

# IA Research Proposal

## Research Question

**Should Low-Fat Nutrition sponsor a local sporting event to increase its net profit by 20% over the next 12 months?**

## The Rationale for Study

Low-Fat Nutrition is struggling to expand due to inadequate accumulated retained profits and personal finance.<sup>1</sup> Therefore, in pursuit of Organic growth, Low-Fat Nutrition strives to increase its profit by 20%, to create a safe difference between its revenue and expenses.<sup>2</sup> This IA will investigate whether Low-Fat Nutrition should sponsor a local sporting event to increase its net profit by 20% over the next 12 months.

## Proposed Methodology

### **Areas of syllabus**

1.7 - Organizational Tools
3.4 - Final Accounts
3.5/3.6 - Return on Promotional Strategies
4.2 - Market Planning & Segmentation

## **Possible Sources of Information**

<b>Organization &amp; Individuals to be approached</b>	<b>Usefulness of data to investigation</b>	<b>Methods to collect data and rationale</b>
<i>Primary Sources - External</i>		
Consumers	Gathering data on consumer demographics and psychographics to identify if sponsoring a sports event reaches the target market	<u>Online surveys:</u> <ul style="list-style-type: none"><li>• Easy to use and cost-effective</li></ul>
Individuals at local sporting events	Determining interest before taking financial risk	

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<sup>1</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022

<sup>2</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022

Competitors (Nature's Source Health Food Store)	Results of sponsorships if any have been done. Whether sponsorships have the potential to be useful.	<u>Interview:</u> <ul style="list-style-type: none"><li>Interviews allow for one-on-one discussions</li></ul>
City of Mississauga	To find sponsorships for sports events and associated costs	<u>Email or Call</u> <ul style="list-style-type: none"><li>Useful due to convenience</li></ul>
Primary Sources - Internal		
Owners	To Determine: <ul style="list-style-type: none"><li>Financial Situation of business</li><li>Other issues concerning the business</li></ul>	<u>Interviews:</u> <ul style="list-style-type: none"><li>Interviews allow for one-on-one discussions</li></ul>
Employees	Provide Insight on: <ul style="list-style-type: none"><li>organizational culture</li><li>customer psychographic</li></ul>	
Secondary Sources		
Business Management Textbook	<ul style="list-style-type: none"><li>Learning the required tools, techniques &amp; theories for analysis</li></ul>	<ul style="list-style-type: none"><li>Paul Hoang textbook</li><li>Aligns with IB curriculum</li></ul>
Peer Reviewed Academic Journals	Provides reliable information on: <ul style="list-style-type: none"><li>How to arrange sponsorships</li><li>Determining optimal spending on sponsorships</li></ul>	<u>Via Gale Academic OneFile Select:</u> <ul style="list-style-type: none"><li>Making Sponsorship Arrangements, <i>Jessica Kronstadt</i></li><li>Determining optimal media spending, <i>Peter Danaher</i></li></ul>

## Methods to Analyze Data

Methods to Analyze Data	Purpose
Fishbone Diagram	<ul style="list-style-type: none"><li>• Identifying core causes for low net profits</li></ul>
SWOT Analysis	<ul style="list-style-type: none"><li>• Determining if the sponsorship capitalizes on opportunities in the business environment</li></ul>
Market Segmentation	<ul style="list-style-type: none"><li>• Developing a customer profile</li><li>• Determining if sponsoring a sports event targets the correct people</li></ul>
Financial Return of Promotional Strategies (sponsorship)	<ul style="list-style-type: none"><li>• Determining the financial potential of the sponsorship relative to the investment</li></ul>
Force Field Analysis	<ul style="list-style-type: none"><li>• Analyzing driving &amp; restricting factors regarding the sponsorship</li></ul>

## Anticipated Difficulties

Difficulties	Viable Solutions
Confidentiality issues with competitor	<ul style="list-style-type: none"><li>- Sign a confidentiality agreement</li></ul>
Survey respondent error	<ul style="list-style-type: none"><li>- Ask multiple choice questions to prevent vague responses</li></ul>
Obtaining financial information from Low-Fat Nutrition	<ul style="list-style-type: none"><li>- Sign a confidentiality agreement</li></ul>
Survey sampling error	<ul style="list-style-type: none"><li>- Use stratified sampling to accurately represent population</li></ul>

