would remain around 3% in coming years. Due to its religious sacredness for Muslims, a huge number of visitors visit it every year that is a very important source of revenue. In the coming years, visitor influx is expected to grow. Population of the country is also growing, that is a reason of increasing demand for many products. Young population makes up half of the population of the country, in order to convert this huge population into a resource for the development of country, Saudi government is spending huge amount on education and training and development. So youth is joining work force. Their income and spending is growing. So economic

prospects of the country are quite bright for the future. Such economic conditions provide quite feasible environment for establishment of a business.

## **2.6. Social Environment**

Social structure of Saudi Arabia is very unique as are the values that its society follows. All different business's operations and functioning bear important impact of the social factors. As Islam is considered the code of conduct so businesses need to also behave in accordance to the teachings of Islam. Saudi are quite generous and hospitality is part of their religion. Status of a person in their society is determined relative to the tribe and family. Networking is very important aspect for doing business (Wellings, 2013). These social considerations carry important implications for businesses.

Saudi youth is getting busy as their government is involving them in economic diversification efforts. Women is also joining workforce. Their life style is changing. Many of the social changes are occurring due to a westernization trend in society.

Saudi government is spending a huge amount of its budget on education, so awareness and education is growing among Saudi population.

## **2.7. Customers**

Saudi consumers are not affected to a great extent by a declining economy. The spending and shopping trends are still almost same. But shift towards a modern retailing has occurred as people are moving away from conservative approaches. People are trying to copy the consumption habits of western countries' consumers specially food shopping habit. Younger population is more inclined to follow the westernization trend in everything; this trend has a profound impact on the demand of many products. Number of foreign workers is also increasing that is giving rise to an increase in demand for international food.

Health and wellness trend is impacting consumption of confectionaries all over the world. People in their mid-youth in Saudi Arabia are getting diet conscious but still a huge part of Saudi population loves sugary foods. Proportion of kids is high in Saudi Arabia's

overall population. Their inclination towards confectionary could be utilized as a great opportunity for confectionary industry.

The demographics that will be used by our business to segment the market include education level, social class, gender, income levels and geographical location. We would also cater health conscious customers. Many women, aged people, people with diabetes and high cholesterol level want to consume healthy products. So for such people low calorie and low fat products could be produced.

## **2.8. Competition**

Competition is quite stiff and continually growing. The confectionary industry is getting mature. Some of the major international companies are competing in this field. Mars is leading the field with 43% of the market share.

Main competitors for the confectionary factory in Jeddah and western region include Patchi, SaadAldin, Munch bakery, Hellin, Alzawaq. Patchi produces premium chocolates and chocolate made gifts. SaadAldin sweet stores are located in western region of Saudi Arabia. This organization is competing well in the confectionary industry. Munch bakery is producing high quality sweet products. It is producing premium products. It is expected to give tough competition to our confectionary business as it is in this business since a long time. Other competitors include AbdulRehman Alrasheed Bakeries and confectionaries, Al-Amal Sweets Plant, Palace Sweets, Parties Sweet Store and Jasar Alfalaj Shop.

## **2.9. Suppliers**

In Jeddah, many suppliers are there who provide raw material for confectionary industry. Absence of a single big supplier reduces their bargaining against the manufacturer. Confectionaries could get the terms and conditions in their favor easily.

## **2.10. Demand for Chocolate**

According Euro monitor International, per capita spending on chocolate in Saudi Arabia is 41 USD. Saudi Arabia is on number five in the world in individual spending on chocolate. Chocolate market of region is growing continuously in KSA. Imported chocolate is used to meet the growing demand. 250 tons of Swiss chocolate was imported in 2014. On festivals chocolate consumption gets many fold.

## **2.11. Demand for Bakery Products**

In KSA, birth rate is high. Population is growing at a very fast pace. Young population makes a huge part of population. Due to all these reasons, demand for bakery products is growing. In the whole world, Saudi Arabia comes at 20<sup>th</sup> number for the demand of bakery products. In 2015, the value of retail sales of bakery product was about 5.6 billion. In order to meet growing demand for bakery products, about 773 new bakeries were established from the start of second decade of this century that is from 2011 to 2015. More than 150 new products were launched. 50% out of these new products introduced were altogether different, whereas about 50% contained variations in already existing products. Number of branded bakery product also witnessed tremendous growth.

The retail sales of biscuit reached to 73.60 USD in 2015. Share of biscuits in over-all bakery market would grow to 12% by the year 2020.

Among baked good sales, percentage share of pastries was 8.7% in 2011 that is expected to increase to 12.2% by the year 2020. Share of sales of cakes of total bakery products was 3.3% which would grow to 4.8% in end of this decade.

## **2.12. Factors Affecting Demand Side**

- Remarkable growth in population: At present Saudi population is more than 28 million and in coming few years it will continue to grow even more.
- Half of the population is under the age of 25.

- Huge number of religious visitors visit the country every year
- Health awareness is growing.
- Saudi consumers spending habits have not changed due to global recession or their own economic downturn
- Growing western influence on Saudi youth
- Factors affecting the supply side
- Economic down turn due to falling oil prices
- Uncertainty with regard to growth
- Decreased subsidies on electricity and gasoline
- Increase in taxes
- Increase in prices of Gasoline
- Manufacturers are cutting down their expenses

**Table 1: Project Case Description**

Organization	Confectionary
Customers	<ul style="list-style-type: none"> <li>• Initially people living in Jeddah and after that from all Saudi Arabia from all different social backgrounds, cultures, ages and income levels.</li> <li>• Customers with western tastes</li> <li>• Diet and health conscious customers</li> <li>• Young customers</li> <li>• Religious Visitors</li> </ul>

	<ul style="list-style-type: none"> <li>• Foreigners who are working in KSA</li> <li>• Customers who like and opt for customization and personalization.</li> </ul>
Goal	<ul style="list-style-type: none"> <li>• Creation of an upscale gourmet retailing network</li> <li>• Increasing market share for 5% in first year to 25% in 4<sup>th</sup> year in western region</li> <li>• Increased geographical presence</li> <li>• Production of a comprehensive range of gourmet products</li> <li>• Product innovation to create organic confectionaries and confectionaries with natural additives.</li> <li>• Customized product development.</li> <li>• Catering the needs of religious visitors</li> <li>• Catering the foreigners who are doing business or jobs in KSA</li> <li>• Strengthening brand's reputation.</li> </ul>
Project Duration	Feasibility study duration is one year
Project budget	SAR 150,000/-
Project Team	1 person for conducting feasibility study

## 2.13. Project Case Description

Though there is an economic downturn in Saudi Arabia due to falling oil prices but the consumer spending is growing. As education and awareness is growing, some of the age groups in Saudi population are getting health conscious but most of the people still love sugary diets especially children. Almost 30% of the Saudi population is made up of kids of age less than 15, whereas almost half of its population consists of people whose age is less than or equals to 25 years. Country's population growth rates are remarkable. Youth of Saudi Arabia is very much inclined towards western living style that is impacting their food behavior.

Over all Saudi Arabian society still likes to eat sugary foods. They are less concerned about calorie count. Consumer spending would grow and consumer attitude and behavior would remain unchanged. All this provide a strong business background for our confectionary initiative. But as mentioned above, a specific segment of health conscious customers is growing. Strong visitor influx during Hajj and Umra season also provides great business opportunities for different businesses.

Our confectionary has identified that if it could provide people with high end international products as well as superior quality local confectionary, it could make good revenues over the years.

## **2.14. Project Purpose**

### **2.14.1. Creation of an Upscale Gourmet**

The main purpose of the project is to create an upscale gourmet retail network, that will not only produce local food items but would also produce high end international confectionaries to harness Saudi consumers' purchasing power, and growing inclination towards western style of living. Potential buyers of the confectionary would not necessarily price sensitive, rather business will capitalize on consumers' growing concern for quality as well as a pleasant shopping experience.

### **2.14.2. Growing Geographical Presence**

Initially Jeddah will be our target market. However, in the future we are looking to cover the whole western region and all the cosmopolitan cities thereafter. The reason for this step by step entrance strategy is that we want to ensure that the right organizational structure is in place before new areas are embarked upon as well as the financial resources are secured organically. Jeddah was chosen primarily because of its proximity to the port which will be a major factor in our long-term strategy. Secondly, it is our understanding that the Hajj and Umra business will be growing exponentially, which will enhance our opportunities.

## **2.15. Target Market Share**

Though there exist tough competition in the industry, but our target is to continually increase our market share. For the first year, our target is 3%, but in next three years, our target is to enhance market share about 10% in Saudi Western region.

## **2.16. Provision of a Comprehensive Range of Product**

A comprehensive range of gourmet products would be produced so that needs of not only traditional customers could be satisfied but also non-traditional customers who want change and innovation in taste could also be kept satisfied.

## **2.17. Catering Health Conscious Customers**

A part of population especially women and diabetics are getting conscious about their health, for such customers we are planning to come up with low fat and low calorie product category.

## **2.18. Strategic Concept**

Our strategic concept is to produce such food that could satisfy the quality oriented customers. We would also provide western confectionaries to satisfy the growing quest of Saudi people for western food, this help in creating a unique position in the market. We would also focus on product innovation so that changing needs of customers could be entertained.

### **2.18.1. Position**

This part of the project strategy would describe as to what position we will achieve after we finish the project. Where we would be after completion of the project as a business in relation to our environment?

## **2.18.2. Product Definition**

Product definition tells about the product type, uses and scope. The factory will be specialized in home-made, high quality gourmet food. We will produce chocolate, candies, biscuits, maamouls, cakes and coffee.

Our company's products will be distinctive from others as through high quality but unique material; we would like to create an amazing experience for our customers.

We will also produce organic confectioneries, and would use natural additives instead of artificial sweeteners. We will not only produce the products but also use our own retail outlets for distributing the products so that a high-quality shopping environment could be provided. We will also distribute our products in corporate offices and super markets. Consumers of the products would include people living in Jeddah and Western Saudi region from different backgrounds, ethnicities, age groups, educational background etc. Health and diet conscious customers would also be attracted.

## **2.18.3. Competitive Advantage or Value**

This section of the project strategy would help us in coming up with the specific reasons as to why we feel that we would be different and superior from our competitors in serving our customers. Identification of competitive advantage would provide us with the basis for developing our marketing strategy.

The First specific reason as to why people should come to us when there are many other confectionaries, would be that we are planning to offer a comprehensive selection of gourmet food. We will offer internationally updated and world class products to our modern customers, this will attract the customers who are inclined towards western food habits. We also offer local authentic and high quality food.

We will also concentrate on delivering fresh and high quality products and would like to reduce the rate of defective products to zero so that consistent provision of high quality product could be ensured. Raw material used would also be of high quality.

Our retail stores would provide an excellent shopping experience to the customers; this fact will also improve the value of our products in the mind of customers. Diversity in distribution channels will also give a plus point to our business; we will deliver our product to the corporate offices. Our products will be available to customers at highly accessible and prime locations in Super markets.

We will also cater the needs of health conscious and diet conscious consumers by producing specialized low fats and low calorie products, catering the needs of this niche would also give our business a competitive edge over our competitors.

Various tastes and forms of the confectionary are quite popular among Saudi's especially among children and young people. These products are not very high in prices. We will use good ingredients to enhance the nutritional value of these products. The appearance of the confectionary products also matters. So company will try to develop its products in more attractive appearance for its young customers especially.

## **2.19. Success and Failure Criteria**

In order to develop realistic expectation from a project, we also need to assess what difficulties or risks could impede its success.

We are going to introduce western bakery products; possible failure could occur if the customers would not accept the taste. Customers' avoidance could limit our ability in achieving the desired market share. We will also like to cater diet conscious and health conscious consumers, for which we need to position our products in the market in a different way, if we would fail to develop a distinctive positioning strategy, it could hinder our success. Failure in introduction of new and innovative products that could satisfy the changing taste and needs of customers could also bring failure for our business.

Our success also depends upon increasing market share that is if we would be able to achieve the targeted share than that would be a sign of our success. We also like to build a distinctive and popular image of our brand, but rising input cost and rising packaging cost could hinder our way.

## **2.20. Guidelines: How**

In this section, we will define the project that is how are we going to realize the project idea. The plan of action would help us in achieving the results identified in previous sections.

## **2.21. Project Definition**

In order to create an upscale gourmet network, we need to develop a feasibility study first. First part of feasibility study is about articulating a strategy for gourmet network that will help in explaining our project idea.

We will also develop marketing feasibility study, financial feasibility study, technical and engineering feasibility study and human resource plan for our business.

## **2.22. Feasibility Study Time Table**

**Table 2: Feasibility Study Time Table**

<b>Activity</b>	<b>Time frame</b>
<b>Project strategy</b>	<b>2 Months</b>
<b>Marketing feasibility study and marketing plan</b>	<b>3 Months</b>
<b>Financial feasibility</b>	<b>1 Month</b>
<b>Technical feasibility study</b>	<b>3 Months</b>
<b>Human resource plan</b>	<b>1 Month</b>
<b>Social &amp; Environmental Study</b>	<b>1 Month</b>
<b>Site and Location Study</b>	<b>1 Month</b>
<b>Total Time Taken</b>	<b>12 Months</b>

## 2.23. Strategic Focus

The strategic focus involved

- A focus on provision of high end and high quality international variety of gourmet products for example the American Style cakes, French Canapés, Arabic cuisine with a modern twist;
- Use of best ingredients to ensure high quality and fresh finished products;
- Consistent provision of high quality.

**Table 3: Product vs Market**

MARKET	PRODUCT	
	Existing	New
Existing	<b>a) Market Penetration</b>	<b>c) Product Development</b>
	- Enhanced visibility of the different products by utilization of our different market channels.	- We will extend our product lines and introduce healthier low caloric and low fat products for our health conscious customers.
	- Aggressive marketing campaigns	- Introduction of modified and improved products Low fats products, International high end confections
		- Changes in packaging
New	<b>b) Market Development</b>	<b>d) Diversification</b>

## 2.24. Market Penetration Strategy

As market for gourmet products already exists. Our plan is to improve our market share. In order to penetrate the market, a strong brand name is essential, for which we are planning to engage in heavy promotion campaign. As we are going to offer premium products, so we cannot lower the prices of our products to penetrate the market.

Modern and nice packaging and distribution through selective channels will help in enhancing products' penetration in the market. We will market product our products aggressively, through many different mediums we will flood the market with the information about our products. We will saturate our market by using all of our different distribution channels. We will enhance visibility of our products by providing it in all major banks of Jeddah city like Samba and NCB etc. and in big groups like Dallah, Alsheie and Alnaghi. Supermarkets like Danube, Carefore and manuel would also be flooded by our products. Our six retail outlets are also located at prime locations.

After penetrating the market of Jeddah, we will move on to western region of Saudi Arabia and afterwards whole Saudi Arabia. The factory's new markets will be segmented according to social backgrounds, cultures, and ethnicity, age and income levels. The market development strategy will extend the factory's markets and develop new customer bases.

## **2.25. Product Development Strategy**

We will keep on modifying our products for attracting the customers whose tastes are changing and who are interested in innovative and new products. For capturing the share of the market of health conscious consumers, we would modify our products by decreasing their sugar content and calorie count and using whole wheat. We will also keep on changing the outlook of our products by changing their packaging. The product development strategy will also help in enhancing the market share of our confectionary. We will involve our customers in all different stages of product development. We will see how consumers would evaluate our new products. We will take into account the consideration of not only our primary customers but the prospective and secondary customers as well. Our product development strategy would help us in keeping our business updated with regard to customer taste changes.

