

Review of Business Plan of Domibite Restaurant, Lokoja, Kogi State, Nigeria

Madu Ikemefuna^{[a],*}; Maji Enoch^[a]

^[a]Doctorial Research Candidates, Nnamdi Azikiwe University, Awka, Anambra State, Nigeria.

*Corresponding author.

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Abstract

Domibite Home-style Restaurant (“DHR”) is an eating establishment focusing on healthy, nutritious and fast food to the local downtown area. It will be a moderately priced of 56 seat restaurant that is decorated with feature word accented chairs with blue and white checked table cloths. Dinner style tables will be surrounded by wooden chairs with comfortable seating cushions offering family style food and service. Based on this distinct menu, Domibite Home-style will follow a differentiation strategy that will provide unique, or hard to find choices to Domi patrons. The restaurant will be jointly owned by Madu Ikemefuna and Maji Enoch and operated by Bright and Ndu-best. The operators have about 12-15 years experience in the restaurant and catering industry. Entering into this market will not be easy, the industry is highly competitive with periodic overcapacity, low margins and low entry/exist barriers. In addition, there are large numbers of substitutes and the suppliers to this market have a great deal of power. In order to overcome these issues, the restaurant has acquired an excellent locality in the downtown area and intends to provide a suitably upscale environment to draw in the restaurant main target market segment and business professionals. The company will seek to provide these customers with the maximum number of services to create the greatest sales volume during the restaurant peak hours of operation. The restaurant will have a comprehensive marketing, advertising and promotion campaign that will maximize word of mouth marketing and will consist of radio, printed materials, bill boards and discounts. The restaurant has planned to offer its products at a slightly higher price than its competitors. This is to provide

credibility to its clients as an upscale establishment that provides a unique menu. This will also provide the funds to cover the higher than expected operating costs due to the differentiated and expanded menu. The sales projections assume 1,800 customers per week. This resulting to the weekly sales of just over N720,000:00 this if projected for three (3) years is calculated as N720,000 X 52 weeks = N37,440,000:00 for 3 years (N37,440,000x3) = N112,320,000:00 By this, the restaurant is maintaining a healthy cash flow.

Key words: Business plan; Domibite restaurant; Lokoja; Kogi State; Nigeria

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INTRODUCTION

Company Description

Domibite Restaurant will be located in the North central part of Nigeria, the capital city of Kogi State called Lokoja. The Restaurant will be owned by Madu, I. and Maji, E. operated by Bright and Ndu-Best. The restaurant will serve a variety of classic home-style favorites majorly in African dish and other favorite fruits and juices.

The Restaurant will be Open 6 Days Per Week

Monday	8:00 am – 9:00 pm
Tuesday	8:00 am – 9:00 pm
Wednesday	8:00 am – 9:00 pm
Thursday	8:00 am – 9:00 pm
Friday	8:00 am – 10:00 pm
Saturday	11:00 am – 10:00 pm

Ownership

The restaurant will be owned by Madu, Ikemefuna and Maji Enoch. The restaurant will be operated by Bright and Ndu-Best. The both operators have about 12-15 years experience in the hotel business with the high turnover of help for startup restaurants, we will rely on family to fill in where required until we are off the ground and making a profit.

Legal Form

Domibite restaurant will be organized as partnership Business, wholly owned by Madu, Ikemefuna and Maji Enoch and operated by Bright and Ndu-Best. Domibite restaurant is registered with the Corporate Affairs Commission (C.A.C.) and National Restaurant Association of Nigeria. The restaurant is located in Lokoja the capital city of Kogi State.

Start-up Summary

The total estimate of opening the restaurant is ₦10,000,000.00. The majority of the expenses are on furnitures, fixtures, and equipment which amounted to ₦3,500,000.00. The location requires some build-out and renovation totally ₦300,000 and will require approximately 30 days to complete. About ₦6,000,000.00 of the start-up cost will be funded by the owners. The owner's source of funds is a combination of liquid assets and marketable securities primarily from their existing catering business.

Location and Facilities

The 2,000 square foot restaurant will be located in the Abuja express highway called Lokoja the capital city of Kogi State. Lokoja has about 20,000,000 populations and a very busy area that lead to the federal capital territory of Nigeria. The commonest language there is Yoruba, Ebara, Igala and Bassa Nge.

Competitive Comparism

- **Mandate Restaurant:** The 2,500 square foot restaurant run as a sole proprietorship, it has 12 employees and generates about 6 million in revenue annually. The prices are higher than domibite their major targets are on executive suites.
- **Azeze Restaurant:** This mainly deals with locally made foods as its major customers are local drivers, Okada riders and average/common citizens.
- **Ifeoma Restaurant:** The 2,000 square foot restaurant run a family business as it majorly run buy the family members their major customers are business men and travelers the price is averagely affordable by every citizen.
- **Jayus Restaurant:** The 1,500 square foot restaurant run a partly restaurant business and a bar joint. The restaurant has a large packing space with planted tress at the back yard side of it. It is a sole proprietorship business and an oldest restaurant their in which the owner James Yakubu has advantage of having the best location, purchasing of land at a very low rate and having a lands mark advantage.

