

Business Plan for Shopping Complex in Bus stand of Chillaw



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The Asia Foundation

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I. OVERVIEW

Chilaw City is a busy town which has a prominent business activities as well as social events. Chilaw MC is aiming to cater a better services for the consumers who visiting the town on high quality services in buying and selling, as well as quick services in order to save the time of people to use their time for development activities.

Generally the demography of people in the city is considerably in higher social status and economy is fairly richer than other territories. So that the MC is proposing to build a modern supermarket at the bus stand of Chilaw which has been already put up its 'ground floor.

From the view of MC who governs this shopping complex focuses on following mentioned economical and cultural aspects:

- 1) Provisioning of income generating opportunities by mainly focusing high quality goods and service providers as well as small scale retail sellers.
- 2) More concern on recreation activities according to the cultural and religious ethics and norms.
- 3) Providing high quality refreshing environment to relax people who visit the location.
- 4) Ultimately the quality of the living status of people in the area to be enhanced.

With this positioning the shopping complex will attract local residents who prefer supporting local producers as well as visitors who want to take home unique, location specific products. Additionally, this recommended positioning strategy will be attractive to an audience that believes in the need to promote environmental stewardship, supports local producers, and is desirous of being identified as conscientious yet nonconforming consumers. In that connection the market will be more focused towards foreigners who recently attracted to tourism booms, and its' opportunities in the region.

It should be noted that a private public partnership (P3) to be found to be the most feasible and sustainable format for these type of projects. Under the terms of this type of arrangement the Local Government Authority area would provide concessions to a developer(s) to construct and provide the main/lower level for a shopping complex in exchange for retaining the remaining upper floors for restaurants and other reception hall facilities etc.

Furthermore, the business strategy proposed for this shopping complex would give strong emphasis to the development of competitive capabilities; adaptability and flexibility in order to respond to changing market conditions; as well as solidifying and strengthening the facility's market position overtime. In terms of implementation, the strategy recommended would encompass the following key elements:

1. A focus on enhancing customer value by fulfilling market-driven needs.
2. Purposeful differentiation, emphasizing the development of functional operation strategies.

In this instance all functional-level activities will need to align with the objective of encouraging early market acceptance, adoption and diffusion.

For realizing above mentioned objectives the Shopping complex should be equipped with several additional infrastructure and supporting service facilities in terms of internal and external as mentioned below,

Internal facilities

- Enough spaces for parking and refreshing area.
- Well planned and systematic building and shops arrangement.
- Adequate water, electricity and sanitary facilities.
- Well established drainage system to avoid retaining surface water on market area.
- Security service provisions.
- Well planned waste water and garbage management system.
- Well organized body (committee) to manage and operations of the market.
- Well established business trade organization to cater the management in emphasizing PPP.

External facilities

- Transport facilities (for both public transportation and goods transportation)
- Road accessibility
- Communication facilities
- Banks and other financial services

Careful consideration also needs to be taken in regards to governance, processes and management. As proposed the shopping complex needs to be structured as a “profit center “which enable to earn revenue from stakeholders to manage and maintain the market in sustainable manner. For this management is should be comprise with a committed and knowledgeable officials in the whole MC.