**Table 4: Putting Together Different Elements of Project Strategy**

Background	<ul style="list-style-type: none"> <li>• In spite of global recession and downturn in oil prices in the region, purchasing power of the consumer is high;</li> <li>• Differences in social backgrounds, cultures, and ethnicity and income levels are there;</li> <li>• Demand for high end international food items is increasing due to westernization of society;</li> <li>• Segment of health and wellness oriented customers are increasing;</li> <li>• Consumer want to have a pleasant shopping experience as well;</li> <li>• Remarkable growth in population;</li> <li>• Half of the population is young;</li> <li>• Influx of visitors for Hajj and Umrah.</li> </ul>
Business Objectives	<ul style="list-style-type: none"> <li>• Creation of an upscale gourmet network;</li> <li>• Increased market share;</li> <li>• Increased revenues;</li> <li>• Attractive brand name.</li> </ul>
Strategic Concept	<ul style="list-style-type: none"> <li>• Produce of food that could satisfy the quality oriented customers; Provision of western confectionaries to satisfy the growing quest of Saudi people for western food, this help in creating a unique position in the market;</li> <li>• Product innovation so that changing needs of customers could be entertained.</li> </ul>
Product Definition	<ul style="list-style-type: none"> <li>• Home-made, high quality gourmet food;</li> <li>• Provision of amazing experience for customers by using high quality raw material;</li> <li>• Vision of a pleasant shopping experience through selective distribution channels.</li> </ul>

Competitive Advantage	<ul style="list-style-type: none"> <li>• Internationally updated and world class products to our modern customers;</li> <li>• Provision of a wide range of western products;</li> <li>• Provision of nutritious and healthy products;</li> <li>• Pleasant shopping experience;</li> <li>• Comprehensive range of products would be offered, so that needs of people with different social backgrounds, ethnicities, age groups, tastes, educational background and health needs could be satisfied;</li> <li>• Fresh and high quality products.</li> </ul>
Success and Failure	<ul style="list-style-type: none"> <li>• If the customers would not accept the taste. Customers' avoidance could limit our ability in achieving the desired market share;</li> <li>• Failure in developing a distinctive positioning strategy could hinder our success;</li> <li>• Introduction of new and innovative products that could satisfy the changing taste and needs of customers could bring success;</li> <li>• Ability to achieve the targeted share would be a sign of our success.</li> </ul>
Project Definition	<ul style="list-style-type: none"> <li>•</li> </ul>
Strategic Focus	<ul style="list-style-type: none"> <li>• A focus on provision of high end, high quality, international variety of gourmet products;</li> <li>• American Style cakes, French Canapés, Arabic cuisine with a modern twist;</li> <li>• Use of best ingredients to ensure, high quality raw material, fresh finished products;</li> <li>• Consistent provision of high quality.</li> </ul>

## **CHAPTER 3: Marketing Feasibility Study**

The purpose of market feasibility is market analysis so that market competition could be assessed and potential markets could be identified. It will help in business idea assessment. Like all other feasibility studies, market feasibility study assesses that if the thing would work at all and how they will work. It will also help in identification of problems.

### **3.1. Description of the Industry**

Saudi Arabia's confectionary industry's is growing since last year's and is expected to grow in the next years as well. Confectionary industry could be divided into three main categories that is chocolate confectionaries, sugar confectionaries and baked goods. Chocolate segment is the largest as it occupies more than 50% of the share of confectionary market. Sugar confectionaries consist of 24% of the overall market for confectionaries. With the increasing emulation of western life style and a huge proportion of young population, coffee is also gaining popularity. Women has also joined workforce. Working women as well as house wives like to socialize and they do it while consuming coffee.

As far as chocolate confectionary segment is concerned, demand is continuously increasing though Saudi economy experienced a down turn due to falling oil prices. Consumption of many consumer goods including food and beverages category experienced a slowdown but consumption of chocolate is constantly growing, many reasons are stated behind this trend. Many people in Saudi society take the premium chocolate as a status symbol. Many new products have been introduced by the major players in the industry and the marketing campaigns capitalized on emotional attachment of the customers to their products.

The bakery products industry is expected to grow due to increase in young population and growing per capita and disposable income. Leading bakery goods providing company

are using aggressive promotional techniques that is also enhancing the growth of this industry. According to Euro- monitor international, (2015), the retail sales value of bakery product in KSA is expected to grow.

Sugar confectionary of Saudi Arabia is ALSO capitalizing on the fact that more than 25% of the country's population consists of children with age less than or equals to 14 years (EuroMonitor International, 2016). This helped the industry in maintaining its growth despite adverse economic conditions in the country. Young children in the country love to have sugar confections. These sugar confections are supplied at the local small stores known as Baqalahs from where children could easily get them.

### **3.2. Current Market Analysis**

As in the strategy section, it is indicated that we would cater people from all different social, ethnic, age and educational backgrounds. We would also cater the niche of health and wellness conscious people. Youth with inclination towards western ways of living would also make up another niche for our business. In this context, we would analyze the market from these three perspectives.

Demand of confectionary is growing in Saudi Arabia. According to a press release by Tech Sci Research, its revenues and earnings are expected to grow to 2.26 USD in the coming two years. It is growing at the fastest rates in previous few years in KSA. Saudi's rising per capita income, increased demand for food retailing and confectionary goods could be stated as reasons for the unprecedented growth of the industry. In the whole food processing sector, most famous is confectionary industry. Economy of Saudi Arabia is growing at a fast pace, unlike many other Middle East, its political system is stable. It is a populous country and its population is growing continuously.

Half of its population is young. Their ages are less than or equals to 25. As mentioned earlier, children make up a large part of its population (about 28%). Country's children population makes a big market for sugar confections. Youth of the country is inclined towards western style of living so we could safely conclude that the demand for western confectionaries is there.

According to Agriculture and Agri -Food Canada (2016), health and wellness trend is growing in the country. People are concerned about their physical fitness and outlook. Women of the country are more concerned about their fitness and health. They want to consume healthy products so that through their diet, they could control their caloric intake and sugar. Exercise or gym related means of healthy living are not very famous among ladies in KSA. Among the old age groups, now through enhanced media exposure and government led initiatives, awareness about health issues that could rise from high sugar content in diet is increasing. They, now, want healthier products. For improving their quality of life, Saudi want to reduce obesity, diabetes and other cholesterol related diseases. Many consumer goods companies are now capitalizing on the trend and satisfying the need of Saudi for fortified, natural inputs. Satellite TV, which allowed Saudis to educate themselves on maintaining good health and satisfying the desire for a better quality of life. Due to youth interest in healthy lifestyle, those businesses that are introducing healthy products could benefit a lot. Young population takes interest in the ingredients of the product. For them the fat content and calorie content of a product also matters. Fresh products that are produced organically could easily gain good market share in the country.

Current market analysis of coffee show that coffee consumption is growing. Though due to reduction in oil prices, economy is facing a downturn but government has started to make their economy a diversified economy that is less dependent on oil. Cost effectiveness is also a focus of consumer but this is not a priority. People like to adopt a western style for which they are ready to pay a premium price.

We conducted a detailed market survey to find out the appropriate prices for our products. Below table shows current market prices for our products.

**Table 5: Prevailing Market Prices**

Prevailing Market Prices (SAR)			
Product	Low End	Medium End	High End
Cake	90	150	280
Chocolate - Kg	80	200	300
Maamoul per Pack	12	20	25
Biscuit per Pack	5	10	15
Coffee - Cup	6	15	20
Coffee - Kg	45	70	80
Candy per Pack	8	14	18

### 3.2.1. Competition

Environment of Saudi Arabia is quite conducive for businesses. Due to these reasons, many international companies are doing business in the country. At present, Saudi confectionery market is dominated by foreign firms like Krafts Food, Nestle and Mars. These firms are leading the confectionary market. For high quality confectionary whether it is chocolate confectionary or sugar confectionary, Saudi economy is still relying on imports. Local manufacturers could fill this gap and by doing so they could also save the wealth of their country as Saudi Arabia is spending a lot on importing expensive and premium confectionary products from abroad.

In the following section, an analysis of competition in chocolate and sugar and coffee segments within confectionary market is presented.

#### 3.2.1.1. Competition in Chocolate Confectionary

In the chocolate confectionary, Mars that is operating in Gulf cooperation council region is the leader, it shares in this market is more than 40%. All major firms in this category are investing huge amounts on advertisements. These firms keep on enhancing their distribution channels to make their products more visible to their customers. These

companies ensure the availability of their product, whether there is a hypermarket or a small store, they make their products available everywhere. Their customers are very loyal to their brands; this factor is also very helpful in enhancing their market share.

### **3.2.1.2. Competition in Sugar Confections**

In sugar confections, according to the EuroMonitor International report (2016), Mondelez is leader with 12% of the sales. It generates its revenues by selling boiled sweets, candies, medicated sweets, mints, caramel and nougat etc. It is supplying its products to customers through all available distribution channels.

### **3.2.1.3. Competition Faced by Confectionary in Western Region**

With Jeddah and Western region Munch bakery, Patchi, Saadaldin, Hellin and Alzawaq are our main business competitors. Through online business locator and telephone book, we have identified these local competitors. At present, this is more relevant to our business as initially we will only serve Jeddah and western region. Patchi is Lebanon based company that is headquartered in Beirut. It came into existence in 1974 by Nizar Choucair. Chocolate made gifts and premium chocolates are a specialty of Patchi. They are capitalizing on increasing gift giving trend of the country. More over premium chocolates are considered a symbol of status among Arabs (Nieberg, 2015). Patchi is a famous brand not only in Jeddah and western Arab region but all over the Middle East. It will also compete with our confectionary in customized chocolate products as it produces customized chocolates in accordance to the tastes of the local consumers. People love to have Patchi products on special festivals as well as on events.

Munch bakery's location and menu is great. High quality premium products are this bakery's specialties. It is serving Jeddah market from quite a while, so we as a business considering it as a tough rival. They know the tech savvy and convenience oriented nature of Saudi youth that is why they have given the option of online orders and home delivery; this is also providing them with a competitive advantage.

Hellin was established in 1993. Their menu consists of cakes, cookies, savories, pies and brownies. Their shops provide an excellent shopping experience. Their specialty is that they provide you the taste of homemade confectionaries.

SaadAldin sweet stores are located in western region of Saudi Arabia. This organization is competing well in the confectionary industry. Other competitors include Abdul Rehman Alrasheed Bakeries and confectionaries, Al-Amal Sweets Plant, Palace Sweets, Parties Sweet Store and Jasar Alfalaj Shop. Leaders in the biscuit market are two domestic companies. One is Deemah and the other one is National Food Co. Together their share in the market is about 15%. Three international companies are also doing very well. Their share in the market is about 39%. As far as Maamoul is concerned, it is typical Saudi Arabian product. This is a type of pastry that is stuffed by walnuts, dates etc. The Halwani Bros is the market leader in Maamoul, as company is in this field since 1950s. Maamoul is also a type of crispy biscuit. But it is more nutritious because it mostly contains dates that are full of iron and potassium and vitamins as well.

### **3.2.2. Intensity of Competition**

Through Michael Porter five forces, we could measure the intensity of competitive forces. The following section presents the analysis of competitive forces and strategy thereof.

- There are few foreign firms that are leading the industry like in chocolate confections Mars share is about 43% (International Euromonitor, 2016). Number of player is quite limited, and this market is not yet saturated. If in the same segment there are too many players, if the segment is reaching saturation, still scope for expansion exist, in such an environment continuing business operations would not be difficult. If we look at specific chocolate segment, competition is quite high as this specific segment is quite mature in the country. Competition will grow further in coming years. In order to prosper, our business needs to keep an eye on the marketing programs and strategies used by our competitors.

Competitors are trying to offer different products so that they could make their own separate identity in the market. Aggressive promotion and distribution strategies are also being pursued by competitors in this regard. Many confectioners are also offering their products at lower prices to entice customers. In bakery confections, Mondelez International Inc is the largest player. According to Euromonitor international (2015), the retail value sales of the company were estimated at US\$125.6 million in Saudi Arabia.

- Any company could easily enter the confectionary market of Saudi Arabia that is why many new companies are entering. High growth potential is attracting many local and foreign players. But as mentioned above, market is not saturated, so all different companies could grow their business.
- Substitute products are big threat and limit scope of a price increase. If consumers are better organized, have a choice in terms of product available and can create pressure on profits, making segment un-attractive. Similarly,
- On-time supply of high quality raw material is essential for smooth functioning of gourmet network. This factor plays a key role in final output but as many raw material suppliers are there and they are not very well organized, so suppliers' bargaining power is not a threat for the organization.

### **3.3. Anticipated Future Market Potential**

In order to make any anticipation about future market potential, we will see the trends, how the current market is going and what were the growth trends in past. The above mentioned three means for future anticipation will help us in coming up with rational and reasonable predictions.

After economic crises and euro crises, the market for confectionary has seen a downturn all over the world. From the start of 2<sup>nd</sup> decade of this century, this market had resumed its growth. In Saudi Arabia, sweets are a part of the culture and tradition, due to which this market kept on growing in the last years. In 2016, confectionary market of KSA has

seen a dramatic expansion, it was predicted to grow to 43% in 2016, and the main reason cited was growth in the disposable income of the young consumers by food navigator. Other reason was the popularity of low sugar and low fat products. Those companies who provided their health conscious and diabetic customers with the specialty product, they also witnessed growth. In the year 2014, companies from Belgium, Singapore, Egypt, Russia, and France also entered the market and made it very diverse.

According to Euro monitor, in the past years, the major manufacturers enhanced their marketing activity due to growth in demand. Particularly their marketing activity focused young population between the ages of 18 to 24 so that they could continue capitalizing on their indulgence in the products of these manufacturers. Young population is growing at a very fast pace; this is another reason that the major manufacturer is focusing on keeping them. Growing health awareness also enhanced confectionary demand in 2016.

As far as current markets are concerned, consumerism is increasing. Income of the people is also growing. Due to rising incomes, spending is also growing. Retail stores are getting more organized; this factor is also enhancing demand for confectionery in the country. According to a press release by my news desk, in the Arab's culture there is growing trend of giving gifts, this trend is also boosting confectionary market. According to the same press release, in coming two years, value of the country's confectionary market is forecasted to grow to USD 2.26 billion<sup>i</sup>.

High end confectionery is gaining popularity in the Saudi market. Many international companies are capitalizing on the trend. In order to enter the market, some of these companies are collaborating with the existing companies while some others are increasing their share in the market through acquisition.

The Saudi Arabia confectionery market is dominated by Krafts Food being the market leader. Mars and Nestle are other key players in the market. Saudi Arabia imports chocolate confectionery and sugar confectionery from countries namely Italy, Spain, Germany and Belgium. Increasing imports from different countries due to high quality can act as a challenge for the country's economy and local manufacturers.

Chocolate is very popular as a confection, even though a downturn in oil prices is witnessed. This down turn impacted the demand for foods and beverages, but demand for chocolate kept on growing even in such adverse circumstances.

### **3.4. Potential Buyers and Sources of Revenues**

Initially as we will cater Jeddah and Saudi Western region, so with respect to geography, we will find potential buyers of our product in this region.

### **3.5. Our intended Target Markets**

#### **3.5.1. Regular or Traditional Buyers**

In a report by Williams (2016) about Saudi Arabia confectionary market, it is clearly stated that the value of this market would grow more in the following five years that is from 2016 to 2020 as compared to the previous five years. According to TradeArabia, that gives news and information about Arabian business community, annual chocolate per capita spending of Saudi consumers is far greater than average regional per capita spending. Country's population is also growing constantly, according to country meters' website, population of Kingdom of Saudi Arabia is growing by leaps and bounds. Its growth rate was 2.31 in the year 2016.

World leaders in confectionary and chocolate productions are making huge investments in KSA due to its growing population, consumption habits of its residents and huge spending power due to improving incomes (TradeArabia, 2015). It means that this market is quite lucrative. Still a huge amount of foreign reserves is spent on import of premium and expensive chocolates and confections. If as a local producer, we could produce high end and premium confections, we could easily win customers. What we need to do is to produce product that are in accordance to the market and consumer tastes and preferences so market orientation and innovation would be our main strategies.

### **3.5.2. Young Buyers Including Children**

Percentage of population that is younger than 15 years in the country is 29.4% whereas half of the total population is below the age of 25. Saudi government has made huge investment in its youth population by giving them education, and training and development opportunities. Due to this reason, they are getting prosperous and their income and spending is increasing.

Children who are below the age of 14 are very inclined towards the consumption of sugar confections according to EuroMonitor International, whereas customer aged between 18 to 25 need convenience and comfort food. These trends offer tremendous growth opportunities. Our business could benefit by providing special products tailored around the need of this segment as this segment is huge and is growing continuously. Demand for chocolate would also be boosted, as Saudi youth loves to indulge in the taste of chocolate.

In order to harness the potential offered by this population, promotion strategies of the business would be youth oriented.

### **3.5.3. Health Conscious Buyers**

Many of the Saudis are suffering from high blood pressure, diabetes, obesity and vitamin deficiencies. Due to all this, concept of consumer health is gaining importance. Some particular segments of the society are particularly getting more and more aware about their health. With regard to their food choices, they are increasingly opting for healthier alternatives. Their priority is taste, but they also want products that contain healthy vitamins and nutrients as well. They want to reduce their calorie intake and sugar intake as well. Women in general and mothers specifically want healthy food. Emulation of western culture is also supporting this trend. Young people who are growing in the age of high internet and social media penetration are also giving strength to this trend. As they search the internet and also look towards other Medias for gaining health related information, young people in KSA want to live a healthier life.

2. Foreign workers working in KSA

As we are providing high end international products, we could sell them to the foreigners who are living or working in KSA.

### 3. Religious visitors (who visit KSA for Hajj and Umra).

Every year a great number of religious visitors visit Saudi Arabia for Hajj and Umra from all around the world. This influx is constantly growing. It could provide an immense opportunity of growth to all the businesses.

**Table 6: Customers Demographics**

Age	3 and above
Gender	Both male and female
Social Class	Middle and above middle class
Nationality	All
Income	Above SR 5,000
Religion	All

Our customers would fall in middle and high income bracket. We will cater people from all different nationalities and religions and age groups as demographic is considered in order to penetrate the market quickly.