## Action Plan

<b>Date</b>	<b>Activity</b>	<b>Modifications</b>
21-09-22	Preliminary interview with business	No employee interview needed
4-10-22	Research Question	
12-10-22	Research Proposal	
14-10-22 <u>to</u> 20-12-22	Secondary Research	
20-10-22 <u>to</u> 23-10-22	Customer Survey	
24-10-22 <u>to</u> 27-10-22	Sports Event Surveys	
29-10-22	Competitor interview	
30-10-22	Contacting City of Mississauga	
12-01-23	Second Interview with Business	Was merged with preliminary interview/
30-10-22 <u>to</u> 20-01-23	Analysis of Research & Tools	Ratio Analysis was deemed unnecessary, replaced with fishbone diagram
03-02-23	First Draft	
15-02-23	Final Draft	



## **Low-Fat Nutrition Investigation**

This report will address the following question

**Research Question:** Should Low-Fat Nutrition sponsor a local sporting event to increase its net profit by 20% over the next 12 months?

**To:** Business Owner at Low-Fat Nutrition (Vyomi Vyas)

**Author:** Akshat Shah

*“I confirm that this work is my own and is the final version. I have acknowledged each use of words or ideas from another person, either written or oral.”*

**Candidate Number**

**Personal Code:** jfd304

**Session**

**Date:** February 24, 2023

**Subject and Level:** HL Business Management

**Report:** 2070

**Research Proposal:** 500 words

**Executive Summary:** 200 words

## **Acknowledgements**

*I sincerely thank Low-Fat Nutrition for their cooperation throughout this investigation. In particular, I thank business owner Vyomi Vyas for her assistance and guidance without which the production of this report would not have been possible*

*Additional thank you to Nature's Source Health Food Store owner, Mr. XXXXX as well as all individuals who took the time to complete surveys. A special thank you to my HL business Management teacher for his guidance and advice, and to the City of Mississauga for their cooperation.*

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## **Executive Summary (Abstract)**

*(Words: 200)*

The owner of Low-Fat Nutrition has struggled to expand their business due to low net profits.<sup>3</sup> Despite attempts to increase net profits such as increasing the customer base through social media marketing, they have proved unsuccessful.<sup>4</sup> To explore other options, the research question was formulated: “Should Low-Fat Nutrition sponsor a local sporting event to increase its net profit by 20% over the next 12 months?”

A Fishbone diagram was made using an interview with the owner to identify causes for the limited net profits. Further primary research through customer surveys was conducted to produce a customer profile, and alongside secondary research, to make a SWOT analysis. The return on sponsorship was then calculated, which was used to adjust Low-Fat Nutrition's income statement to determine the increase in net profit. Finally, a Force Field Analysis was done to consider qualitative and quantitative factors, and reach a final decision.

Sponsoring a sporting event with a \$6000 budget leads to a 15.47% increase in net profits. Hence, it has been recommended that Low-Fat Nutrition sponsor a local sporting event. It has also been recommended to conduct further research into the audience at local sporting events to ensure the success of the sponsorship.

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<sup>3</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>4</sup> *ibid.*



# Introduction

(Words: 260)

Low Fat Nutrition is a grocery store that sells healthy food alternatives and is located in Mississauga, Canada.<sup>5</sup> The business operates as a *Sole Proprietorship* and is operated by owner Vyomi Vyas. Ms Vyas has expressed her concern due to the business' low net profits and has concluded that it is due to the stagnant customer base alongside high fixed costs.<sup>6</sup>

The company's major target market is individuals aged 30 to 50, and those who are patients at Dr Poon's diet clinic, who are directly referred to Low Fat Nutrition.<sup>7</sup> While the business environment is ideal for such a business due to a growing interest in healthy eating in Canada, the business has not been able to increase its customer base.<sup>8</sup> This is likely attributed to the lack of marketing efforts, leading to an inability to attract new customers. To increase net profits, Ms Vyas has considered investing in marketing campaigns and has a \$8000 CAD promotional budget.<sup>9</sup> This led to the question: **"Should Low-Fat Nutrition sponsor a local sporting event to increase its net profit by 20% over the next 12 months?"**

The sponsorship was considered for any Mississauga sporting event, as all such events match the target market of Low-Fat Nutrition. Contact with the city led to the finding that an average sponsorship is \$6000 CAD, amassing around 400 individuals on average, which were the numbers considered. While the specific event was not finalized as information had not yet been released, this knowledge allowed for a thorough understanding of the cost and influence of sponsoring Mississauga sporting events.

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<sup>5</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>6</sup> *ibid.*

<sup>7</sup> Customer Survey. Administered on December 14 2022 (Appendix A)

<sup>8</sup> Powell, Chris. "Healthy Eating Becoming Increasingly Important to Canadians: Study." Canadian Grocer, December 15, 2021.