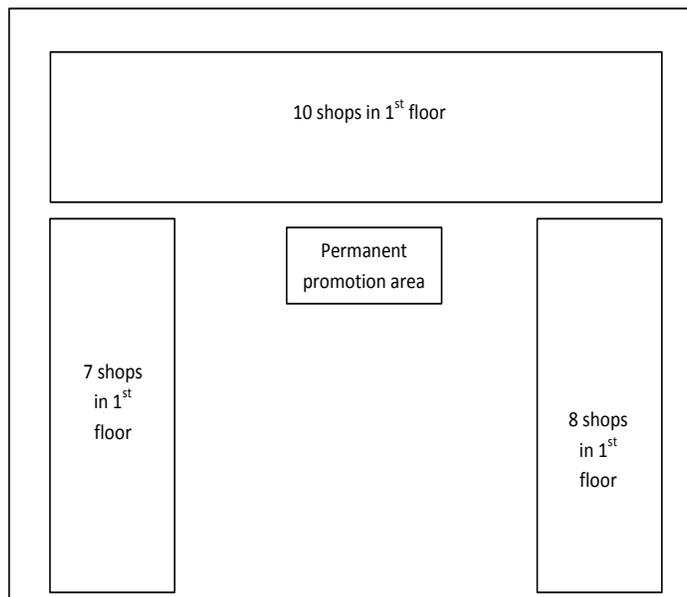
Clearly the financial goal of the proposed project is to be self-sustaining. This implies an operation that does not draw on the financial resources from Central Government or a sponsoring agency at its’ running cycle. The initial capital investment is estimated to total Rs. 54 Mn and additionally assumes the following:

- ❖ Private Public Partnership with:
 - o Developer(s) building required facility space;
 - o LLDF providing loan facility of 34.0 Mn in concessions.

2. MARKETING PLAN

The proposed shopping complex is located at the 1st and 2nd floors of existing bus stand which is located at the heart of the Chillaw town. The land belongs to the Municipal council and it is consisted with approximately 80 perches. According to the land extent availability and the shape of the land the design is proposed as follows.

Design



2.1 Proposed Shopping Complex

1. Proposed Shopping complex will be three storied building. The ground floor has been already completed and it is fully occupied with the current bus stand and 6 rented shops.



- The super market will be proposed to be built at the 1st floor of the existing building and it is facilitating 25 (10'X 10') shops in "U" shape arrangement.



- The 2nd floor of the proposed building (top floor) will be functioning as a food court which consists with three restaurants facing to one floor of common dining.



- In addition to above arrangement, following ancillary services will be introduced in order to get maximum income opportunity from the proposed site.

- Multimedia Screen - MC can earn substantial income on displaying many advertisement of the local business community, and it will definitely support to the business community to enhance their products and services through this Multimedia screen.



- c. 3 Hoarding sites – Since the building is designed with “U”shape there is an opportunity to use the 3 blind walls for hanging 3 advertizing hoardings and it will be high benefit for business community to use their promotions as well as it generates an additional income for MC.



- d. 3 ATMS - The supermarket will be consists with 3 ATM machines for giving better service for customers who visited the supermarket. This can be easily marketed to 3 different banks who willing to invest with the supermarket.
- e. Open space for Events - The space which is available at the existing ground floor can be used in several events such as open musical shows, cultural activities, fun fairs, carnivals etc. So that the MC can earn additional income by hiring the space as well.

Shops	Average shop size (sq.ft)	No. of shops	total area Usable (sq.ft)
Ground Floor			
Spaces for Banks (ATMs)	5' X 6' = 30 sqft	3	90
Shops	10'X 10' = 100 sqft	6	600
2nd floor			
Shops	10'X 10' = 100 sqft	25	2,500
3 hoarding sites	10'X 20' = 200 sq.ft.	3	N/A
Digital Advertizing board	9'X 6' = 54 sqft	1	N/A
3rd floor			
Food court with 3 restaurants			
Restaurants	10'X 20' = 200 sq.ft.	3	600
Common Dining	20'X 20' = 200 sq.ft.	1	400

2.2 Description of the Products/ Services

The basic products and services of the proposed project are as follows.

Products -

All kinds of foods (dry foods, perishable foods, spices etc), Pharmaceutical products, plastic commodities, fancy items, cosmetic items, jewelries, textiles, leather products such as shoes and bags, consumer durable products, stationeries etc.

Services -

Communication, ATM,

2.3 Targeted market area.

The services will not be restricted to the community of Chillaw. It focused towards whole community which including whole community who visited Chillaw including all foreigners . So that the targeted market will be whole country.