## **3.6. First Year Sales Projections**

In this section of our marketing feasibility strategy we are going to focus on the following particular issues, on which our sales projections would depend.

**Table 7: First Year Sales Projections**

# Product	Category	Annual Demand	Unit	Price	1st Year Shops	1st Year Revenue
<b>1 Cake</b>	Chocolate	2,380	Piece	200	2	952,000
	Cheese	1,700	Piece	200	2	680,000
	Fresh Cream	1,020	Piece	180	2	367,200
	Sponge	1,700	Piece	140	2	476,000
	<b>Total</b>	<b>6,800</b>				<b>2,475,200</b>
<b>2 Chocolate</b>	Chocolate - Outlets	5,000	Kg	200	2	2,000,000
	Chocolate - Super Markets	200,000	Piece	5		1,000,000
	<b>Total</b>					<b>3,000,000</b>
<b>3 Maamoul</b>	Maamoul - Outlets	720	Kg	85	2	122,400
	Maamoul - Direct Sales	1,440	Kg	70		100,800
	Maamoul - Super Markets	36,000	Wrape	20		720,000
	<b>Total</b>					<b>943,200</b>
<b>4 Biscuit</b>	Biscuit - Outlets	10,800	Packet	14	2	302,400
	Biscuit - Corporate	5,400	Packet	12		64,800
	Biscuit - Super Markets	72,000	Packet	14		1,008,000
	<b>Total</b>					<b>1,375,200</b>
<b>5 Coffee</b>	Cups	18,000		15	2	540,000
	Roasted - Outlet	1,800	Kg	70		126,000
	Roasted - Super Market	14,400	Kg	70		1,008,000
	<b>Total</b>					<b>1,674,000</b>
<b>6 Candies</b>	Candies - Outlet	3,600	Packet	10	2	72,000
	Candies - Super Market	72,000	Packet	10		720,000
	<b>Total</b>					<b>792,000</b>
<b>Total Annal Sales</b>						<b>10,259,600</b>

### 3.7. Speed of Growth

How fast we will grow depends on market present and previous growth. According to Mazi (2010), in the first decade of 21<sup>st</sup> century, Saudi Arabian confectionary market has seen a huge growth of around 24%. This growth rate was higher than the regions average growth that was about 15%. This huge growth capitalized on factors like higher per capita income that leaves more as disposable income and cultural and tradition significance of confections in the region. Increasing youth population also boosted the growth. In this decade, overall confectionary sales are projected to grow to 20%. In 2016,

according to Euromonitor International, Chocolate market went up by 43%. These past trends show that the chances of our growth are very bright. We have already hired some of the key personals for marketing strategy and promotion campaign development. We are expecting that our market share will increase very quickly within the years in the western region.

### **3.8. Our Best Selling Products**

As mainly we will sell chocolate confections, sugar confections and coffee. All of our products would be premium priced. We are expecting that our chocolates confections would be our best selling product given that we are planning to come up with products in this category that are more market oriented than our competitors. We will capitalize on the vast population of western region that loves the taste of chocolate. We will also entice youth population towards our chocolates by giving a more western touch in taste, packaging and serving. Diet and calorie conscious customers would be enticed through specialty products with low sugar and calorie content. This niche branding would also help us in capturing a good market share. We understand that consumers' tastes and preferences are fragmented. So we will provide customized and personalized products to different categories. In the following table, estimated demand figures for our different products are given.

#### **How much time and money will be invested?**

Total time needed to develop our Factory:

**1.5 Years for construction and installation plus 2 months of trial run.**

### **3.9. Our Targeted Markets**

Our sales predictions would also depend on our targeted markets. In the above section, we have shown that all of our target markets have stunning growth potential.

The following table shows the percentage of total revenue expected from each source.

**Table 8: Products Percentage Share in Annual Sales**

#	Product	%age Share in 1st Year Sales
1	Cake	24.4%
2	Chocolate	28.4%
3	Maamoul	8.0%
4	Biscuit	11.2%
5	Coffee	19.0%
6	Candies	9.0%
<b>Total</b>		<b>100.0%</b>

## **CHAPTER 4: Marketing Plan**

As we are planning to expand our business, developing a marketing plan will help us. This section of our feasibility study will help us in identifying our customers and the ways through which we could most effectively approach them. We would also devise ways of customer retention.

### **4.1. Executive Summary**

Marketing plan that is a crucial part of marketing feasibility study consists of eleven different sections. It will help us in identifying our targeted customers and based on this we will articulate a powerful and distinctive value proposition. Next part will help in aligning pricing policy to positioning policy. Distribution strategy will highlight the distribution channels that our firm will use to reach its customer. Next part throws a light on our tactics which we will use to entice our customers to buy our products. Next two sections provide information about marketing material and promotion strategy of our business. Online marketing is also essential now a day for attracting customers especially in the context of Saudi Arabia where youth is getting tech-savvy. Conversion strategy throws light on our initiatives for converting prospects into customers. Retention strategy would show as to how we would entice our existing customers for doing repeat business with us. Last part would show the financial projections that is how much expenses we would incur and what results we expect to achieve with regard to number of customers and profit.

### **4.2. Target Customers**

With respect to geographic area, confectionary customers include people living in Jeddah and after that after developing our organizational structure and production capability, it would target whole western region.

Our customers would include people of all ages and men and women both. As far as children of age less than 0 to 14 years old are concerned, for them both sugar, bakery and chocolate confections will be offered. People of all different ages who like to indulge in

food would be offered a variety of western and local high end confections. Health awareness is growing due to government initiatives as well due to increased education and exposure to internet and other media. Women, old age people and youth is especially inclined towards dieting and other measure that could make their life style healthy. We would like to target the niche that needs healthy products. As most of the health conscious women and old page people want to control or prevent their health issues like diabetes, obesity or high cholesterol through diet. So such people would be targeted by offering low sugar and low fat confections.

Youth is inclined towards western lifestyle. More awareness and education is changing their conservative living. In their eating habits, they try to copy their western counterparts. Our business would like to cater their needs as well. We are offering international style and taste in confections. As our business would be focused on provision of high quality and high end international and local products, consistency in taste and quality would also be ensured, but for doing all this, we need to charge a premium price. Our targeted customers would include people of middle and upper middle class. The targeted income bracket would be the people whose income would be more than 5000 Saudi Riyals. Religious visitors during Hajj and Umra season would be also be our target, so we would cater people from all different nationalities. We would provide a comprehensive variety of international confections for satisfying needs of these visitors. People belonging to any religion living in Saudi Arabia for doing business and work would also be catered.

Now that we have identified our target customers, it has enabled us to see how we will promote our product, what sort of advertising will be most suitable.

### **4.3. Our Distinctive Selling Proposition**

*Indulge in finest sweet experience with us.*

This selling proposition would set us apart from our rivals as it clearly says that we are providing confections that are premium, superior and of high quality. After market analysis, we could see that people in Jeddah and rest of Saudi Arabia want to have better quality and high end confections. They also love to taste international variety as the

country is spending a huge amount on import of high quality international confections. Some big premium international brands are also doing very well in the country. So if we would be able to provide people with good quality and comprehensive variety, it would definitely bring success for us.

#### **4.4. Pricing & Positioning Strategy**

As the market, we are going to cater is less concerned about issues like affordability, they want to enjoy the taste, quality and ambience, so a high price strategy is the best option. This will enable us to keep our quality high. We would be able to generate enough money to spend on interiors in our retail outlets. It will also help us in offering a wide and comprehensive range of products. A higher price will help in creating a high value in our customers' perception (Ashe-Edmunds, n.d.). The perceived higher value in customers' mind would enable us to sell at a higher price than our competitors. Our customers would take the higher price as a guarantee that the product is of a greater value or higher quality as compared to other similar products in the market.

As we will offer more to our customers, we will charge more as well. They will be able to satisfy their quest for sweet taste by our sweet, fragranced, fresh, creamy and chocolaty products. The colors and packaging would be enticing as well.

As we are catering Saudi nationals, we could also position our company on affinity bases, we could tell this particular consumer group that we are local producers and our business is owned by Muslims so they should support us as it would help in reducing our country's expenditure and reliance on imports.

#### **4.5. Distribution Plan**

How we are going to distribute our products would also reveal about the worth of our product in terms of quality and experience. We will sell our products only through some selective distribution channels so that we could align our distribution strategy with our pricing and positioning strategy. We will use our own six retail stores that would provide excellent shopping experience to our customers. We would also cater some selected

corporate offices. Our corporate clients include banks like SAMBA, NCB, Etc and Big Groups like Dallah, Alshaie and Alnaghi. Products would also be available in different super markets like Danoub, Carefore and Manuel etc. With the passage of time, we will also start selling our own website, as digitization and internet usage is growing in Saudi Arabia.

#### **4.6. Our Offers**

As we are planning to start our business, at this stage, in order to attract customers to our products, we will offer free trials. This is costly for a startup, but we need to grow our customer base so this strategy could be quite helpful for us.

We could offer some special deals as well like we would offer some packages by combining some of the products together. Initially some products would be offered with money back guarantee as well. We are also planning to provide discount on some selective product categories in the beginning.

#### **4.7. Marketing Materials**

As we are going to start our business, so we need to stay in touch with our current and future customers. This is essential for publicity of our business. Marketing material helps in this regard. We are done with development of our website, catalog and business card. Print brochures are left.

#### **4.8. Promotions Strategies**

As mentioned above, we will offer free trials of our different products, we will also bundle up products to develop packages. Money back guarantee would also be given. For some time, products would be offered at a discounted rate. We will also develop media campaigns. As we will use corporate offices and supermarkets for distributing our products, we would be in the need of provision of quality guarantee along with other push strategies. We need to persuade the superstores as well as the corporate offices to use our product. Super markets would have to provide space to our products on their shelves.

They have to promote the product as well, so we need to come up with persuasive marketing approaches so that resellers could be enticed to purchase our product.

In order to come up with effective campaign for promoting our products, we need to use a hybrid approach. Given the stiff competition in the market and psychological needs and buying behavior of our customers, we need to use some of the pull strategies along with push strategies. We are using our own retail outlets to sell our products along with supermarkets and corporate offices as distribution channels. It means that we need to promote our products to not only reseller but to end consumers as well.

Use of social media is growing in Saudi Arabia at a very fast pace, our confectionary could use this as a mean to come in touch with customers. Through Facebook and Google plus, we could easily reach our potential customers.

#### **4.9. Online Marketing Strategy**

Now a day, online marketing is essential. In KSA internet usage is growing. More and more people are using social media so if a business wants to be reviewed by customers, it should have an online marketing strategy.

For developing an online strategy, we need to come up with the keyword optimization strategy. As it is mentioned earlier, that the work on company website is already complete. We would be in a need to keep on updating our websites to ensure its optimization for search engine.

In order to increase sales, we need to make our website more persuasive. Navigation convenience would be an added advantage.

Pay Per Click would also work well for our business. When our prospects would be searching for the products of our type, this online strategy would display our advertisement. So it would give a chance to our company of direct exposure to our prospects.

## **4.10. Conversion Strategies**

These strategies would help us in converting prospects into customers.

### **4.10.1. Understanding Customers and Devising a Solution**

We are already trying to understand through market research as to what our customers need. We understand that customers need consistency in quality and a comprehensive variety of products. They are getting health and diet conscious. Our customers also include people of other cultures and ethnicities. We understand the concerns of all of them and we are crafting a solution by coming up with an upscale gourmet network that would be able to entertain needs of our different customers quite comprehensively. Poking deep into customers' needs and devising a solution thereafter is a conversion strategy that could work best for our business.

### **4.10.2. Continuous Training of Sales Staff**

As we need to use our own retail shops along with other distribution channels, so we will train our sales staff with regard to strategic selling. Continuous training of the staff will help them in understanding selling methods and principles. We would devise ways to develop sales staff in a way that would enable them to embrace the firm's philosophy in this regard. This would motivate them to share their suggestions and make recommendations to the customers that would help in enhancing customers' wellbeing. Such approach would make a real difference and would help in converting prospects into regular customers. Sales staff would be informed enough so that they are in the position to provide the required information to prospects as well as buyers.

### **4.10.3. Developing Irresistible Offers**

If our business would offer some sort of added benefits over and above our competitors, only then our customers would like to do business with us. Different types of offers that our business could make to our customers could be enticing in the sense that they could compel customers to do business with us. Money back guarantees, free trials and a

package that combines different products at a lower price could make resistance very difficult on consumers' part.

#### **4.10.4. Getting Customers to Refer Us**

As we are going to offer superior quality, high end and comprehensive variety to our customers, we could also get our customers to participate in our business's promotion with us. This strategy could help in enhancing growth of our customer base. Word of mouth of a friend or family member matter a lot. So customer referral program would surely enhance our revenues.

As our website is ready, on the top of every page of our website, we will display this message: "Recommend us to one of your family acquaintance or a friend, and get a 10 Saudi Riyals Coupon".

The prominent place given to this message would surely raise customers' participation. That is why we will place our message near to header instead of putting it in the bottom of our website pages.

After some time, we will also start a referral program in which the customer who will recommend us to his friends and family will get a free American style or French style cake.

#### **4.11. How are We Going to Retain Customers?**

Customer retention is very important because it could increase our profits many fold. It is easier for a firm that is offering quality products to its customers to get them back for repeat purchases. We will develop a system through which we could get information like email address and phone numbers of our customers. On some special events like Eid, Hajj or Christmas or mother's day which ever relates to our customers' previous purchase, we could send an email in context of special promotion. Through such relevant emails, we would offer an appealing incentive to our customers if he will make a repeat

purchase from our business. We could offer some special Eid or Christmas related gift or give some discount. The personalized emails will tell customers that they are important and we give value to them and to their loved ones. As we also need to sell to super markets that is a reseller of our products, we could also make phone calls to show our courtesy for their purchase. Our representative will also call them to see that they got their order on time and without defects and if their end customers are satisfied with the product quality. Same process would be repeated for corporate offices as well.

#### **4.12. Structure of Marketing Department**

Unlike hierarchical structure, we are planning to develop a group of people, this is the way modern marketing departments are structured, and we are just about to start our business. Our marketing department would consist of four main individuals that is a senior market executive, a creative leader, a communicator and an accounting executive. With the expansion of our business, we will make a team for each of the above identified role for example, we will develop a team of senior executives would be hired for development and execution of strategy than.

The following section will explain as to what role each individual will play in the marketing department.

**Marketing and Sales Executive:** would be responsible for developing the indicators through which performance of marketing department on key aspects would be measured. The indicators would be developed by keeping in mind the purpose and goals of the organization. SMSE would also be responsible for developing and executing marketing strategy and plan. Research about target audience and distribution channels will also come in his domain. He will also be responsible for developing pricing and positioning strategy. He will be responsible for developing referral strategy as well as offers to entice customers.

## **4.13. Marketing Mix (4 P's)**

Now we are in a position to define our marketing mix. Marketing mix consists of four marketing Ps, that include Product, Price, Place, Promotion.

### **4.13.1. Product**

The first P (product) will deal with the number of product lines our confectionary is going to provide. The products we are going to provide are quite similar in the sense as all of these are confectionary products, we could use similar technologies to develop our products.

#### **4.13.1.1.Width of Product Mix**

Width of product mix tells about the number of lines that the company sells. We are going to sell chocolate, cakes, biscuits, coffee, customized maamoul and candies. Our product mix is not very wide because we are just about to start our business. Initially focusing on these products would help us in enhancing our product share.

#### **4.13.1.2.Length**

We are going to offer a wide variety of all different products which we will provide. With regard to chocolate we will provide wrapped chocolate of different shapes and size. We will provide plain milk chocolate as well as chocolate coated products. In cakes we will provide Chocolate cake, Chocolate Demise, Chocolate Truffle (mousse), Pistachio Cake, Caramel Cheese Cake, Blueberry Cheese Cake, Raspberry Cheese Cake, Date Cheese Cake and Lemon Cheese Cake. In maamoul category, we are going to offer Cinnamon Maamoul, Date Maamoul, Chocolate Maamoul, Spices Maamoul, Coffee Maamoul. Various types of biscuits and candies would be provided by us.

#### **4.13.1.3.Consistency**

Our product mix is quite consistent as all different products are edible and are group under the head of confections. All of the products produced would be distributed through

three distribution channels mentioned above that is through our own retail outlets, super markets and selected corporate offices.

#### **4.13.2. Price**

As far as prices of our different products are concerned, we will offer high and premium priced goods, as this price is in accordance to our positioning strategy. We are going to deliver high quality, fresh products to our customers. But if a product is found defective, then the confectionary will take responsibility and will return the full payment and would apologize. The following table provides the prices of our different products.

