

**THE FEASIBILITY STUDY ON INVESTMENT IN PREMIUM HOME-MADE
ICE-CREAM SHOP
“Hello Pla-Whale” IN KHON KAEN MUNICIPALITY**

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Abstract

The objective of this study was to study feasibility on investment of Premium Home-made ice-cream shop Hello Pla-Whale in Muang Khon Kaen. The results of this study shall be the information to support a decision on investment. This study included 1) result of consumer's behavior study and 2) 4 factors to be considered regarding making investment decision e.g. market analysis, technical analysis, management analysis and financial analysis. The results revealed that most of the customers were female aged 21-30. Most of them are students who consume ice-cream less than once a week. Estimate expenditure was THB 201-300 each visit. Most popular reason to go to ice-cream shop is because of hot weather. There are 5 most concerned subject to choose to attend ice-cream shop ; food container cleanliness, taste of ice-cream, reasonable price regarding quality, quantity and the right check-out process. Regarding market analysis, there's possibility to invest because market demand is more than market supply. According to technical analysis and management analysis, there's possibility to invest if there are well-prepare in location, shop design, service process, human resource and business planning. As per financial analysis, this business had net present value at THB 1,063,460.86, internal return rate at 30.33% and payback period in 4 years and 3 months. In conclusion, this project was possible to invest.

Keyword : Premium ice-cream, Home-made ice-cream, Feasibility, Khon Kaen

Introduction

Nowaday, ice-cream, one of the most popular desserts in the world, is not only a dish to finish your meal anymore. Ice-cream is a profitable product which, in Thailand, growth rate of this business is increasing approximately 40%. In 2015, estimated market value of ice-cream industry will be approximately 1,635 million Thai Baht [1]. Even this business is very interesting to invest, but in Khon Kaen province, there are only 3 companies who run the operation recently. Khon Kaen is one of a big city in Thailand, and, will be a center of transportation and logistics in 2016 regarding Asean Economic Community [2]. In nearest future, there will be large amounts of people travel to Khon Kaen. With significantly increasing growth rate, together with the increasing demand on consuming ice-cream, ice-cream business in Khon Kaen is an interesting business to invest. Familiarizing with area and café business, plus, having knowledge about premium home-made ice-cream and bearing a good relationship with suppliers, researcher sees a great opportunity to make this business successful. So, a feasibility study theory is learned by researcher and the results will be beneficial information to my nearest business.

Objectives

1. To study ice-cream consumers' behavior
2. To study feasibility on investment in 4 aspects e.g. market analysis, technical analysis, management analysis and financial analysis.

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Methodology

Documentary study was used to collect data from related studies and literature reviews. The tool of field study was the questionnaire to collect data from ice-cream shop's customers. The applied research used descriptive research method to interpret, analyze and assess the data and also used descriptive analytical method to present the result. Plus, descriptive statistics were adopted to explain dispersion of data, frequency, mean value and differences of variables. Inferential statistics were used to explain correlation between data and hypothesis as well as to reach conclusions about the population.[3]

Framework

The market analysis aspect was explored through a data of home-made ice-cream and premium ice-cream market in Khon Kaen municipality. A few secondary data relevant to business such as PESTE analysis, Porters' 5 forces analysis and customer analysis were studied. Also, samples' personal data was collected including genders, age groups, careers and income levels. The researcher built a questionnaire based on customers' behavior theory and the marketing mix theory.[4] Likert scaling attitude measurement and convenience sampling were used to collect data in this aspect.

To study feasibility in technical aspect, the process of buying, selling and location theory were examined. As well as the organization theory, organization structure and accounting theory were studied to comprehend feasibility in management aspect. Finally, collected all concerned costs to identified trial balance, sources of funds and concerned financial statement, and then calculated investment decision benchmarks such as net present value, internal rate of return, payback period and sensitivity analysis.[5]

Hypothesis

To invest in premium home-made ice-cream shop "Hello Pla-Whale" in Khon Kaen municipality, investors' decision is impacted by 4 feasibility aspects e.g. market, technical, management and financial.

Scope of study, population and samples

The population of this study is people who live in Khon Kaen municipality area amount 141,403 people. Using Krajcie and Morgan sample size table, the number of samples equaled to 384. Questionnaires were distributed during May 2015 and June 2015.

Tools and Quality Analysis

The questionnaires were used as a tool. There are 3 sections in questionnaire; 1)Sample's general information 2)customers' behavior toward ice-cream shop service and 3)Marketing mix factors that significant to customers' decision-making. The content validity was checked by specialist and calculated reliability coefficient using Cronbach's coefficient alpha.

Data Collection

To collect data, the convenience sampling technique was used. This process took 2 months from May 2015 to June 2015. Researcher distributed questionnaires to different ice-cream shop in Khon Kaen until all 384 were received. Other secondary data were gathering from different resources such as journals, essays, text books etc.

Research Condition

The investment in premium ice-cream shop “Hello Pla-Whale” will be proceeding only if there is feasibility in all 4 aspects.