2.4 Targeted Consumer Group.

Product	Market Area	Target Consumer Group
All products/ Services	Whole country	1. People who used to visit town for their goods and service requirements'. 2. Foreigners

2.5 The market demand for the products and services.

Super market demand experiences is generally applies in this sector and ii is seriously varied from time to time. During the seasons of crops, the demand may relatively low, but during the off seasonal periods, there may be surplus in demand due to lower supplies. And the demand is also varying according to the other various factors such as festival seasons, environmental changes. The demand of services are basically does not vary and the factors could be affecting the demand is prevailing economy of the country.

2.6 Market share of the proposed project.

It is not necessary to calculate the market share of the proposed project, because in this huge industry no market leaders are dominating a large market share. The market share of this project is simply limited to its market supply which is determined as follows.

The annual market supply = Total supplies of current unorganized market locations in the town.

2.7 Market strategies of the proposed project.

(A) Product

Total products of each and every retail shop in the shopping complex should be in quality assured , well packed, and priced and having brought ashore is sorted out in to different varieties, weighed, and stacked according to provided storage facilities in the market. Services should be provided according to the needs of clients who visit the market on their perception.

(B) Price

Price varies according to the variety of goods, market availability of the particular variety and current price level of the local market. It is advisable to maintain the prices at optimum level since the quality aspires and service facilities would be additional cost on purchases.

(C) Place

The place will be the most important factor of attracting consumers to the market. The place should be fulfilled with following aspects.

1. Since the location is at the heart of the town it is easy accessible place which close to transportation facilities, miserable roads availability etc.
2. It has enough space to accommodate goods and service supplies.
3. Presence of accommodation for proper arrangement of parking
4. Area without exposed to flood
5. Since the crowd generally comes to have their leisure time they can be easily attracted since the shopping complex will be consisted with food court at the roof top of the supermarket.

(D) Promotion

As the proposed project is involved in both goods and services which are supplies basic requirements to the needs of people, it is not necessary to implement sales promotional activities as done in the case of other single product made in a factory.

External promotions:

The objective of the external promotion is to attract new and past customers back. In this regard in the Chillaw there are several sources of local news. This includes local newspapers. Beyond this print media the MC can advertise the market through radios. Certainly it will prove difficult to reach a large percentage of the public through one medium. Cognitive of this , the market must utilize a balanced promotional mix in order to reach and attract a wide range of consumers. In promoting the market outside of the retail outlet, the following media elements are proposed: press releases; newspaper ads; websites; social media; brochures; mini menus; and networking.

Internal or in-store promotions:

Internal or in-store promotions are key in retaining and increasing sales volumes once customers are in place. Once the customer enters the super market the following common internal promotions or techniques/practices and/or initiatives either individually or collectively could be utilized in order to encourage/facilitate a longer stay resulting in increased sales, most notably:

- ◆ Effectively designed store layout
- ◆ Attractive window displays;
- ◆ Eye-catching internal displays;
- ◆ Clear signage;
- ◆ Promotional signs;
- ◆ Location signs;
- ◆ Understandable institute signs;
- ◆ and exciting atmosphere.

Effective promotion can also be realized through strategic partnering. It has been recognized for example that in order for the market to reach its greatest impact there needs to be business development support to the vendors.

2.8 Sales Forecast

Since the absence of enough initial capital to build up the proposed shopping complex in the MC budget, it is proposed to launch a social enterprise model in partnership with an existing funding agent; contribution of private sector investors who willing to performs their business in the proposed shopping complex. The contribution of private sector will attract on tendering the proposed shops with an advance payments of key money (preferably for 60 months period as per the table 1.2) as the initial capital investments of the market.