Suppliers

Because of their years of experience combined with their existing catering business, **Bright** and **Ndu-best** have established relationship with qualified suppliers. These suppliers can provide reasonably priced products according to schedule.

1. MANAGEMENT CONTROLS

Madu Ikemefuna and Maji Enoch handed over the operations of the restaurant to Bright and Ndu-Best since they have about 12-15 years of catering and hotel business idea.

Weekly Inventory: Management will conduct a weekly inventory to determine valuation for use in the preparation of weekly profit and lost reports.

Daily Inventory Tracking: Daily inventory will be taken on specific items. Movement will be compared to sale data to ensure designated products have been properly accounted for.

Administrative Systems

It is crucial that the Domibite remain current with daily easy outlay. The purchase of a POS system will immensely help them with these daily administrative reports.

Daily Cash Control: Sales and receipts recorded by the POS system will be compared to actual cash and credit card deposits on a daily basis. Monthly totals will be compared to actual P & L statement for accuracy. Cash, debit Card and Credit card receipts will be deposited in a deposit.

Weekly Prime Cost Report: Domibite will prepare a weekly report that shows the gross profit margin after cost of goods sold and labour cost has been deducted from the sales revenue. The prime cost for this type of restaurant is expected to range form 60% to 65%. Proper control to the prime cost is the single most effect measure of management's ability to operate the restaurant.

Purchasing Records/Payable: A part time bookkeeper will process and record invoices and credits daily. Reports detailing cash expenditures, payments by check and accounts payable transactions will be readily available. Check disbursements will be prepared by the bookkeeper. Check signing authority for the general operating account will be given to the general manager.

Payroll Processing: Payroll checks will be issued bi-monthly. Domibite will run reports from the time and attendance system, make necessary adjustments, and prepare for transfer to the payroll system. Payroll will be processed by a payroll processing system.

Future Services

Domibite Restaurant has a future plans to provide catering services for family reunions, weddings and other event desiring a "home-style" menu. This could potentially become a large portion of gross sales.

2. MARKET ANALYSIS

The restaurant industry is a large and diverse business.

They industry increase in percentage against the first year of its sales and profit. The overall economic impact of the restaurant industry is expected to exceed the percentage profit increase from its previous years. The industry consists of full-service restaurant and limited service eating places which include quick service restaurant, cafeterias, buffets; snacks bars and non-alcoholic beverage bars.

Industry Analysis

Comprises carefully manage inventory of perishable food products, such as fresh seafood and dairy foods to reduce losses due to spoilage.

Computerized information system can improve and link food preparation and serving operations. Timing system monitor meal progress and can alert staff if an order is running behind schedule. Inventory management systems tracks supply levels and can help reduce waste due to spoilage. Cost accounting programmes help compares to determine the profitability of individual menu items. Point of Scale (POS) devices allow servers to place orders and print checks tableside, improving accuracy and reducing ordering time.

Market Segments

The location was selected primarily because it is in a capital city of the state and also a major area leading to the capital city of Nigeria (Abuja) and also is located close to the Federal University, Lokoja.

The residential population in the immediate area comprised of a mixture of students single family and multi-family housing.

Major Employers in the Restaurant Include

1.	Manager	Oversee the activities of the organization
2.	Cashier	In-charge of finance
3.	Calaber women	They are in-charge of the cooking in the kitchen
4.	Young men/ Young ladies	They serves as the waiters
5.	Cleaners	They are in-charge of cleaning tables/chairs and environment
6.	Bar man	They are in-charge of drinks
7.	Old women	They are washing plates
8.	Security	They make sure that things are kept intact

Market Tests

The operators of the restaurant have about 12-15 years experience in catering and hotel business in the state before. They have customers before and their business Name is well recognized in the state. Their customers will be the first set to be contacted when they announce the grand opening of the restaurant.

3. TARGET MARKET SEGMENT STRATEGY

Madu and Maji selected the area for its restaurant

primarily because of its location that is very busy intersection with the connection of Okene high-way from the west, Ajaokuta high way from the East and Abuja highway from the North. The restaurant is located at the “going home” side of the Federal University, Lokoja. This will encourage workers to easily locate the place and take launch during the break period from the office and also easily ease stress of workers or families tired from a day of work to stop in for a home cooked meal they can enjoy-without the clean up!