**Table 9: Product Prices**

	<b>Products</b>	<b>Price (SAR)</b>
<b>Cake</b>	Chocolate	160
	Cheese	170
	Pistachio	150
	Sponge	150
<b>Chocolate</b>	Chocolate-Outlets	150
	Chocolate-Super Markets	5
<b>Maamoul</b>	Maamoul-Outlets	60
	Maamoul-Direct Sales	55
	Maamoul-Super Markets	15
<b>Biscuit</b>	Biscuit-Outlets	10
	Biscuit-Corporate	10
	Biscuit-Super Markets	10
<b>Coffee</b>	Cups	15
	Roasted-Outlet	70
	Roasted-Super Market	70
<b>Candies</b>	Candies-Outlet	10
	Candies-Super Market	10

#### **4.13.3. Promotion**

We are going to use aggressive marketing and promotion techniques in order to grow our business in the confectionary market's competitive environment. In order to introduce our product in the market and to gain customer interest, we will offer free trials in the initial stage. Packages of products would also be developed by bundling products together, it

will enhance their attractiveness for customers. Confectionary will take responsibility for taste and quality of the product. Media campaigns would also be developing. We would use television, radio and social media to promote our product. We need to resell our products to supermarkets and corporate stores, for enticing these customers, we need to give guarantee of quality. Social media usage is gaining popularity in the country. So we will use this media to promote our product.

#### **4.13.3.1. Sales Promotion**

As we are going to offer our products to supermarkets and to corporate office along with end consumers, so we will use both trade and consumer sales promotion schemes. We would offer the scheme that if some super market is going to buy a package of 25 cakes it will get three free cakes. We could also offer a discount of some percentage. This will help in enhancing the shelf presence of the firm. It will entice our corporate as well as supermarket distributors to buy more from us. This strategy would be helpful for enhancing shelf space for confectionary products. The super markets will avoid stock out once their end consumers are use-to off confectionary products. Some gifts would also be offered as an incentive to buy more from our confectionary. For our end consumers, at festival times like Eid and Haj or Easter, we will offer some gift scheme on buying our products, like we would offer that if you will buy a cake, you will get free roses from us for your loved ones or if you will get a birthday cake from our firm, we will give you a birthday gift.

#### **4.13.3.2. Brand Policy**

For enhancing our brand recognition, branding is must. It will also help in enhancing the information about different products of confectionary. Our geographical distribution is not very wide. So confectionary will use one brand name for selling its different products. All of our products are inter-related with respect to their manufacturing, usage and distribution. So following a family brand name is a suitable branding strategy. We will try to get positive reaction to different products, as positive reactions towards one product

will only enhance the sale of that product but it will also enhance the sales of all other products which are sold under this brand name.

#### **4.13.4. Place**

As mentioned in the distribution strategy, we will use three distribution channels. Our distribution would also be aggressive. We will focus on enhancing the visibility of our products through our distribution strategy. We will sell our products through our own six retail outlets. The environment and ambience and service level at these outlets would be in accordance to our business strategy. Our corporate clients include banks like SAMBA, NCB, Dallah etc. and big Groups like Alshaie and Alnaghi. Super markets like Danoub, Carefore and Manuel would also be used as distribution channels.

Our production manager would oversee with the help of his team that the raw material is transported to the confectionary warehouse.

#### **4.14. Assessment Relative to Our Competitors**

In this section, we will compare our company's marketing mix with other market players.

**Table 10: Assessment Relative to Our Competitors**

	Poor	Equal	Better	Description
<b>Product</b>				
<b>Product Mix</b>		X		No. of items company is selling.
<b>Quality</b>			X	Quality of products.
<b>Design</b>			X	Efficiency and effectiveness to develop new products.
<b>Packaging</b>			X	Effectiveness of packaging for storage and display.
<b>Return Possibility</b>		X		Possibility of return of defective products.
<b>Price</b>				
<b>Price Positioning</b>		X		Difference in price positioning.
<b>Rebates &amp; Discounts</b>			X	Frequency of rebates and discounts offered
<b>Promotion</b>				
<b>Advertising</b>		X		Advertising channel to promote products.
<b>Sales Promotion</b>		X		Sales promotions to increase overall sales.
<b>Branding</b>		X		Views of public about your brand.
<b>CRM</b>		X		Customer relation management
<b>Place</b>				
<b>Sales Channel</b>			X	No. of channels used
<b>Lead Time</b>		X		Time from factory to customer.
<b>Supply Chain</b>		X		Distribution of raw material and final products.

## **4.15. Competition Strategy**

We are going to follow a differentiation strategy. Our products will not only be different from our competitors in real terms but we will also create perceived differences. As our customer's base is quite broad. We are going to offer a wide variety of products. Provision of high end international products would be our specialty. We will also provide customized products as well as low calorie and low fats products for health-conscious customers. The way our customers would be served and the ambience of our retail outlet would also put us apart from our rivals.

We will also pursue a focused strategy by catering the niche of healthy conscious people. This strategy is also based on the concept of differentiation. We will develop cakes, chocolates and biscuits etc. by using organic material. We will lower the cholesterol and sugar content of our products so the weight conscious people and people with diabetes and cholesterol could also enjoy the taste of our products. By catering the specific needs of this niche market, we would be able to sell our products better than our competitors. Our packaging will mention the calorie and fat content.

## **4.16. Expansion Strategy**

In order to expand our business, we will enter new geographical regions. We will offer the same products in new regions. As we are also concentrating upon product development, new products would also be developing not only for our existing customers but also for catering new customers. This is known as expansion through concentration. The strategies mentioned here would not only help us in penetrating our existing market, but this will help our business in its growth as well.

## **4.17. Financial Forecasts**

The personnel expenses that will be incurred in the sales promotion activities include salaries and wages, benefits, payroll taxes and commission and bonus. The market research expenses will be incurred in the primary research and secondary research. The marketing communications expense will be incurred in branding, advertising, websites,

direct marketing, internet marketing, collateral, press relations, public relations and analyst relations. The Customer Acquisition and Retention (CAR) expenses that will be incurred in marketing the factory products shall be customer loyalty and lead generation expenses. Other expenses that will be incurred to market the factory products will be postage, telephone, computers and travel expenses. The expenses in the first twelve months of operation are summarized in the table below.

**Table 11: Quarterly Expenses for First Twelve Months**

<b>In SAR</b>	<b>1-3 Months</b>	<b>4-6 Months</b>	<b>7-9 Months</b>	<b>10-12 Months</b>	<b>Year</b>
<b>Cost of Goods Sold</b>	<b>300,020</b>	<b>342,880</b>	<b>514,320</b>	<b>557,180</b>	<b>1,714,400</b>
Depreciation	81,358	92,980	139,470	151,093	<b>464,900</b>
Factory Rent	3,063	3,500	5,250	5,688	<b>17,500</b>
Outlet Rent	35,000	40,000	60,000	65,000	<b>200,000</b>
Electricity	31,500	36,000	54,000	58,500	<b>180,000</b>
Water	6,300	7,200	10,800	11,700	<b>36,000</b>
Salaries of Indirect Employees	100,800	115,200	172,800	187,200	<b>576,000</b>
Packaging Material	42,000	48,000	72,000	78,000	<b>240,000</b>
GOSI	3,500	4,000	6,000	6,500	<b>20,000</b>
Others (Marketing etc..)	77,151	88,172	132,258	143,280	<b>440,860</b>
<b>Total Indirect Expenses</b>	<b>380,671</b>	<b>435,052</b>	<b>652,578</b>	<b>706,960</b>	<b>2,175,260</b>
<b>Total Expenses</b>	<b>680,691</b>	<b>777,932</b>	<b>1,166,898</b>	<b>1,264,140</b>	<b>3,889,660</b>

#### **4.18. Marketing Proposal**

For our feasibility study we engaged Koraspond to submit their marketing proposal for our business. Following is the Marketing proposal submitted by them.



Our team is proud to deliver original & fresh digital marketing solutions

Fig. 2: Koraspond Logo

#### 4.18.1. About Koraspond

Koraspond is a 360 Digital Media-Marketing Agency that is born out of passion for creative edge to build and deliver exceptional digital solutions.

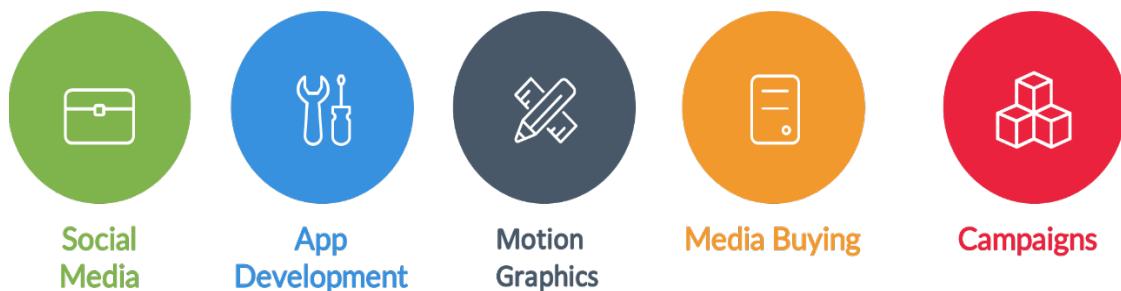


Fig. 3: Koraspond Services

Koraspond is a young, ambitious company that seeks to attract digital clients with a well-defined vision, and creative strategy thereby aiming to excel in the thriving digital media marketing industry. We provide services in comprehensive areas such as Social Media Management, Mobile App Development, Online Solutions, Web Application & Design, Creative Artwork (Branding and copywriting), SEO's, and 2D/3D animations. Our services are available across all the major cities in the Kingdom. We believe in building e-partners through our unique ideas & marketing brilliance.

#### 4.18.2. Koraspond Mission

Taking the responsibility of digital media management and marketing to deliver excellence for our clients and ensuring maximum ROI. Optimizing the strength of digital media to exceed client's growth and revenue goals. Keeping the focus on client's market

segment with periodic evaluation of KPIs. Developing a fully customized plan to cater each client's unique need and budget.

### 4.18.3. Why Koraspond

#### 4.18.3.1. Creativity

- We do things differently
- We work irrelevant of clock
- We are committed to deliver
- We are young and vibrant
- We believe in making trends, not following one

#### 4.18.3.2. Professionalism

- We do smart media acquisitions and bidding
- We do smart platform selection
- We offer comprehensive digital media services in-house
- We are always partners in progress, budgets and results.

*Koraspond*

## Social Media Pricing Table

WE IMPLEMENT YOUR IMAGINATION

Starter	Regular	Enterprise
<b>SAR 10,999/Month</b>	<b>SAR 13,999/Month</b>	<b>SAR 17,999/Month</b>
General Marketing Strategy	General Marketing Strategy	General Marketing Strategy
30 Tweets	45 Tweets	60 Tweets
15 Facebook Visual Posts	20 Facebook Visual Posts	30 Facebook Visual Posts
15 Instagram Descriptions	20 Instagram Description	30 Instagram Description
8 Snapchat Stories	12 Snapchat Stories	15 Snapchat Stories
30 sec 2D Animation / Stop motion / GIF	45 sec 2D Animation / Stop motion / GIF	60 sec 2D Animation / Stop motion / GIF
SM Management , Listening and Moderation ; Platforms + Minor Website Updates	SM Management , Listening and Moderation ; Platforms + Minor Website Updates	SM Management , Listening and Moderation ; Platforms + Minor Website Updates

Fig. 4: Social Media Pricing

Koraspord

# Social Media Buying Plan

WE IMPLEMENT YOUR IMAGINATION

Ad Format	Audience	Duration	Platform	Budget	Coverage	Reach	Likes
Post	Male-Female Age 13-65	30 Days	Facebook Likes	1,000 SAR	Jeddah	200 K	2000 Pages Likes
Post	Male-Female Age 13-65	30 Days	Instagram , Facebook	2,000 SAR		1 Million	2500+ Post Likes
Tweet	Male-Female Age 13-65	30 Days	Twitter , Influencer	1,500 SAR		200 K	1000+ Reactions
Influencer	Influencer Community	3 Post	Snapchat , Instagram	2000 SAR		800k+	
Reporting and Management				500 SAR			
Total				7,000 SAR			

Fig. 5: Social Media Buying Plan

Koraspord

# Website Pricing

WE IMPLEMENT YOUR IMAGINATION

Sr.	Description	Quantity	Cost
01	Advance Website Features : ✓ Mega Menu Compatibility ✓ Modern UI/UX Design ✓ Online Ordering System (Excluding Payment and Shipping Module) ✓ Power Admin Panel ✓ Multi Language Support (Arabic / English) ✓ Customized Store Locator ✓ Mobile Friendly ✓ Promotion Code Generator ✓ Contact Us Form	1	Included
Total			SAR. 21,000

Fig. 6: Website Pricing

## **CHAPTER 5: Technical and Engineering Feasibility Study**

In order to produce and deliver the products to the end consumers, we would need raw material and labor. How much material would be needed and the decision about quantity and quality of labor that will be required to convert the raw material into final products comes under technical and engineering feasibility study. Transportation arrangements for transporting the raw material and final products is also a part of this section. This sections shows the pathway as to how our business will deliver the product including information about production and storage of the product. Flowchart that shows the track through which we develop our product to reach our customers is a part of this section.

### **5.1. Objectives and Detailed Contents of the Study**

#### **5.1.1. Capacity Planning: Determining Production Capacity**

In order to produce the products according to the demand, we need to see that what should be the production capacity of our confectionary. We need to develop the production capability in accordance to the maximum amount of work which our confectionary is expecting to get at any point in the future. How much output our confectionary is able to produce would depend on how we are going to balance labor, machinery, storage capacity and raw materials?

##### **5.1.1.1. Raw Materials**

On time availability and quality of raw material impact production capacity of our confectionary. Performance of our production line would depend on the supply of raw material. Turnaround time that is very important aspect of supply chain management would also impact our production capacity. How much time our suppliers would take to deliver the required input after getting orders from us is there for critically important. Quality of raw material is also important as we want to reduce the rate of defective products to zero. Meeting this goal will help in smooth flow of our production process.

### **5.1.1.2. Equipment**

Machinery and equipment would also affect our production capacity. Quantity of the machinery and its efficiency would limit or enhance our production capacity. Quality of the machines and their reliability would be another limiting factor. We also need to decide that whether we will establish our own maintenance department or we want to outsource this function. How much backup machinery our business could afford also impact our production capacity?

### **5.1.1.3. Labor**

Staffing and labor also impact production capacity. How many people will be deployed in the production line would influence our production capability. Decision about number of permanent and temporary staff members is also important in this regard. As sometimes we would be in a need to enhance or reduce our production depending on the demand. We might also need different staff to work on different shifts with us, it will help in utilizing our machinery up to its maximum level during peak seasons.

### **5.1.1.4. Warehousing**

Inbound logistics and out bound logistics both would affect our production capacity. Most of our raw material would consist of products that can be stored for a limited time. Otherwise they would be spoiled. So we need to manage a just in time supply chain for some of our products. We need to have such material suppliers who could guarantee the turnaround time with preciseness. Shelf life of most of our finished products would also be very limited. We cannot store our finished products for a long time. Most optimal condition for our business would be that we should start production of such goods whose shelf life is limited only after getting orders by our retail shops, corporate offices and supermarkets, so that after their production, they could be supplied immediately. This would help in reducing the requirement for outbound logistics.

## **5.1.2.**

### **5.1.3. Input Requirements**

In our technical feasibility study, we are going to quantify our input requirements, we will show how these inputs will flow, what production process they would follow to get converted into the final products. We will develop a material flow diagram that contain the following information.

1. Ingredients for different products
2. Quantities required of different ingredients
3. Raw material quantities will be the one required to make 1 kg of each factory product.

Here I want to mention that if due to some damage, some material gets wasted or some material is rotten at the time it was supplied or it get spoiled in our warehouse, this material would also be including in consumed material. In the following tables, we are going to list the quantity of raw materials utilized during the production process of all different products that our confectionary would produce.

### **5.1.4. Ingredients and Variable Cost Breakdown**

Below are tables for all products elaborating all ingredients required and their respective costs. Variable costs were used in financial feasibility study.