Total Income from Key money (60 months rentals Advances)

Table 1.2

Shops	Average stall size (sq.ft)	No. of shops/ Apartments	Monthly rent/ per shop/ unit (Rs.)	Initial capital investment (Rs.) (for 5 years)
Ground Floor				
10'X 12'Shops	120	6	20,000/=	7,200,000/=
ATM machines	15	3	15,000/=	2,700,000/=
Hording Sites	10'X 20'	3	200,000/= per year	1,000,000/=
Digital board	9'X 6'	1	1,000,000/= per year	5,000,000/=
1st floor				
10'X 10'Shops	100	25	10,000/=	15,000,000/=
2nd floor				
Restaurants with food courts	200	3	100,000/=	18,000,000/=
Total Income from Key money (60 months rentals Advances)				48,900,000/=

2.9 Annual Income from Shop rentals, Advertising screen, and hording sites.

Shops	Average stall size (sq.ft)	No. of shops/ Apartments	Monthly rent/ per shop/ unit (Rs.)	Annual Income (Rs.)
Ground Floor				
10'X 12'Shops	120	6	20,000/=	1,440,000/=
ATM machines	15	3	15,000/=	540,000/=
Hording Sites	10'X 20'	3	200,000/= per year	200,000/=
Digital board	9'X 6'	1	1,000,000/= per year	1,000,000/=
1st floor				
10'X 10'Shops	100	25	10,000/=	3,000,000/=
2nd floor				
Restaurants with food courts	200	3	100,000/=	3,600,000/=
Total Income from Key money (60 months rentals Advances)				9,780,000/=

3. PRODUCTION/ SERVICE PLAN

3.1 Production / Service Process

The Service process of the proposed project is similar to the general services applied in the MC for their Shops rental collections an collection of trade tax.

1. Shopping Complex

Production / Service Process

The Service process of the proposed super market is similar to the general services of public markets handled by the MC. The shopping Complex will facilitate main categories of services which mentioned below.

Storage and unloading facilities.

Since the market goods supplies involve with unloading of bulky stuffs of goods the design facilitated a separate unloading area with few storage facilities. Parking places for of unloading vehicles also been provided.

Cleaning and Sanitary facilities.

The appearance and the cleanliness of the shopping complex is very important to attract consumers and it will lead the sustainable marketing process in the market. So that provisions of public toilets and the sanitary staff will be provided to the public areas of the market and some attached toilets will be provided for banks, restaurants too.

Electricity and Water supplies.

Each and every apartment will be facilitated with electricity and water supplement and the expenses to be paid by the shops owners. However the electricity in the open lobby areas and the public areas will be hosted by the MC.

Maintenance and repairs.

It is advice to agree upon with a terms and conditions in maintenances and repairs of shops and open areas according to the type of damage, course of damage and the cost of repair. The shops owners should agree to undertake maintenance in their premises and the repairs will be subjected on the course of damage and amount of repairing cost. The maintenance of open areas and the lobbies to be undertaken by the MC.

2. Multi Media Mega Screen and hoardings

3 hoarding sites will be provided on annual rentals of 200,000/- per annum and the deposit for 5 years to be claimed at the granting stage.

Multimedia screen will be rented for one person from private sector with the 5 years of initial payments as a deposit. Then annual rents of 1Mn to be claimed from the party.

4. ORGANIZATIONAL & MANAGEMENT PLAN

4.1 Legal Status of the Business

Name of the implementing / Managing Organization	: Chillaw Municipal Council
Partners	: Private sector
Management body	: Steering Committee (5 persons)
Composition of steering committee	: Commissioner of of Chillaw MC Engineer of Chillaw MC Revenue Officer 2representatives from business community

4.2 Linear Responsibility chart

The Person	Number of employees		Proposed package (per month)	Overall supervision	Maintains/ Cleaning/ security	Marketing	Administration	Finance
	Existing	New						
Steering committee	5	-	N/A	✓			✓	✓
Revenue Officer	1	-	N/A					✓
Ticketing officer		1	20,000/=		✓		✓	✓
Marketing and IT officer for advertising board		1	30,000/=			✓		
Security guard		1	25,000/=		✓			
Cleaners		2	20,000/=					

As the above chart shows the overall management of the project is in the hand of the MC whereas the operational decisions will be made by a steering committee which consists of 5 persons. The composition of the 5 persons committee will be from MC as well as from 2 representatives from private sector investors of the market. 3 persons will be directly recruited to the advertising board and the services of the vehicle park.