Market Trends

According to the National Restaurant Association of Nigeria. The top 5 trends are as follow

- Locally grown produce
- Locally sourced meats and sea fish
- Nutritious kind’s dishes
- Hyper –local items (like the local noru, fresh vegetables, fresh tomatoes etc).
- Hygienic Environments

4. MARKET STRATEGY AND IMPLEMENTATION

We will do this by providing quality home style meals, prepared with quality ingredients at reasonable prices. Customers will enjoy the quaint surroundings inside with the plastic and wood table and checkered table cloths. Our restaurant will provide a relaxed atmosphere and when customers walk in; they will be greeted by warm smiles as if they were arriving home.

Our customers will enjoy our standard menu fare, along with seasonal menus so that we can better take advantage of cost savings and stay current with some of the food industry trends.

At Domibite we plan to be the premier restaurant and work for as well. We will pay our employees a competitive salary and believe we can do so by meticulously keeping our records, including daily review of the prime cost Report and utilize the cost Accounting systems to prevent inventory shortfalls. We will be proactive with our employees by scheduling regular performance reviews and provide bonuses and other incentives to motivate our staff. We will also provide our employees with the most current training programmes regarding safe food handling and worker protection.

Domibites will also remain current with current industry marketing trends. In addition to a website with our menu, map and driving directions. We will also have a face book page and utilize other social media such as twitter.

Strengths

- We have a very good location with easy access from interstates.
- Exceptional staff with the “yes we can” attitude. Combined with the operators 12-15 years experience in the hotel business.

- Due to our small size, we believe we can provide exceptional quality by hand selecting our market specials when compared to our larger corporate competitors.
- Since the operators has hotel experiences in the capital city of Kogi State, Lokoja, they have already established a customer market and improve vendors.
- Our employees will strive to offer unsurpassed service when compared to our larger competitors.

Weaknesses

- Recruiting and retaining quality employees
- Tight margins will allow little wiggle room for error.

Opportunities

- Little entry barriers allows for immediate business opportunities
- Offer additional catering services

Threats

- Government mandates Restaurant Operation, Food Safety of Nigeria, Sanitation, National Agency for Food, Drugs and Administrative Control (NAFDAC).
- Rising Operating Costs
- Building/maintaining sales volume
- Supermarkets and convenience stores (mama puts)
- Consumers that believe in the home meal as been nutritious than those prepared in the restaurants

Strategy Pyramid: Domibite restaurant shall be seen as customer satisfaction base.

Tactics: Creation awareness: Our signage on the front of the restaurant will bring customers to us and once inside; we will immediately acknowledge the customer with warmest and most sincere greeting and begin the service process anticipating the repeat of customers.

Programs: Provide employees training on customer service and retention; offer ongoing training programs for employees keeping them current on industrial trends and food safety. They track of employee’s progress through performance reviews and offer employees incentives attracting and retailing customers.

Sales Strategy

Customer services are of the utmost importance. A customer survey estimate that only 1 in 20 customers that have a problem in a restaurant will tell management about it. It will be of our goal to provide a wonderful home-style meal combined with superior customer service. Training programmes will include teaching materials to train our employees about service attitudes, customer perception and how to handle guest complaints. Ikemefuna and Enoch will conduct periodic staff meeting intended to review policy, increase guest satisfaction and complaints will be acknowledge by the staff and referred to management. Programme will be put in place for all types of guest complaints. More serious complaints will be documented and kept on file.

Sales forecast

We are expecting a conservative 5% increase in sales revenues annually over the next 3 years. The growth

is adjusted for inflation. With the addition of catering revenues sales will increase by N7% in year 2 and 10% in year 3.

Annual Sales Forecast

Annual sales forecast	Year 1	Year 2	Year 3
Sales	37,440,000	48,500,000	50,100,000
Food and beverage revenues	8,200,000	12,300,000	13,600,000
Additional Revenue	-	-	-
Total Sales	29,240,000	36,200,000	36,500,000
Controllable costs			
COGS	17,200,000	18,300,000	18,600,000
Payroll	10,000,000	10,200,000	10,500,000
Total prime cost	27,200,000	29,500,000	29,100,000
Controllable profit	2,040,000	6,700,000	7,400,000

Sales Programs

We will encourage our employees to grow our customer base and provide incentive and regular bonuses to employees for referrals and repeats customers.

It is also anticipated that as we grow our catering business along with our launch business group, we will hire a sales director to facilitate this position of the business.

Legal

Initially, we will be formed as partnership. Domibite Restaurant which shall be located in the capital city of Kogi State, called Lokoja.

Exit Strategy

Disposal of our kitchen equipment, restaurant furniture and fixtures would occur at auction. Food inventory because of its quick perishable time would be considered as write-off.

5. ORGANIZATION AND MANAGEMENT

Organization Structure

Domibite accepts 12 employees. They’ve adopted an effective interview process designed to staff the restaurant with highly qualified people for each position.

Management Team

The restaurant will be owned by Madu and Maji but operate by Bright and Ndu-Best whom shall be bringing out reform.