**Table 12: Variable Cost of Raw Chocolate**

Chocolates			
Ingredients	Quantity (Grams)	Cost/Kg (SR)	Cost for 1 Kg Chocolate
Cocoa Butter	250	55	13.8
Virgin Coconut Oil	50	45	2.3
Milk	250	5	1.3
Raw Organic Cocoa Powder	180	70	12.6
Agave Syrup	220	60	13.2
Other Preservatives	50	150	7.5
<b>Total Variable Cost per Kg</b>			<b>50.6</b>

**Table 13: Variable Cost of Cakes**

Sponge Cake				Chocolate Cake			
Item	Quantity	Price	Total	Item	Quantity	Price	Total
Cream	2.5	10.0	25	Cream	2.5	10	25.0
Sponge	1	10.0	10	Gelatin	1	4	4.0
Fruits	0.6	3.0	1.8	Dark Chocolate	1	9	9.0
Biscuit	3	3.0	9	Milk Chocolate	2	14	28.0
Jam	0.4	4.0	1.6	<b>Total Variable Cost</b>			<b>66.0</b>
<b>Total Variable Cost</b>			<b>47.4</b>				
Cheese Cake				Pistachio Cake			
Item	Quantity	Price	Total	Item	Quantity	Price	Total
Sauce	2	8.0	16.0	Cream	2.5	10	25.0
Eggs	3	1.3	4.0	Sponge	1	10	10.0
Cheese	0.6	9.0	5.4	Sugar	3	3	9.0
Sugar	1	3.0	9.0	Pistachio	0.4	8	3.2
Cream	0.5	10.0	5.0	<b>Total Variable Cost</b>			<b>47.2</b>
<b>Average Variable Cost per Cake (SR)</b>				<b>49.0</b>			

**Table 14: Variable Cost of Biscuit**

Item	Price (SR)	Purchased Quantity (Kg)	Used in One Pack (Gram)	Cost (SR)
Flower	55.0	50.0	2.5	0.01
Butter	550.0	25.0	1.0	0.10
Almond	32.0	1.0	1.2	0.17
Eggs	16.0	30.0	12.0	0.03
Baking Powder	35.0	5.0	0.3	0.01
Salt	2.0	0.7	0.2	0.00
Vanilla Powder	25.0	1.0	2.0	0.22
Sugar	145.0	50.0	2.0	0.03
Oil	5.0	1.0	2.0	0.04
<b>Total Variable Cost</b>				<b>0.61</b>
<b>Cost Per Pack of 12 Pieces</b>				<b>7.3</b>

**Table 15: Variable Cost of Coffee Cups**

Item	Unit	Quantity (Grams)	Price (SR/Kg)	Cost (SR)
Sugar	Grams	25	10	0.25
Coffee	Grams	50	50	2.50
Milk	Liters	150	4	0.60
Chocolate Powder	Grams	30	50	1.50
<b>Total Variable Cost</b>				<b>5</b>

**Table 16: Variable Cost of Roasted Coffee**

Item	Unit	Price (SR)	Roasting Cost (SR)	Total
Raw Coffee	Kg	35	5	40
Packaging	Pack	4		4
<b>Total Variable Cost</b>				<b>44</b>

**Table 17: Variable Cost of Candies**

Item	Unit	Price per Unit	Quantity Used (Grams)	Total
Cream and Honey	Kg	30.0	70.0	2.1
Sugar	Kg	3.0	50.0	0.2
Sucrose	Kg	10.0	80.0	0.8
Ghee	Kg	20.0	50.0	1.0
<b>Total Variable Cost for a Packet of 12 Candies</b>				<b>4.1</b>

**Table 18: Variable Cost of Maamoul**

Item	Purchased Quantity	Price	Cost per Unit	Quantity Used	Cost (SR/Batch*)	Cost (SR)
Butter	25	320	13	21	269	2.99
Icing Sugar	1	6	6	3	18	0.20
Milk Powder	25	300	12	3	36	0.40
Vanilla Powder	0	1	5	0	1	0.01
Baking Powder	0	1	3	0	1	0.01
Flower	1	1	1	21	21	0.23
Milk Flavor	1	250	250	0	53	0.58
Date Paste	25	60	2	15	36	0.40
Cardamom Powder	1	30	30	0	2	0.03
Oil	9	120	13	1	10	0.11
<b>Total Variable Cost per Pack of 10 Pieces</b>						<b>4.96</b>

\*One batch produces 90 Maamouls.

## 5.2. Plant Capacity

By the installed capacity of a plant, we mean its capacity with respect to units of a specific products it could produce at any given point. Our factory would be able to produce about 30,000 cakes annually. It would be able to produce 500,000 chocolate bars and additionally 20,000 Kg of chocolate. Our factory would also be able to produce 20,000 Kg of Maamouls. It would also be capable of producing 200,000 packets of

biscuits, each pack contains 12 pieces. Our two outlets would be able to serve 60,000 cups of coffee and our factory would be able to process 40,000 Kg of coffee annually. Our factory would be able to produce 200,000 packets of candies annually. In first year our factory and outlets would be able to utilize overall 40% production capacity. We have planned to enhance the capacity utilization by 10% annually for first year four years and once we would reach 80% capacity utilization, which is an industry average of food processing companies, we would plan for expansion.

**Table 19: Capacity Utilization**

#	Product	Designed Capacity	1st Year Production	Capacity Utilization (1st Yr.)
1	Cake	30,000	6,800	22.7%
2	Chocolate	32,500	10,000	30.8%
3	Maamoul	20,000	12,446	62.2%
4	Biscuit	200,000	88,200	44.1%
5	Coffee	40,000	16,200	40.5%
6	Candies	200,000	75,600	37.8%
<b>Average</b>				<b>39.7%</b>

### **5.3. Nominal (Design, Maximum) Capacity**

We need to produce our various products in accordance to their demand. Capacity planning helps in this regard, in capacity planning we determine the output rate that our confectionary is required to produce. During capacity planning phase, we need to keep into account factors like availability of facility and how much updated are the machines and technologies which we will use during production. Our internal communication as well as human resource skills and qualities would also influence our production capacity. Production equipment's maintenance is not given consideration while measuring nominal capacity. Machines production capacity is measured under this concept with allowing any rest. This nominal capacity would help us in peak seasons. Utilization of nominal capacity of confectionary could result in decreased life of equipment and machines of the confectionary.

## **5.4. Regular Production Capacity**

Under normal conditions, that is to meet the normal demand by customers, factory will use its regular production capacity. While utilizing its regular production capacity, our plant would be able to carry on maintenance of machines and the machinery would also get sufficient time to rest. For calculation of regular capacity, we will not only have a look at the maximum capacity of equipment rather we will allow time and resources for malfunctioning proportion, this would help us in arriving on the actual or realistic capacity.

## **5.5. Break-even Point**

Breakeven point in production capacity would be the point at which confectionary is able to produce the output at which it is neither incurring profit nor losses. At this point the total cost and total revenues of the firm would be equal. After reaching this point, firm would start earning profit. Before this point, confectionary's costs would be more than its revenue. Cost includes both fixed cost and variable costs. After knowing this point, factory would try to produce more than this point so that it could not only cover both of its costs but also it would come in a position where it would start fulfilling the demands of its customers. Break even analysis also helps in many other managements related decision. It could help in identifying fixed costs that are excessive and there by management could identify ways through it could reduce its cost. Through break-even analysis, management comes to know that sale of how many units of different products would be able to cover their expenses. It helps them in setting realistic sales targets. They would know the products that are profitable for the firm. This analysis would also make things clear for pricing related decisions.

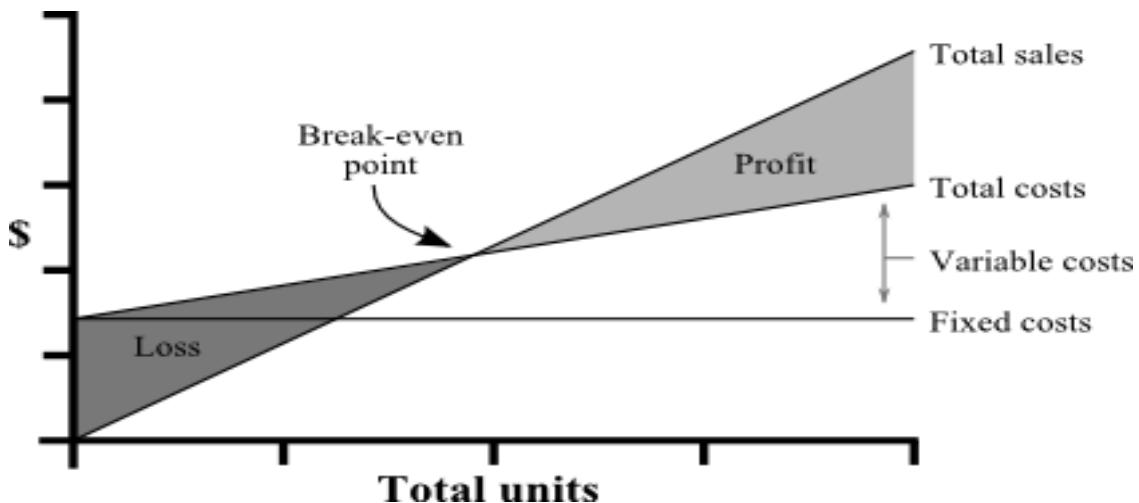


Fig. 7 Break-even Point

Image source: <http://www.chegg.com/homework-help/definitions/break-even-point-37>

Break-even point could be calculated by using the following formulae.

Break-even point in terms of sales unit: Fixed Costs/ P- Per Unit Variable cost

P stands for price of the product sold

In order to get the profit from the above mentioned formulae, we will subtract total cost or expenses from the total revenue.

The following table shows breakeven point in for all of the products of confectionary.

**Table 20: Break-Even Point**

Products		Share in Sales (%)	Price (SAR )	Variable Cost (SAR)	Fixed Cost (%)	Breakeven Point (Units)	Breakeven Point (SAR)
Cake	Chocolate	9%	160	104	187,892	5,186	829,748
	Cheese	7%	170	100	142,596	3,936	669,077
	Pistachio	3%	150	91	75,492	2,084	312,545
	Sponge	6%	150	93	125,820	3,473	520,908
Chocolate	Chocolate- Outlets	17%	150	61	370,060	10,214	1,532,082
	Chocolate- Markets	11%	5	2	246,706	6,809	34,046
Maamoul	Maamoul- Outlets	1%	60	21	21,315	588	35,299
	Maamoul- Direct	1%	55	21	19,539	539	29,661
	Maamoul- Markets	6%	15	6	133,221	3,677	55,155
Biscuit	Biscuit- Outlets	2%	10	7	53,289	1,471	14,708
	Biscuit- Corporate	1%	10	7	13,322	368	3,677
	Biscuit- Markets	8%	10	7	177,629	4,903	49,027
Coffee	Cups	6%	15	5	133,221	3,677	55,155
	Roasted- Outlet	1%	70	44	31,085	858	60,058
	Roasted- Market	11%	70	44	248,680	6,864	480,461
Candies	Candies- Outlet	1%	10	5	17,763	490	4,903
	Candies- Market	8%	10	5	177,629	4,903	49,027
Total / Weighted Average		100%	79	43	2,175,260	60,039	4,735,536

## 5.6. Factors Influencing Production Capacity

The production capacity of our confectionary is dependent upon many factors like any other production facility. Many internal and external factors would enhance or impede utilization of its production capacity. In the following section of our feasibility study, we are going to present a brief one by one analysis of these factors.

- **Technical Factors:** The choice of the technology that will be used in the production processes will influence the factory's economies of scale.
- **Finance:** Availability of capital and finance is also essential. In the initial stage even, our business would need to bear many expenses. Many fixed and variable costs would be there. Lack of availability of finance could hinder the production capacity.
- **Market Size:** As we are going to cater whole Jeddah and western region. So the size of the market is quite big. We would use our maximum production capacity so that we could meet the demand of our customers. We are also going to cater some of the market niches like health conscious customers, the specialty goods produced for them would not utilize the maximum production capacity. On events like Eid or Christmas, we would use our full capacity. Maximum utilization of capacity of production will help the company to enjoy economies of scale.
- **Constraints on Equipment:** The standardization of the equipment's production capacities will impact on the factory's production capacity.
- **Material Constraints:** Raw material quality and adequate quantity both are important factors that could influence production capacity. Our production line would be able to perform in a better way if the raw material is there to be converted into final product. We need to take into account our suppliers' turnaround time so that we could always ensure that sufficient quantity of raw material is available. The quality of raw materials may be an issue that affects production capacity. We have a goal that we would keep the rate of defective products to zero, this will have profound impact on our production capacity.

- **The Staff Performance in the Production Processes:** For increasing or decreasing production capacity, in short run the factor that is most relevant is labor. If at any point in time, we would need to increase production, we could add staff or vice versa. In our high season, we would hire staff who could work for us in different shifts. This will help in maximum utilization of production capacity. In our retail shops, during rush hours we could add people who would be responsible for a single task like supplying and replenishing the shelves etc. Quality of the staff should be up to the mark, only then they would be able to perform optimally. Well trained employees would be able to perform better.

## **5.7. Cost Volume Profit Analysis**

With regard to production, confectionary management needs to take into account investment and financing related decisions. CVP analysis helps in understanding the cost structure, selling price, sales volume and profitability. It helps in making the following decision.

- Our confectionary should be more labor intensive or should it use more of automatic machines.
- How many sales of different products should be there to reach a break even?
- In order to earn targeted profit, how many units' company should sell?
- How much promotion and advertisement is needed to enhance the sales so that the targeted revenue could be earned.

## **5.8. Technology Acquisition and Transfer**

For acquisition of technology, we will rely on external technology transfer. Through licensing agreement, we will get the control over not only the ownership but on the usage of technology as well. We will select experienced dealers and consultancy organizations, their compatibility and core competencies would be considered while selecting them. We will develop mutual understanding and trust worthy relationships.

We will opt for external technology transfer as it will help our business in saving time and energy for concentrating on other more important matters. In order to achieve growth objectives and goals, we could not rely on our internal development of technology as it would take time. Competition is fierce in our market, in order to keep up with this competition, we need to concentrate on our core business. Complex technological development and changes are constantly taking place in our industry. Our internal resources that include both human resources and financial resources are not capable enough for required rate of innovation, so purchasing technology from those who are well developed in this regard is a more feasible strategic decision on part of the firm.

The factory will use a mixture of labor, capital, and knowledge for producing the desired outcomes. By labor or human capital, we mean the capabilities of our human resource including skills, knowledge, education and training. Health of human resource along with their behaviors would also impede or enhance production capacity of our organization.

By capital we not only mean physical capital like equipment and machines, we also mean financial capital. As a start-up, before earning any revenue, we need to have building and machinery, we also need to have human capital and supplies of material to be used in production process. For all this we need money. As far as knowledge is concerned, it is essential to have knowledge of different processes involved in production.

The following factors are identified by our business that have the ability to influence the acquisition and transfer of technology.

- Technical skills;
- Training;
- Products to be produced;
- Technical education.

## **5.9. Enterprise Resource Planning**

Maintaining high standard of quality has always been a major priority, ensuring product reliability and a high degree of customer satisfaction and loyalty. To attain such high standards, we mandated ‘Focus Softnet’ to provide a quotation for the implementation of enterprise resource planning (ERP) software.

### **5.9.1. Company Profile**

Focus Softnet is a twenty-two-year-old software development company, driven by a commitment to deliver quality solutions. Focus Softnet has an established branch network of 29 offices in 18 countries with over 35,000 corporations as clients. Focus offers a range of software solutions that are sophisticated, practical, and capable of seamlessly integrating a wide spectrum of customer requirements, to streamline business functions and increase efficiency. Focus Softnet. is a totally integrated IT solution provider and is a vision of young, talented and experienced group of software professionals. Focus Softnet strives to remain as a benchmark by which the industry measures quality.

### **5.9.2. Objective**

The objective is to provide an impeccable technological solution to implement ERP for a confectionary, addressing the management's need for accurate accounting and more over to get comprehensive insight into the business with infinite avenues in terms of MIS, Decision Support Systems and Control Mechanisms for enhanced operational efficiency, productivity, cost control and overall business streamlining.

### **5.9.3. Modules**

We decided to implement following modules in first phase of implementation. The Scope of the software as discussed and demonstrated is given below:

- Financial Accounting System;
- Purchase Module;
- Sales Module;
- Inventory Management System;
- Order Management System;
- Focus POS Lite.