Preliminary arrangements to be considered by management Body

- A separate account to be opened to manage accounts of the project.
- Signing Authority for accounts and vouchers to be redefine. It should authorized by the the Commissioner of MC.
- An agreement should be finalized by the MC to define terms and condition which has be signed between shop owners who willing to buy shops from the shopping complex.

4.3. Cost of Constructions

Table 2.1

Item	Cost (Rs.)
Construction cost (ground - common event area)	
Millwork / demolishing existing and temporarily building and finishing space	500,000
Paving ground + Concrete poles	2,000,000
Landscaping	500,000
Construction cost - Shopping Complex	
Millwork and finishing space	500,000
Construction cost – Three stories building	45,000,000
Street and side drains	1,000,000
Telecommunication	400,000
General Supplies (water / electricity)	2,000,000
Construction cost - Digital Screen (9' X 12')	
Cost of digital screen	2,000,000
Construction cost - support structure	200,000
Sounds system	400,000
	54,500,000/=

4.4. Pre operating Activities & Expenses

Tasks	Time period (Weeks)										Date to finish each task	Expected cost	
	1	2	3	4	5	6	7	8	9	10			
Preparation of project proposal / site plan with BOQs/ validation of the corresponded LA area	■											2017/1/7	100,000/=
Submission of project proposal to Bank		■										2017/1/15	-
Obtaining approval from Bank			■									2017/2/1	-
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)							■	■				2012/2/15	20,000/=
Constructions/ demolition / renovation of existing buildings and landscaping (Please refer table 2.2)					■	■	■	■	■	■		2017/6/15	54,500,000/=
Business launching											■	2017/06/20	50,000/=
Pre operating cost													54,670,000/=

5. FINANCIAL PLAN

5.1 Project Cost

Cost Item	Existing			Proposed			Total Cost (Rs.Mn)
	LLDF Loan (Rs.Mn)	Equity (MC) (Rs.Mn)	Private Sector (Rs.Mn)	LLDF Loan (Rs.Mn)	Equity (MC) (Rs.Mn.)	Private Sector (Rs.Mn)	
Assets – Fixed Assets							
Land	-	100.0	-	-	-	-	100.0
Shopping complex / Hoardings/ Digital board/ Furniture	-	-	-	5.0	0.77	48.9	54.67
Structure of the investment	-	100.0	-	5.0	0.77	48.9	154.67
		(65%)		(3.23%)	(0.5%)	(31.27%)	

5.2 Profit & Loss Account

Following assumptions were considered on predicting profit and loss account of the project.

- ❖ The project period will be 3 years in its' 1st stage and it will be continued with amendments of planning and objectives from the 4th year.
- ❖ Initial capital of the project will be met on fraction of donation, key money collection for 60 months period from investors who will interest to invest for " Shops in Shopping complex".
- ❖ At the initiation the MC start the project by mobilizing 50% of total key money from interested parties (Approximately 20.0 Mn) and match the balance capital requirement by borrowing a loan of 34.0 Mn from the LLDF for 10 years period at the rate of 9% per annum. The monthly rental of the loan will be Rs. 673,968/= .
- ❖ The MC will able to complete the hole constructions within 8 months period and focused to initiate business launching at the outset of 2018.
- ❖ With the business initiation the MC will charge the balance 50% of the total key money from shop owners (28.0 Mn) and at that time the balance capital outstanding of the borrowed loan will be approximately Rs. 32.5 Mn and the MC will reduce that facility from collected key money and the capital can be reduced to 4.5 Mn (32.5Mn – 28.0 Mn) then the loan monthly rental for balance 9 years will be just Rs. 89,200/=.
- ❖ The monthly rent of the shops will not be increased in 1st 3 years.
- ❖ Business turn over tax will be 5/= per day amounting 450/= per month for all above business components and annually it would be 59,400/= (5/= X 33 business entities X 30 days x 12).
- ❖ 50% of annual net income will be transferred for next year budget and the balance 50% will be utilized for usage of other public services in the MC (for a new project or expansions).
- ❖ 5% annual depreciation of building was considered (for 20 years)