Financial Plan

- The following section outline our financial plan
- Required cost of start-up
- Profit and loss
- Cash flow
- Balance sheet
- Financial ratios
- Hourly Labour Costs
- Weekly sales projections

Source and Use of Funds

Total start-up costs are estimated to be ₦10,000,000:00. The majority of the costs are associated with the restaurant

equipment, inventory, furniture and furnishing for the dinning room. Total costs for these items are reported to be ₦3,500,000:00. The costs are associated with build out and renovation of the restaurant to provide update plumbing and creating additional space in the dinning area by removing a non-supporting wall of ₦300,000:00. Madu and Maji will contribute ₦6,000,000:00. and are requesting an additional ₦4,000,000:00. in form of bank loan.

Source of Funds

	N	
Owners' Contribution	-	6,000,000
Bank Loans	-	4,000,000
Other Loans	-	-
Total source of funds	-	10,000,000
Use of funds	-	-
Building/real Estate	-	-
Leasehold improvement	-	300,000
Capital equipment	-	3,500,000
Location/administration expenses	-	500,000
Adverting/promotional expenses	-	100,000
Other expenses	-	700,000
Contingency fund	-	1,000,000
Working capital	-	3,900,000
Total use of funds	-	10,000,000

Proforma Profit and Loss

Income	Year 1	Year 2	Year 3
Sales	37,440,000	48,500,000	50,000,000
Cost of goods sold	(17,200,000)	(18,300,000)	(18,500,000)
Gross profit	20,240,000	30,200,000	31,500,000
Less expenses	-	-	-
Accounting/legal	200,000	200,000	200,000
Bad debts	50,600	82,000	83,000
Credit card fees	162,000	170,000	172,000
Insurance	30,000	30,000	33,000
Miscellaneous	1,150,000	1,000,000	1,100,000
Payroll taxes	-	10,000	10,000
Permits and licenses	20,000	22,000	25,000
Rent	6,000,000	6,000,000	6,200,000
Salaries/wages	10,000,000	10,200,000	10,500,000
Total expenses	17,612,600	17,714,000	18,323,000
Net profit	2,627,400	12,486,000	13,177,000

Weekly Sales Projections
 Restaurant Business Plan
 Weekly Sales Projection

Estimated Square feet	-	2,000
Average Breakfast price	-	300
Average Launch Price	-	400
Average Dinner Price	-	400
Number of Seats	-	56

		Customers	Percentage by week (%)
Monday	Breakfast	35	15.3
	Lunch	160	
	Dinner	80	
	Daily Total	275	
Tuesday	Breakfast	45	16.1
	Lunch	150	
	Dinner	95	
	Daily Total	290	
Wednesday	Breakfast	45	17
	Lunch	175	
	Dinner	85	
	Daily Total	305	
Thursday	Breakfast	50	16.1
	Lunch	160	
	Dinner	80	
	Daily Total	290	
Friday	Breakfast	40	17.2
	Lunch	170	
	Dinner	100	
	Daily Total	310	
Saturday	Breakfast	20	18.3
	Lunch	200	
	Dinner	110	
	Daily Total	330	
Weekly Total		1,800	

RECAP: Key sales figures

Annual Sales	37,440,000
Average Monthly Sales	3,120,000
Annual Sales per seat	668,571

CONCLUSION

Entering into this market will not be easy, the industry is highly competitive with periodic overcapacity, low margins and low entry/exist barriers. In addition, there are large numbers of substitutes and the suppliers to this market have a great deal of power. In order to overcome these issues, the restaurant has acquired an excellent locality in the downtown area and intends to provide a suitably upscale environment to draw in the restaurant main target market segment and business professionals. The company will seek to provide these customers with the maximum number of services to create the greatest sales volume during the restaurant peak hours of operation. The restaurant will have a comprehensive marketing, advertising and promotion campaign that will maximize word of mouth marketing and will consist of radio, printed materials, bill boards and discounts. The restaurant has planned to offer its products at a slightly higher price than its competitors. This is to provide credibility to its clients as an upscale establishment that provides a unique menu. This will also provide the funds to cover the higher than expected operating costs due to the differentiated and expanded menu. The sales projections assume 1,800 customers per week. This resulting to the weekly sales of just over N720,000:00 this if projected for three (3) years is calculated as N720,000 X 52 weeks = N37,440,000:00 for 3 years (N37,440,000x3) = N112,320,000:00 By this, the restaurant is maintaining a healthy cash flow.

Keys to Success

- **Repeat Business:** Every customer who comes in once should want to return, and recommend us to others. This implies that word of mouth marketing is powerful.
- **Location:** We are close to our market because our customers need not to travel before reaching us.
- **Affordable:** We have varieties of food for our customer's satisfaction. The price is high enough to establish credibility but not so high as to limit customers.

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