## 5.10. Production Process

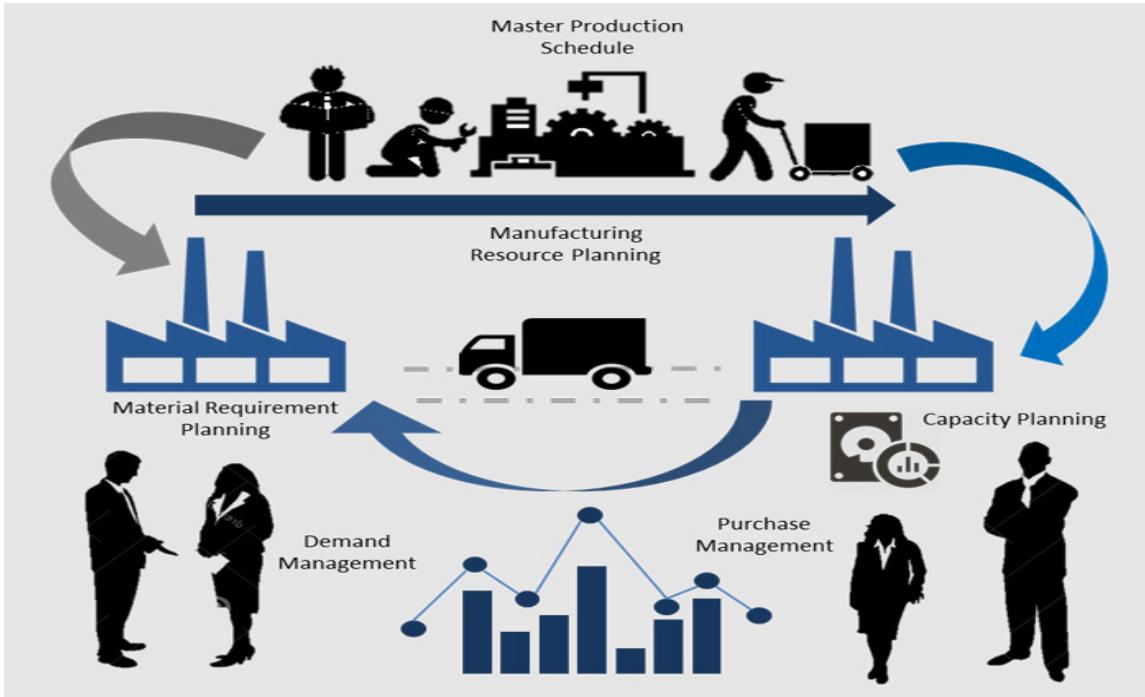


Fig. 8: Master Production Schedule

### 5.10.1. Production Flow

The first phase of the production program for the bakery and confectionery will deal with assembling and weighing of the production ingredients after which they will be mixed. The factors that will influence the weighing and mixing of the ingredients include the factor of friction, dough temperature and water temperature. At the second phase, the ingredients will be mixed and as such the yeast cells will be distributed evenly in the dough. The methodology of mixing the ingredients that will be applied at the factory is known as continuous mixing methodology. The methodology will require conventional equipment that will prepare a liquid sponge by using coils tanks that are refrigerated and accordingly there will be no individual sponges in the mixture. The fermentation of the dough will take place at the third phase, and the leavening of the dough shall be accelerated by the fermentation process. The temperature of the mixture will be equalized through punching, and this will be the fourth stage of the production program. The mixture will be molded at the fifth stage, and the production process will commence. The

factory products will be put on the conveyor belts through an automatic process, and they will be loaded into the oven automatically. The factory products will be sliced and packed at the last stage of the production process.

The volume and range of production at the factory will rely on the factory's marketing strategies and market requirements. The production process will go hand in hand with the factory's sales forecasts. It will not be practical for the factory to have full production during the first months of operation.

The factory's production, sales, and market penetration will grow gradually, and the factory will consider having a production capacity of 50% and sales capacity of 50% during the first and second years. The factory will enjoy a full capacity production after operating for three years in Jeddah. The summary of the production process of all different products is given below.

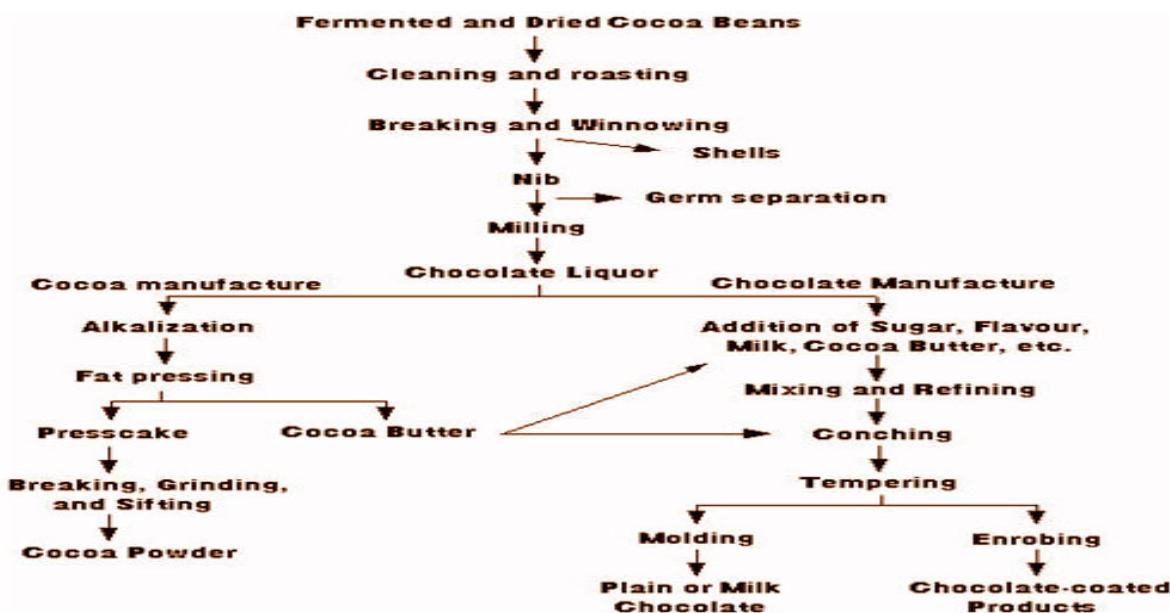


Fig. 9: Flow Chat of Chocolate Manufacturing



Fig. 10: Flow Chat of Cake Production

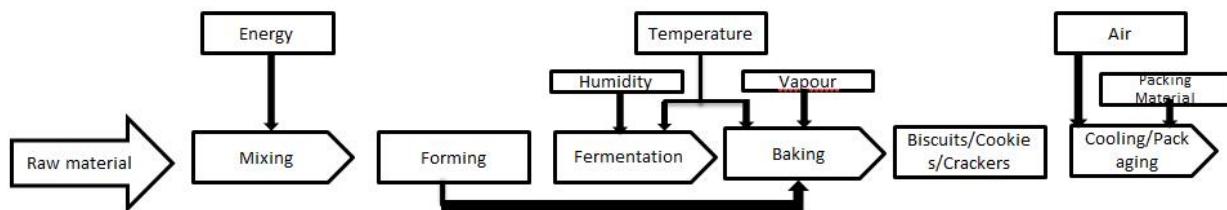


Fig. 11: Biscuit Manufacturing Flow Chart

Literature: Caballero, B., Finglas, P., Trugo,L.: Encyclopedia of food science and nutrition.

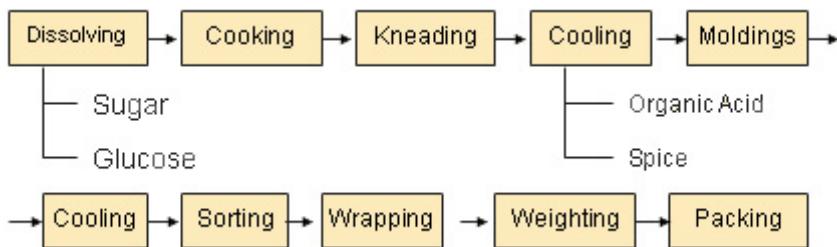


Fig. 12: Flow Chart of Candy Manufacturing Process

## Process Map for making Coffee

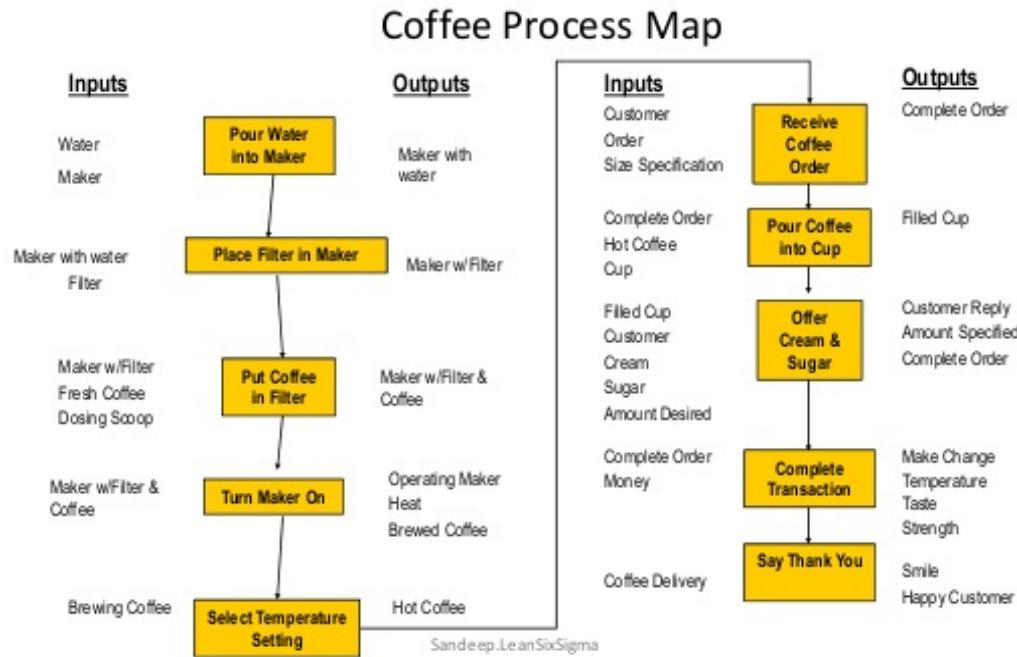


Fig. 13: Process of Coffee Making

### 5.11. Operational Assumptions

The following tables provide information about our operational assumptions. It gives detail of number of days in a year, working hours in a day, and number of shifts.

**Table 21: Operational Assumptions**

<b>Number of working days in a year</b>	<b>350</b>
<b>Working hours in a day</b>	<b>15</b>
<b>Number of shifts in a day</b>	<b>2</b>

## 5.12. Selection of Machinery

The following machinery and equipment is required to produce different products at the factory.

**Table 22: Selection of Machinery**

<b>Chocolate Production Line</b>	<b>Unit Cost (SR)</b>
Tempering Machine	90,000
Coating Machine	90,000
Wrapping Machine	120,000
<b>Total Chocolate</b>	
<b>Coffee Production Line</b>	
Roaster Machine	150,000
Packaging Machine	180,000
<b>Total Coffee</b>	
<b>Maamoul Production Line</b>	
Maamoul Making Machine	750,000
Flow Wrapping Machine	50,000
Shrink Wrapping Machine	38,000
<b>Total Maamoul</b>	838,000
<b>Candy Machine</b>	
<b>Biscuit Machine</b>	50,000

The factors that will influence the machinery and equipment that will be purchased by the factory include the type of the project, the capacity of the plant, the production technology; the products, the quality level; the type of industrial process, technical expertise and the cost of equipment. The factories will use the following factors to differentiate the alternatives for various machinery and equipment: installation costs, maintenance cost, operation costs, production capacity, energy consumption; useful life of the machine; salvage value and cash flows anticipated from the machinery and equipment.



Fig. 14: Chocolate Production Line

- 1) Technical Data of tempering machine: Electrical specification: 400 V three phase – 50 Hz, Power required: 1 Kw – 16 A – 5 poles.  
Tank capacity: 12 Kg.  
Hourly production rate: 55 Kg.  
Cooling unit: 900 frigorie/h.  
Dimensions: h. 1470, l. 380, p. 730 mm. of vibrating table included: l. 670 mm  
Price: 90,000 SR

2) Technical data of coating machine:

Electrical specification: 220 V single phase 50-60 Hz Power required: 0,5 Kw - 16 A - 3 poles Dimensions open: h. 1200 mm, w. 2800 mm, d. 600 mm Dimensions closed: h. 2800 mm, w. 600 mm, d. 600 mm

Price: 90,000 SR

3) Technical data of wrapping machine:

Maximum Speed 350 units/minute

Pack Length: 4 cutting jaws 50-  
3 cutting jaws 50-1  
2 cutting jaws 75-180m

Width of Film: 120mm

Maximum Product I 25mm

Power: 3.1kW

Machine Dimension 3060mm x 2420mm x 1400mm

Machine Weight: 600kg

Price: 120,000 SR

4) Finish product



Fig. 15: Cake Manufacturing Machines

#### **Disposable coffee cup making machines**

Price: USD 3000/-

#### **Technical detail**

This machine is automatic and could produce paper cups in large variety. It productivity is quite high that is it could produce 50 to 65 cups in a minute of different sizes.

#### **Candy manufacturing machine**

Price: USD 20000/-

As we need to cater today's candy market that is quite different. Today people are interested in knowing the nutritional and health value of every product. They are attached to the colors of the candy and prefer less sugary taste. So we have selected the production line that could embrace these changes in consumption and production patterns. This machine could control the flow of sugar. Hygiene standards could be fully met.

Its production capacity could vary between 150 kg per hour to 450 kg per hour. So we could adjust the capacity in accordance to demand. This machine is very easy to operate.



Fig. 16: Candy Manufacturing Machine

Source: [https://www.alibaba.com/product-detail/automatic-hard-candy-making-machine\\_60433633793.html](https://www.alibaba.com/product-detail/automatic-hard-candy-making-machine_60433633793.html)

### Coffee Production line

#### Specifications

Capacity: 100 grams – 1,5 kg green beans

Power: 1 X 230V

50 or 60 Hz

Gas: Propane and Natural

Exhaust: 1 X Ø 100 mm

Weight: 150 kg

Price: 150,000 SR



Fig. 17: Coffee Roaster Machine

## Specifications

Function: Filling, Sealing, counting, bag making

Packaging Material: Paper, Plastic

Automatic Grade: Automatic

Voltage: 220V/380V can be customized

Power: 3.5kw

Place of Origin: Zhejiang, China (Mainland)

Brand Name: Honetop

Model Number: HTL-420C

Dimension(L\*W\*H): 3500\*2500\*3700mm

After-sales Service Provided: Engineers available to service machinery overseas

Main Function: Coffee bean packaging machine

Filling Range: 10-2000g

Capacity: 15-70bags/min

Bag making size: W:800-200mm L:80-300mm

Machine Warranty: one year

Price: 180,000 SR



Fig. 18: Coffee Packaging Machine



Fig. 19: Final Product of Coffee

## Maamoul production line

### Fig. 20: Maamoul Machine Specification:

Production capacity: 1200-3600pcs/min

Product weight: 15-180g/pc

Power: 4.37kw

Voltage: 380v/50hz or 220-240v/50-60hz

Machine Weight: 1380kg

Overall Dimension: 4700\*1700\*1520mm

Price: 75,000 SR



**Fig. 21: Flow Wrapping Machine**

**Specifications:**

Product Range

Product length: 40 mm (1.5") to 565 mm (22.2")

Product width: 12 mm (0.5") to 250 mm (9.8")

Product height: 6 mm (0.23") to 100 mm (4.3")

Film Reel

Reel diameter: Max. 400 mm (15.7")

Reel weight: Max. 35 kg

Film width: Max. 650 mm

Capacity: Up to 150 packages/min

Price: 50,000 SR



**Fig. 22: Shrink Wrapping Machine**

**Specifications**

Packaging Material:

Glass, Metal, Paper, Plastic, Wood

Automatic Grade: Automatic

Driven Type: Electric

Voltage: 380V 50/60Hz

Power: 22kw

Place of Origin: Henan, China (Mainland)

Brand Name: Furui

Model Number: BSE-6040 pallet shrink wrap machine

Dimension(L\*W\*H): 800\*850\*1500mm

Weight: 280Kg

Total Power:

22KW

Carrying capacity:

50kg



Equipment size:

2800\*850\*1500mm

Price: 38,000 SR



Fig. 23: Maamoul Final Product

## CHAPTER 6: Financial Feasibility

We conducted a financial feasibility for the project to have valuable analysis of our different products.