Profit & Loss Account

Item	1 st year (2018)	2 nd year (2019)	3 rd year (2020)
Annual income from rentals of shops in shopping complex	4,440,000	4,440,000	4,440,000
Income from Food Court	3,600,000	3,600,000	3,600,000
Income from Muti media Screen	1,000,000	1,000,000	1,000,000
Income from Hoarding sites	200,000	200,000	200,000
Income from ATM Machines	540,000	540,000	540,000
Income from trade tax	59,400	59,400	59,400
Net Sales	9,839,400	9,839,400	9,839,400
Less, <u>Variable cost</u>			
Electricity	1,100,000	1,300,000	1,400,000
Water	120,000	150,000	160,000
Other Variable cost	100,000	120,000	150,000
Labour	1,140,000	1,200,000	1,300,000
TOTAL Variable cost	(2,460,000)	(2,770,000)	(3,110,000)
Contribution	7,379,400	7,068,400	6,729,400
Less, <u>Fixed cost</u>			
Production overhead cost (advertisement)	150,000	170,000	200,000
Administration expenses	300,000	400,000	450,000
Maintenance cost	600,000	700,000	750,000
Total Fixed Cost	(1,050,000)	(1,270,000)	(1,400,000)
Profit before depreciations & interest	6,329,400	5,798,400	5,329,400
Less, Loan Interest*	1,070,400	1,070,400	1,070,400
Annual Depreciations	140,000	140,000	140,000
Pre operating expenses (promotions)	170,000	0	0
Sub total	(1,380,400)	(1,210,400)	(1,210,400)
Profit Before tax	4,949,000	4,588,000	4,119,000
Less , Income tax	0	0	0
Profit After Tax	4,949,000	4,588,000	4,119,000

5.3 Cash Flow Statement

Item	Pre Operating period	1 st Year (2017)	2 nd Year (2018)	3 rd year (2019)
Cash In flow				
Equity	770,000	-	-	-
Loan receivable	34,000,000	-	-	-
Key money receivables	20,000,000	28,900,000	-	-
Annual income from rentals of shops in shopping complex	-	4,440,000	4,440,000	4,440,000
Income from Food Court	-	3,600,000	3,600,000	3,600,000
Income from Muti media Screen	-	1,000,000	1,000,000	1,000,000
Income from Hoarding sites	-	200,000	200,000	200,000
Income from ATM Machines	-	540,000	540,000	540,000
Income from trade tax	-	59,400	59,400	59,400
Cash balance	-	(7,987,616)	(2,480,616)	1,124,192
Total Cash Inflows	54,770,000	30,999,784	7,358,784	11,063,592
Cash Out flow				
Cost of constructions	54,500,000	-	-	-
Administration / maintenance expenses	-	1,050,000	1,270,000	1,400,000
Variable cost	-	2,460,000	2,770,000	3,110,000
Pre operating expenses	170,000	-	-	-
Payment for Loan capital deduction	-	28,900,000	-	-
Loan Interest and repayments	8,087,616	1,070,400	1,070,400	1,070,400
Total cash Outflow	62,757,616	33,480,400	5,110,400	5,580,400
Cash Balance	(7,987,616)	(2,480,616)	2,248,384	5,483,192
50% reserves for other services	Nil	Nil	1,124,192	2,741,596
Cash balance for next year usage	Nil	Nil	1,124,192	2,741,596

Financial Ratios

Ratio	1 st Year (2018)	2 nd Year (2019)	3 rd Year (2020)
Profitability	<u>4,949,000X 100</u> 9,839,400 =50%	<u>4,588,000X 100</u> 9,839,400 = 47%	<u>4,119,000X 100</u> 9,839,400 = 42%
Return on Investment	<u>4,949,000X 100</u> 15,467,000 =32%	<u>4,588,000X 100</u> 15,467,000 =30%	<u>4,119,000X 100</u> 15,467,000 27%