Result

Market Feasibility

According to premium ice-cream market in Khon Kaen, the competitive rivalry analysis, the result revealed low competition among existing business, the bargaining power of buyers is in high rate while the bargaining power of suppliers is in low rate and more threat from substitute products than threat from new entrants. Demand of this market is likely to increase due to higher income, changed of lifestyle and increased amount of population. On the other hand, supply of this market is smaller than demand. There are only 3 competitors in market recently and show no sign of increasing in nearest future. Compared demand to supply, the result indicated that supply is less than demand.

The results of marketing mix factors that significant to customers’ decision-making revealed that customers prefer cleanliness of containers and taste of ice-cream in highest level. Price must reasonable compared to quality and quantity. In channel distribution term, customers rated convenience to travel to at strongest agree level while location and safety parking lot at strong agree level. Getting discount by using social media is most significant for customers in term of promotion. As per staff factor, customers rated staffs’ manner at very strongly agree level as well as the right taking order process and paying process. Last, in physical evidence, shop atmosphere is the most significant thing, rates customers.

Technical Feasibility

Customers indicated that location must be easy to access, provide enough safety parking spaces and large space enough to make customers comfortable. As a result, Hello Pla-Whale premium home-made ice-cream is business planned to run operation in Adunyaram 1/5 drive on Kanlapapruerk road which have high potential to satisfy customers in term of easy to access. Furthermore, in the back of shop, there is large public parking space which will be able to park at least 30 cars. Last, service space is approximately 328 square meters, large enough to satisfied customers’ need. This business has feasibility in term of technical analysis.

Management Feasibility

Organized human resource management should be applied to this business. All 5 positions e.g. one shop manager, two ice-cream maker, one cook, two server and one cashier should be recruited and assigned job responsibility clearly. Since business size is small business, it is suggested that one staff should be able to switch position and handle multi-task if must. Also, service process should be not too complicated to avoid labor shortage problem.

Financial Feasibility

Pre-opening cost of this business is around 1,156,885.00 Thai baht which belong to owner roughly 62% and the rest is long-term loan with 8% interest rate. This project has net present value at 1,063,460.86 Thai baht which is positive. Internal return rate is at 30.33%, greater than long-term interest rate. Payback period is around 4 years and 3 months. With all of this information, it is possible to invest in this business. Sensitivity analysis is examined under 2 different circumstance; 1) sales revenue decreased and 2) cost increased. The results say this business is subjected to sensitivity toward

both revenue and cost. The cost factor has significant impact on net present value, internal return rate and payback period. The changed that may happen to both revenue and cost should be closely considered to making investment decision.

Conclusion, Discussion and Recommendation

Conclusion

The study of feasibility on investment in premium home-made ice-cream shop “Hello Pla-Whale” in Khon Kaen Municipality revealed positive result in all 4 aspects including market, technical, management and financial.

Discussion

According to feasibility in market aspect, the premium home-made ice-cream “Hello Pla-Whale” is in premium ice-cream market. Most of external environmental factors have positive effect to business. The market demand level is more than market supply level. The overall perception of customers towards the marketing mix is in strongly agreeing level. Product, process and price are first top 3 in rank that customers concerned about while physical evidence is on the lowest rank of all.

The study found out that, in term of making decision to choose ice-cream shop, customers focus on 7 factors of marketing mix sorted descending from product, process, price, people, promotion, channel distribution and physical evidence respectively. Due to product aspect, customer focus on cleanliness of container and taste of ice-cream at the most important factor while fresh ingredients, variety of menu, variety of flavor and dish decoration are very important. Only variety of topping received average important. In price aspect, customers think price should be reasonable to quality and quantity. Menu list with vivid price is average important while alternative of payment is low important. In channel distribution aspect, easy processing is the most important. Other factors such as location, parking space and enough are in very important level. In promotion aspect, only using social media to get discount is in the most important while member card and seasonal menu are in average important. In people aspect, staffs’ manner and responsibility are rank in the most important. Grooming and product knowledge is in very important level while amount of staff is in average level. In process aspect, correction of order and payment are the most important and waiting time for food and payment are very important. In physical evidence aspect, only atmosphere received very important level. The rest are decoration and amount of seat are in average important level while restroom is the only factor customers think it is important in low level. From all aspect examined, every factors that rank in the most important level are “a must” while factors in very important level are what business “should have”. Some of factor above should be explored through detail to indicate which one will be advantage against competitor. Moreover, this study found out that, according to general information, the customers of different backgrounds have no different prospective toward marketing mix factor at the significant level of 0.05.

According to feasibility in technical aspect, location selection must be concerned about how easy to access. Potential location should be close to community and must provide enough parking space for customers. Regarding to feasibility in management aspect, organized human resource structure is a must together with clear job description assigned.

Recommendation

1. Recommendation for investor

Investor must be carefully observing the external factor that might affect negatively to business such as economy and the changes of lifestyle trends. Furthermore, all cost in this study is based on standard price during May – June 2015. It might be different for other period of time. Due to this business intend to study how profitable does ice-cream can made, other additional menu such as beverage, topping, bakery etc., is not included in this research. Investor should provide other menu as above to attract customers and gain more sales revenue.

2. Recommendation for future studies

There are many factors that might impact this business. A study of those factors should be really useful. Plus, marketing strategies study will provide information to exaggerate sales revenue.

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