**Table 23: Capital Expenditures for Factory and Warehouse**

<b>Item Description</b>	<b>Quantity</b>	<b>Unit Cost (SR)</b>	<b>Total</b>
Construction Cost	1	4,000,000	3,500,000
Large Refrigerator	4	160,000	640,000
Mixer (100 Kg Capacity)	10	8,000	80,000
Oven	8	65,000	520,000
Cross Sheeter	10	10,000	100,000
Deep Freezer	6	6,000	36,000
Stainless Steel Tables	20	4,000	80,000
Wash Basins	8	3,000	24,000
Gas Stove	6	4,000	24,000
Trays	500	100	50,000
Moving Trolleys	50	1,000	50,000
Microwave	7	2,000	14,000
Molds	500	100	50,000
Cake Rings	1000	50	50,000
Shelves	140	500	70,000
Forklift	4	90,000	360,000
Cleaning Equipment	10	15,000	150,000
Miscellaneous Equipment	1	150,000	150,000
Package Air Conditioning	10	40,000	400,000
Duct	10	30,000	300,000
Lighting			50,000
<b>Total Factory &amp; Warehouse</b>			<b>7,198,000</b>

**Table 24: Capital Expenditure for Branches**

Item Description	Quantity	Unit Cost (SR)	Total
Package Air Conditioning	2	40,000	80,000
Duct	2	30,000	60,000
Display Refrigerator	2	25,000	50,000
Sinage	1	2,000	2,000
<b>Total</b>			<b>192,000</b>

**Table 25: Capital Expenditure for Delivery Vehicles**

Item Description	Quantity	Unit Cost (SR)	Total
Delivery Trucks	3	190,000	570,000
Cars	2	130,000	260,000
<b>Total</b>			<b>830,000</b>

**Table 26: Capital Expenditure for Machineries**

Machinery Costs			
Chocolate Production Line	Quantity	Unit Cost (SR)	Total
Tempering Machine	1	90,000	90,000
Coating Machine	1	90,000	90,000
Wrapping Machine	1	120,000	120,000
<b>Total Chocolate</b>	1		<b>300,000</b>
Coffee Production Line			
Roaster Machine	1	150,000	150,000
Packaging Machine	1	180,000	180,000
<b>Total Coffee</b>			<b>330,000</b>
Maamoul Production Line			
Maamoul Making Machine	1	750,000	750,000
Flow Wrapping Machine	1	50,000	50,000
Shrink Wrapping Machine	1	38,000	38,000
<b>Total Maamoul</b>		838,000	<b>838,000</b>
Candy Machine	1	60,000	<b>60,000</b>
Biscuit Machine	1	50,000	<b>50,000</b>
<b>Total Capex</b>			<b>9,798,000</b>
<b>Working Capital Reserve (6 months of direct &amp; indirect costs)</b>			<b>3,780,000</b>

## 6.1. Proforma Income Statement

**Table 27: First 3 Years Proforma Income Statement**

<b>Income Statement</b>		<i>In SAR</i>		
		<b>31-Dec-17</b>	<b>31-Dec-18</b>	<b>31-Dec-19</b>
<b>Total Revenue</b>		<b>8,817,200</b>	<b>10,404,296</b>	<b>11,652,812</b>
	Cake	2,155,600	2,543,608	2,848,841
	Chocolate	2,500,000	2,950,000	3,304,000
	Maamoul	705,600	832,608	932,521
	Biscuit	990,000	1,168,200	1,308,384
	Coffee	1,674,000	1,975,320	2,212,358
	Candies	792,000	934,560	1,046,707
<b>Cost of Goods Sold</b>		<b>5,361,257</b>	<b>5,686,632</b>	<b>5,793,158</b>
	Cake	757,563	795,441	795,441
	Chocolate	913,445	959,117	959,117
	Maamoul	267,382	280,751	280,751
	Biscuit	744,592	781,822	781,822
	Coffee	920,115	966,121	966,121
	Candies	477,301	501,166	501,166
	Salaries of Direct Labor	840,000	882,000	926,100
	Other Direct Expenses	440,860	520,215	582,641
<b>Gross Profit</b>		<b>3,455,943</b>	<b>4,717,664</b>	<b>5,859,654</b>
	<i>Gross Margin</i>	39%	45%	50%
<b>Indirect Expenses</b>		<b>2,175,260</b>	<b>2,533,555</b>	<b>2,781,941</b>
	Depreciation	464,900	743,840	929,800
	Factory Rent	17,500	17,500	17,500
	Outlet Rent	200,000	200,000	200,000
	Electricity	180,000	180,000	180,000
	Water	36,000	36,000	36,000
	Salaries of Indirect Employees	576,000	576,000	576,000
	Packaging Material	240,000	240,000	240,000
	GOSI	20,000	20,000	20,000
	Others	440,860	520,215	582,641
<b>Income before Zakat</b>		<b>1,280,683</b>	<b>2,184,109</b>	<b>3,077,713</b>
Zakat		32,017	54,603	76,943
<b>Net Income</b>		<b>1,248,666</b>	<b>2,129,507</b>	<b>3,000,771</b>
	<i>Net Margin</i>	14%	20%	26%

**Table 28: First 3 Years Prororma Cash Flow Statement**

Cash Flow Statement	31-Dec-17	31-Dec-18	31-Dec-19	In SAR
Net Income	1,248,666	2,129,507	3,000,771	
Depreciation	464,900	743,840	929,800	
GOSI	20,000	20,000	20,000	
Prepaid Expenses	(440,860)	(79,355)	(62,426)	
Account Receivables	(881,720)	(158,710)	(124,852)	
Accrued Expenses	160,838	9,761	3,196	
Account Payables	428,901	26,030	8,522	
<b>Cash Flow from Operations</b>	<b>1,000,724</b>	<b>2,691,073</b>	<b>3,775,011</b>	
<b>Investing Cash Flows</b>	<b>(464,900)</b>	<b>(464,900)</b>	<b>(464,900)</b>	
<b>Cash Flow From Financing</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Cash Flow to Firm</b>	<b>535,824.1</b>	<b>2,226,173.5</b>	<b>3,310,111.1</b>	

**Table 29: Profitability Margins**

Profitability Margins	31-Dec-17	31-Dec-18	31-Dec-19
Gross Margin	39%	45%	50%
Net Income Margin	14%	20%	26%
Return on Equity	13%	20%	24%
Return on Assets	12%	17%	20%

**Table 30: Product Wise Analysis**

Product Wise Analysis	1st Year Gross Profit
	Best Performing Items
Cake	64.9%
Chocolate	63.5%
Maamoul	62.1%
Average Performers	
Biscuit	24.8%
Coffee	45.0%
Candies	39.7%

**Table 31: Economic Viability**

Economic Feasibility		
Total Initial Investment Required	SAR	13,578,000
Assumed Cost of Capital	%	12%
Steady Growth Rate	%	3%
Payback Period	Years	5.2
Discounted Payback Period	Years	6.4
Net Present Value	SAR	17,743,084
Expected IRR	%	33%
Profitability Index	X	2.3x

**Table 32: Break Even Analysis**

Products		Share in Sales (%)	Price (SAR )	Variable Cost (SAR)	Fixed Cost (%)	Breakeven Point (Units)	Breakeven Point (SAR)
Cake	Chocolate	9%	160	104	187,892	5,186	829,748
	Cheese	7%	170	100	142,596	3,936	669,077
	Pistachio	3%	150	91	75,492	2,084	312,545
	Sponge	6%	150	93	125,820	3,473	520,908
Chocolate	Chocolate-Outlets	17%	150	61	370,060	10,214	1,532,082
	Chocolate-Markets	11%	5	2	246,706	6,809	34,046
Maamoul	Maamoul-Outlets	1%	60	21	21,315	588	35,299
	Maamoul-Direct	1%	55	21	19,539	539	29,661
	Maamoul-Markets	6%	15	6	133,221	3,677	55,155
Biscuit	Biscuit-Outlets	2%	10	7	53,289	1,471	14,708
	Biscuit-Corporate	1%	10	7	13,322	368	3,677
	Biscuit-Markets	8%	10	7	177,629	4,903	49,027
Coffee	Cups	6%	15	5	133,221	3,677	55,155
	Roasted-Outlet	1%	70	44	31,085	858	60,058
	Roasted-Market	11%	70	44	248,680	6,864	480,461
Candies	Candies-Outlet	1%	10	5	17,763	490	4,903
	Candies-Market	8%	10	5	177,629	4,903	49,027
Total / Weighted Average		100%	79	43	2,175,260	60,039	4,735,536

## CHAPTER 7: Human Resource Plan

### 7.1. Identify the Needs of the Project

With regard to human resource, our project needs two types of employees. Initially, in the first stage of project, we need to setup our business. We need to hire architecture and engineers. After completion of the construction, we would hire permanent employees who will work on daily basis with us. We could hire workers in accordance to the production capacity of our confectionary and availability of machinery. It would also depend on the nature of the products and the overall project. With the expansion of our business, we will offer a variety of jobs, as we will establish separate packaging, administration and account departments.

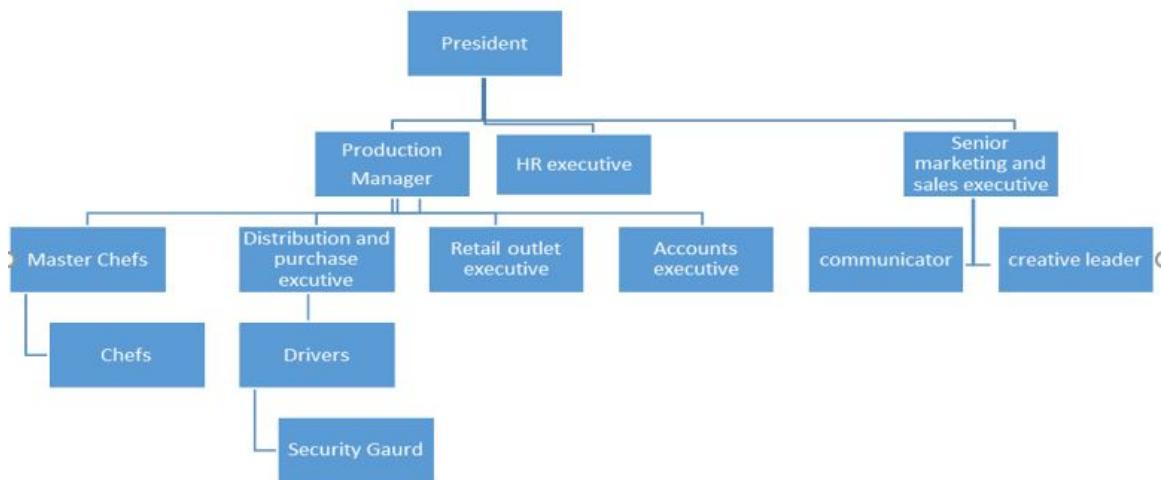


Fig. 24: Organogram

### 7.2. President

Our organization is going to be a medium sized organization; president would be the leader who would develop the vision. He will also be responsible for developing the goals, policies and procedures in accordance to the vision for company. So he will be guiding and showing the way ahead to all of the organizational employees.

President sets the goals with regard to revenue and sales. The core areas of our business would be marketing, Human resource and R & D. President would be responsible for development of marketing and staffing strategies. For this purpose, he would collaborate with marketing and HR persons. He would also see which current products are working and which new products we need to develop for growth of our business, this function is known as portfolio management. Performance Management of different departments would also be the duty of president. President would see that all different functions in an organization are working in accordance to the strategy and policies. Through this he will gauge the extent to which he is successful in communicating the policies of the organization. He will also be responsible for handling the internal and external relations. He will be responsible for developing the relations within confectionary industry.

### **7.3. Production Manager**

The production manager will not only supervise and manage all the daily operations of the confectionary. Management of all different production and manufacturing related task are his responsibilities. He will monitor that all different policies of organization are properly implemented that relate to production and manufacturing. Monitoring of productivity of the production staff and quality of production would also come under his domain. He needs to plan and organize operations of confectionary in a way that could help in optimum utilization of resources. Minimization of cost along with increased production and optimum utilization of capacity of different machines is also his responsibility. He needs to ensure that the shipping is on time for all different distribution channels, for this he needs to ensure on time production of output with high product quality. He will also help HR manager in hiring factory staff. He will also be responsible for setting performance standards for department as well as for staff. In order to perform his duties accurately, factory manager should be well experienced and should have knowledge of business management. He should be familiar with confectionary's technical and machines related requirements. A team oriented and decisive person could be the beat for this position. BS in business management is the required degree for the job.

## **7.4. HR Executive**

HR executive will directly report to the president of the confectionary. Initially, we will hire an HR executive, who will be responsible for recruitment and selection as well as for pay and benefits management of organizational staff. With the passage of time, after increasing the scale of our business, we will establish a separate human resources department. We will outsource the construction work of the factory.

Main responsibilities of his job are to plan the staff required for running the business. He needs to develop job description and requirements with the help of relevant department staff and management. Training and orientation would also be his responsibilities.

## **7.5. Purchase Executive**

As we are not establishing a maintenance department, we will outsource this function, our distribution executive will be responsible for testing the machines. He would also identify the maintenance and repairing related needs. He could also get machine replaced. On time availability of input and raw material is essential for continuity of production and delivery of finished products. Our distribution executive would also be responsible for incoming raw material. He will hire drivers for getting the raw material as well as for shipping the final products. He will work in close collaboration with the marketing and production sections. He will be responsible for taking orders from all three distribution channels. He will ensure that the amount produced of all finished goods is in accordance to the demand and is available in enough quantity to fulfill the orders. He will take order for finished products. He will visit super markets and corporate offices for providing the demonstration of different products. He will tell and fix contract terms and prices of the products with these distribution channels. With regard to purchase of machinery and raw material, he will maintain the purchasing policy and ensuring that all purchases adhere to it. Policy would be set by president of the company. He will also see from where our confectionary would obtain raw material. Who would be the supplier? How would we interact with our suppliers?

The purchase and distribution executive will keep records of inventories of both raw material and finished products. He will be responsible for secrecy of these records from unauthorized people. All purchase and issues of materials will be overseen by the distribution and purchase executive. He will be responsible for any losses to material so checking and controlling the inventory will also come under his domain.

He will be responsible for achieving the sales objectives in terms of unit sold and profit as well. He will also determine sales quota for different products and for targeted markets.

## **7.6. Retail Outlet Executives**

Retail outlet executive would be responsible for customer care and services in our retail outlets. He will be responsible for all daily work in these outlets. Maintenance of ambience of the retail outlets would also be his responsibility.

As our retail outlet will be a manifestation of our upscale gourmet network, our retail executive need to make it very appealing with regard to products variety, quality and ambience. Retail executives will be responsible for selling the products. He will also see that only quality products are displayed in a very aesthetically appealing way at outlet. He should have very good know how about different confectionaries and bakery products so that he could decide about aesthetics and quality.

He should also see what new additions are required in product mix, or which products needs elimination.

He will also be responsible for controlling the budget of outlet. He will also monitor sales representatives' performance. He needs to see how much demand for each type of confectionary exist so that it could collaborate with production manager. He will be responsible for profitability of retail outlet.

He should know how he will price different products in accordance to the positioning strategy of the confectionary. He is also responsible for cleanliness of the retail outlet.

## **7.7. Master Chefs**

As we want to establish a high end international scale gourmet network, role of chef would be very crucial in this. We would hire an international standard Chef who knows about different recipes of American, French and other types of bakery products. He should be very well experienced in baking sweets. He should know which ingredients to use to make the confections tastier as well as healthier. He will also be responsible for innovation, for this task, he would be made to research different new recipes. He will be given the charge to develop new and improved products. We will prefer a person who has experience and has also worked as a trainee at some established bakery or confectionary as experience in the field of confectionary and bakery could give an upper hand to the Chef. A well-qualified person who is having a field specific degree would also be given preference. Many institutions are now offering a bachelor's degree in baking and confections. A person who is graduate in this field would have knowledge of not only basics of baking, he also possesses knowledge as to how he could ensure his safety and wellbeing at his work place. Knowledge about kitchen hygiene, about aesthetics and decorations involved in confectionary and above all kitchen organization and nutritious value of whatever is produced is a must.

## **7.8. Chefs**

The chefs will mix all the production ingredients and oversee the production of all the products. The chefs will follow the instructions of the master chef and at the end of the production process; they will package all the sweets.

## **7.9. Accounts Executive**

Account executive will keep the record of all transactions related to keep the record of all transactions related to raw material, and sales. He will keep receipts of all payments, so he will act as a book keeper. He will follow a double entry system for recording different sorts of routine transactions. Preparing various books of accounts like sales day book, general ledger, purchase day book, debit book, supplier's ledger will be the responsibility

of accounts executive. Different books will be computerized for enhancing efficiency. After every four months, we will prepare a trial balance sheet for the transactions occurred in that quarter in confectionary. Other financial statements that account executive would prepare include income statement and cash flow statement.

## **7.10. Cashiers**

As mentioned above, distribution and purchase manager will be the in-charge of raw material and finished goods transactions, but a cashier at confectionary would be needed. He will be needed to record and compute all the confectionary transactions. The cashiers will count the cash at the drawers at the commencement of every business day. The bills for the factory products and for the raw material will be tabulated by the cashiers, and the customers will receive their refunds, change, receipts and credits from him as well. We will also need cashiers at our retail outlets.

The cashiers will sort customer complaints, sort all the coins and notes, and count and wrap all the money in preparation for banking at confectionary as well as in different confectionary owned retail outlets. The cashiers will reconcile the cash paid and cash received at the end of each business day.

## **7.11. Drivers**

Drivers will work under the supervision of distribution and purchase executive. They will be responsible for on time delivery of raw material as well as finished products. They will be responsible for safely delivering the input and output at the required destination.

## **7.12. Security Guard**

We will hire a security guard for maintenance of safety and security of employees and of factory premises. He will be responsible for taking care of factory building, equipment and machinery. He will patrol the premises so that he could see that the doors, windows and main gates are secure. He will be responsible for giving permission of entrance in factory premises. Entrance and exit of employees. He will work under direct supervision

on production manager. In case of suspected intrusion, he will be responsible to contact security institutes. In case of alarm, he will investigate the cause of disruption and trouble.

### **7.13. Structure of Marketing Department**

Our marketing department would consist of four main individuals that is a senior marketing and sales executive, a creative leader, a communicator and an accounting executive. With the expansion of our business, we will make a team for each of the above identified role for example, we will develop a team of senior executives would be hired for development and execution of strategy than.

The following section will explain as to what role each individual will play in the marketing department.

**Table 33: HR and Salary Expense**

Designation	No.	Monthly Salary (SAR)	Yearly Salary (SAR)
CEO	1	30,000	360,000
Production Manager	1	15,000	180,000
Master Chef	1	12,000	144,000
HR Executive	1	10,000	120,000
Purchase Executive	1	10,000	120,000
Marketing Executive	1	8,000	96,000
Retail Outlet Executives	6	6,000	432,000
Accountant	1	5,000	60,000
Chefs	6	3,500	252,000
Drivers	3	2,500	90,000
Security Guard	1	2,500	30,000
<b>Total</b>	<b>23</b>	<b>104,500</b>	<b>1,884,000</b>

## CHAPTER 8: Location and Site

### 8.1. Introduction

The factory plant has been designed with the application of industrial planning and engineering aspects, taking into consideration architectural and engineering criteria suitable for the conditions prevailing in the Kingdom of Saudi Arabia, in accordance with local and international codes, standards and regulations.

### 8.2. Site Layout

The Plant General Layout has been finalized incorporating the different technological requirements for the production departments and process-linked services.

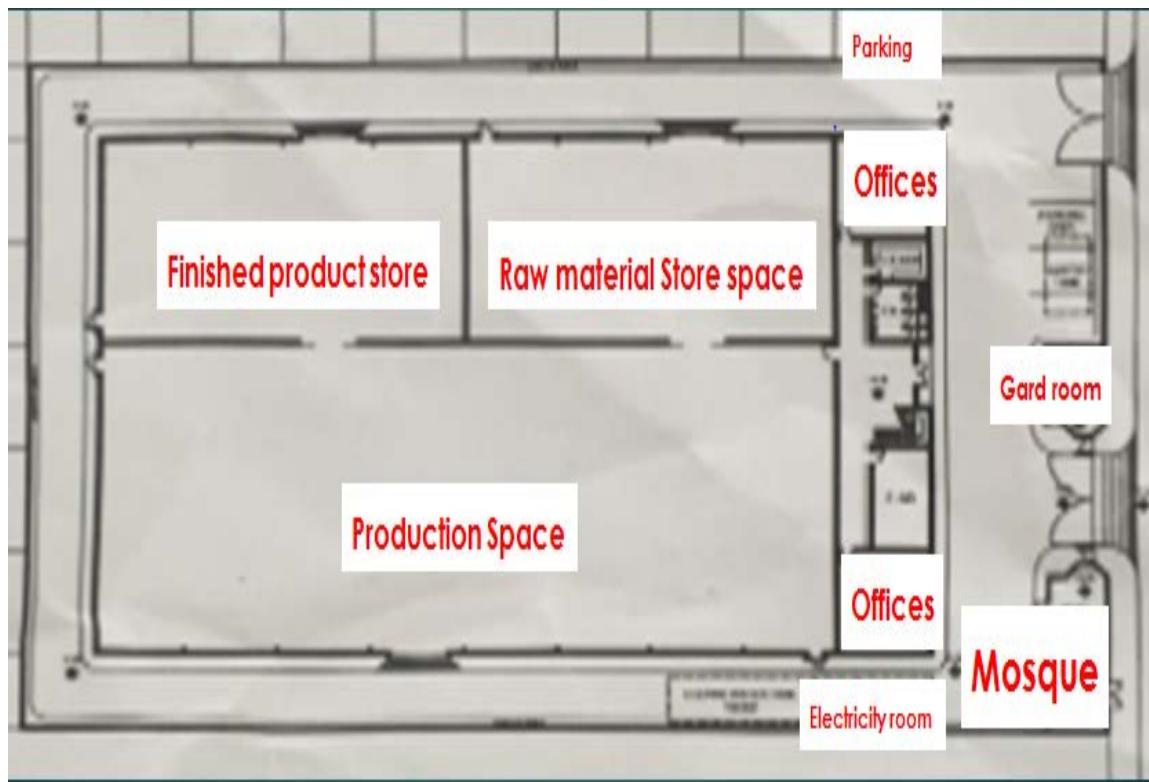


Fig. 25: Site Layout

The space which will be required for factory will include the production space, raw material store room, finished products store, parking, fire water tank, canteen, mosque,

guardroom, septic tank, pump room and electricity room. The production space will require 850 m<sup>2</sup> and the raw material store space will need 400 m<sup>2</sup>. The finished product store will need 350 m<sup>2</sup> and the parking will need 200 m<sup>2</sup>. The 500 m<sup>2</sup> will be reserved for offices and the canteen will need 100 m<sup>2</sup> space. The mosque will need 150 m<sup>2</sup> and the guard room will need 50 m<sup>2</sup>. The septic tank will take 50 m<sup>2</sup>, and the pump room will take 50 m<sup>2</sup>. The electricity room will require 50 m<sup>2</sup>. The table below provides a summary of the space requirements for our factory.

**Table 34: Factory Divisions Layout**

Description	Requirement (m <sup>2</sup> )
Production Space	850
Raw Material Store Space	400
Finished Product Store	350
Parking	200
Offices	500
Canteen	100
Mosque	150
Guard Room	50
Septic Tank	50
Pump Room	50
Electricity Room	50
Open Spaces	750
<b>Total Area</b>	<b>3,500</b>

The Plant design and engineering incorporate all contemplated buildings, services, utilities, workshops, administration, social and welfare facilities as well as external works.

### **8.3. Plant Site**

The site of SFC Plant is located at Jeddah Industrial City. The site has dimensions of 45 m X 67 m with a total area of 3,500 m<sup>2</sup>.

The site, as shown in, is surrounded by 30 m wide access roads from South-East and South-West and a 20 m wide road from a neighbor is adjacent to the North-West side of the site.

### **8.4. Design Criteria**

The specific requirements of production, processing and storage of food and foodstuff tend necessarily to different designs of the corresponding buildings, taking into consideration:

- Suitable spans and useful heights of construction
- Application of uniform construction systems, based on modular design grid
- Availability of local materials for structures and finishing works
- Required internal climatic conditions of different departments, including air humidification, forced ventilation or natural ventilation systems, resulting in adequate roofing and wall cladding.
- Installation of technical supply and discharge systems, maintenance and repair.
- Arrangements of related technical, administrative and social service areas.
- Smooth process flow and material handling.
- Ensure safety of employees and protection of the environment.

### **8.5. Location and Site Assessment**

Location and site assessment will be taken for 3 different locations depends on the industrial city areas as shown in below figures and also the table.40 will get different criteria to provide each site the preference:

### **8.5.1. SITE A: Jeddah 1<sup>st</sup>**

The 1st. Industrial city of Jeddah was established in 1393 (1973) in five phases beginning with the first stage on an area of half a million square meters to the total area of the industrial city of more than 12 million square meters. The city houses global industries, including cleaning products factory (CLOROX), factory for Food Industries (AMERICANA) and a factory for industrial projects in Saudi Arabia (Pepsi-Cola).

City	Jeddah
Motives	<p>Rent industrial lands for extended periods starting from SR.2 per square meter per year.</p> <p>Fees for the approval of Drawings: SR.1 per square meter (minimum SR.5000 and maximum SR.25000).</p> <p>Access to financial facilities and government loans of up to 50% of the capital.</p> <p>Customs exemption for machinery, equipment and raw materials used in industry.</p> <p>The land is delivered in a short period from the date of submission of the application, electronically through the website.</p>
Total Area (m2)	12,000,000
Available Lands	Investment

Infrastructure services:

1. Road Services
2. Electricity Services
3. Telecommunication network

4. Water Services
5. General Cleaning Services
6. Drainage services



Fig. 26: Site A

### 8.5.2. SITE B: Jeddah 2<sup>nd</sup>

The development of the Second Industrial City in Jeddah started in 1429 (2009), in two phases on an area of eight million square meters. It is distinguished by the strategic location and industrial-friendly topography of the site.

City	Jeddah
Motives	<ul style="list-style-type: none"> <li>• Rent industrial lands for longer periods starting from SR 3 per square meter per year.</li> <li>• Fees for the approval of Drawings: SR.1 per square meter (minimum SR.5000 and maximum SR.25000).</li> <li>• Access to financial facilities and government loans of up to 50% of the capital.</li> <li>• Customs exemption for machinery, equipment and raw materials used in industry.</li> <li>• The land is delivered in a short period from the date of submission of the application, electronically</li> </ul>

	through the website.
Total Area (m <sup>2</sup> )	8,000,000
Available Lands	Investment

Infrastructure services:

1. Road Services
2. Telecommunication network
3. Electricity Services
4. Water Services
5. Drainage services

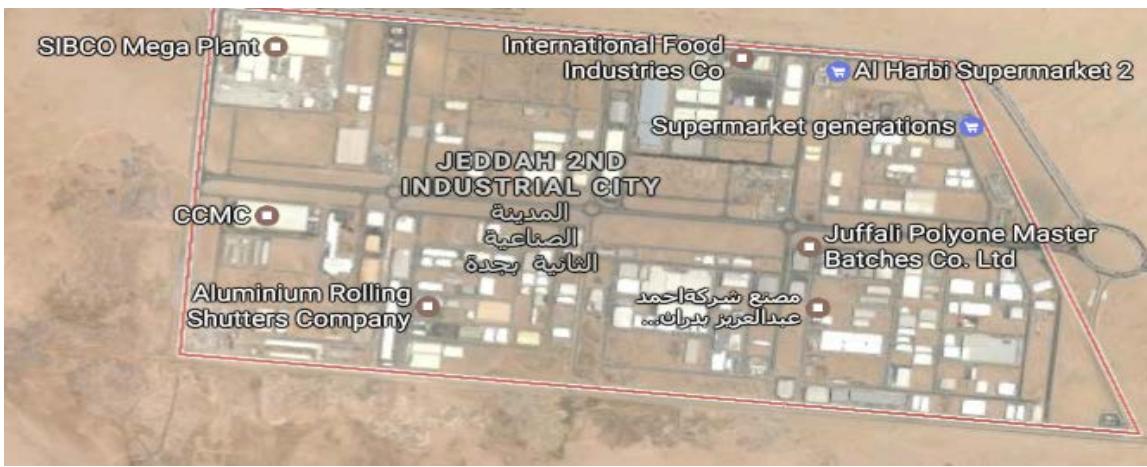


Fig. 27 Site B

### 8.5.3. SITE C: Jeddah 3<sup>rd</sup>

Jeddah-3 is a new industrial city located south of Jeddah city near King Faisal Navy Base. The city lies 50 km away from the city center and 2 km to the east of Jeddah-2. The city site is bound by Corniche to the west, Jeddah road to the east and King Faisal Naval Base to the north. The total area of Jeddah-3 is 20 sq.km.

City	Jeddah
Motives	<ul style="list-style-type: none"> <li>Rent industrial lands for extended periods starting from SR.3 per square meter per year.</li> <li>Fees for the approval of Drawings: SR.1 per square meter (minimum SR.5000 and maximum SR.25000).</li> <li>Access to financial facilities and government loans of up to 50%.</li> <li>Customs exemption for machinery, equipment and raw materials used in industry.</li> <li>The land is delivered in a short period from the date of submission of the application, electronically through the website.</li> </ul>
Total Area (m <sup>2</sup> )	20,000,000

Infrastructure services:

1. Road Services
2. Electricity Services



Fig. 28: Site C

**Table 35: Location and Site Assessment**

Criteria	Weight	Site A	Site B	Site C
Capital Cost	10	2	10	10
Availability of Lands	9	1	9	9
Infrastructure	9	6	9	9
Availability of Utilities	5	5	3	2
Functional Integrity	7	7	7	7
Urban Environment	4	3	4	4
Aesthetic Environment	4	3	4	4
Accessibility and Parking	4	3	4	4
Town Planning	5	2	5	5
Community & Clinic Providers Preference	3	3	2	2
Public Presence	2	2	0	0
Size and Room for Growth	10	4	10	10
Site-Related Costs	5	5	2	2
Climatic Conditions	6	6	5	5
Near to the Production Inputs	8	7	6	4
Near to the Market & Outlets	9	9	4	4
<b>Total</b>	<b>100</b>	<b>68</b>	<b>84</b>	<b>81</b>

## **CHAPTER 9: Social and Environmental Feasibility Study**

### **9.1. Social Feasibility Study**

The assessment of the social feasibility of the sweet factory reveals that the Jeddah population is predominantly a middle class population characterized by amongst others, high socio-economic characteristics.

The surrounding communities would benefit in a number of ways from the establishment of the proposed enterprise.



Fig. 29: Social Study

The direct benefits of the establishment of the sweet factory include the creation of employment opportunities as well as the creation of a “market” for currently underutilized resources in sweet, especially diet sweet. Also increase the imports and decrease the exports of confectionary goods.

The indirect benefits of the sweet factory include an anticipated increase of the families living next to industrial city increase in incomes for communities, especially for women in communities taking the net social benefit of the proposed processing enterprise into consideration it can be concluded that the processing enterprise is anticipated to be socially feasible.

## 9.2. Environmental Feasibility Study

The sweet factory will not affect any environmental impact such as the following: -

- Climate change
- Environmental degradation
- Environmental health
- Environmental issues with energy
- Environmental issues with war
- Overpopulation
- Pollution
- Logging
- Toxicants
- Waste

Our factory does not have any negative impact on the environment as approved in below picture.

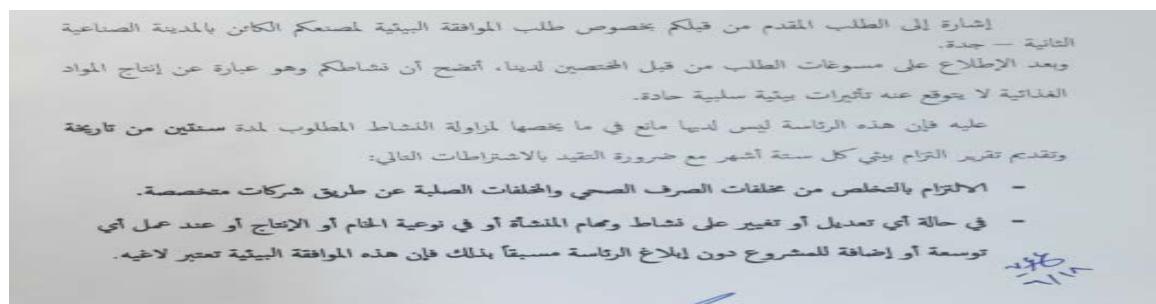


Fig. 30: Environmental Approval

## **CHAPTER 10: Conclusion**

According to food navigator, demand for chocolate confections has witnessed growth in the past and its growth is expected to continue in the future as well. Neiburg (2015), in his article in confectionary news.com, says that in coming years, Saudi Arabia is going to be one of the three fastest growing chocolate markets in the world. Demand for bakery products is also expected to grow to about 8.7 billion USD. Increase in chocolate, candies and baked goods demand is due to increasing proportion of young population in the overall population of the country, increasing disposable incomes and growing quest for westernization as well.

Confectionery business is going to capitalize on the above mentioned trends by provision of high end international variety of chocolate and bakery products. We will focus on Jeddah market and western region, after penetrating these markets we will expand our business in other geographical regions of Saudi Arabia. Expansion decision would also depend on our production capacity. We will follow product differentiation strategy. Our product would be premium priced and positioning strategy would be well aligned with it. Aggressive marketing and distribution strategies would help us in increasing our market share.

There is a growing trend of health and wellness among Saudis. Most of them want to stay fit and for this they are altering their diet habits. So demand for those bakery products that are developed by using whole wheat is growing along with demand for low sugar and low fat bakery products and Saudi Arabian economy is doing very well since last years, so consumers are in a very good position to pay a premium price for healthy products. Looking at this trend we have also included the research with respect to inclusion of healthy bakery and chocolate products in our product line. The research indicates that catering the segment of health conscious customers would help us in not only surviving but growing in coming years.

We have used research based information in our feasibility study. Study is not based on our opinions rather it is based on solid evidence. For example, in marketing feasibility study, facts and figures are used related to sales and competition to indicate intensity of competition. Sales projections, and anticipated future market potential in marketing feasibility study is not only based on the information about past sales and market growth rate but forecast about future of confectionary market and present market trends are also used to make these predictions.

In order to develop better understanding of our customers, we have collected information from very authentic secondary sources that include Euro monitor International, Food Navigator, Neilson and Food business news etc.

The findings of our feasibility study are objective as they are based on the research and information. Research related to industry as well as current market analysis indicate that the industry will continue to grow and pace of growth would be quite high. Demand analysis also shows that in order to fulfill the rising demands, Saudi Arabia is importing chocolate and other high end confectionary from west. So a confectionary that will produce a variety of high end gourmet products along with chocolates and coffee do have a potential to survive and grow.

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