<https://canadiangrocer.com/healthy-eating-becoming-increasingly-important-canadians-study>.

<sup>9</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

## Methodology Employed

(words: 449)

First, an *interview* was conducted with the owner of Low-Fat Nutrition to determine the root causes for low net profits, the strengths and weaknesses of the business, and to obtain financial information. The findings of the interview were used to make the *Fishbone Diagram*, which helped justify the research question. Then, a *customer survey* was conducted, which alongside consumer trend data from *government publications* and the owner interview was used to produce a *SWOT analysis*. The customer survey was also used to produce a *customer profile*. A *potential customer survey* conducted at two Mississauga sporting events was then compared to the customer profile to determine the interest in Low-Fat Nutrition, and whether sponsoring a sports event targets the right audience. Next, another *interview* was done, this time with the owner of the competitor, Nature's Source Health Food Store. This was because the competitor had also sponsored a similar event, allowing for an understanding of the impact of sponsorships.

After confirming the interest in Low-Fat Nutrition, examining a SWOT, and identifying the potential benefits of the sponsorship, the financial situation was considered. Through contacting the city of Mississauga, the average number of people at a sporting event was determined. Then using a sponsorship conversion rate supported by various *academic journals*, the total number of acquired customers was found. Through discussion with the owner of Low-Fat Nutrition, the average order value per visit and the number of orders per year for an average customer were determined. Compiling these numbers, the customer value was calculated, and was then multiplied by the total number of converted customers to determine the increase in sales revenue. Using this increase in sales revenue, the income statement of Low-Fat Nutrition for the year ended December 31, 2022, was adjusted. The Cost of Goods sold was also

accounted for by maintaining a constant COGS per cent. After all calculations, the net profit, and per cent increase in net profit were calculated. Finally, a Force Field Analysis was conducted. This allowed for the consideration of qualitative factors involved with the sponsorship decision, which are just as important as the quantitative ones.<sup>10</sup>

There are limitations to the data collection. For example, determining the conversion rate is subjective in nature with considerable variability. Additionally, it was assumed that the COGS per cent would stay the same, which suggests that the products will continue to be sold in the same proportion, which is unlikely. The Force Field Analysis itself also does not consider every possible driving and restraining force, and more research on the business environment should be done.<sup>11</sup> Finally, determining the average number of people at a sporting event is not always accurate despite the source being the City of Mississauga.

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<sup>10</sup> HOANG, PAUL. Business Management 4th Edition. IBID Press, 2018.

<sup>11</sup> *ibid.*

# Main Results and Findings

(133 words)

## Primary Data

Interview with Low-Fat Nutrition Owner Vyomi Vyas: September 21, 2022<sup>12</sup>

- No marketing efforts
- \$30 CAD: order value per customer visit
- No growth in customer base
- Strong USP of healthy food alternatives

Customer Survey: Dec 14, 2022 (Appendix A)<sup>13</sup>

- Average Age: 30-50
- Average number of visits per month: 3-4
- Appreciation of quality, price and healthiness

Potential Customer Survey: Dec 27/28, 2022 (Appendix B)<sup>14</sup>

- Many similarities to customer profile
- 86.7% showed interest in Low-Fat Nutrition

Interview with competitor (Natures Source) Owner Mr. XXXXX: Dec 12, 2022<sup>15</sup>

- Customer base is increasing quickly (10% yearly)
- Had successful results from the sponsorship

## Secondary Data

Academic Journals

- Sponsorship conversion rate (9%)<sup>16</sup>

Government Publications

- Statistics on consumer trends
  - 72% of men and 80% of women reported eating healthier<sup>17</sup>
- 40% of Canadians are not meeting dietary needs<sup>18</sup>

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<sup>12</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>13</sup> Customer Survey. Administered on December 14 2022 (Appendix A)

<sup>14</sup> Potential Customer Survey. Administered on December 17/18 2023 (Appendix B)

<sup>15</sup> Mr. XXXX, Natures Source Health Food Store, Interview by Akshat Shah, December 12, 2022 (Appendix E)

<sup>16</sup> "Sports Sponsorships Are Raising More than Just Brand Awareness." Nielsen, December 19, 2022.

<https://www.nielsen.com/insights/2022/sports-sponsorships-are-raising-more-than-just-brand-awareness/>

<sup>17</sup> Powell, Chris. "Healthy Eating Becoming Increasingly Important to Canadians: Study." Canadian Grocer, December 15, 2021.

<https://canadiangrocer.com/healthy-eating-becoming-increasingly-important-canadians-study>.

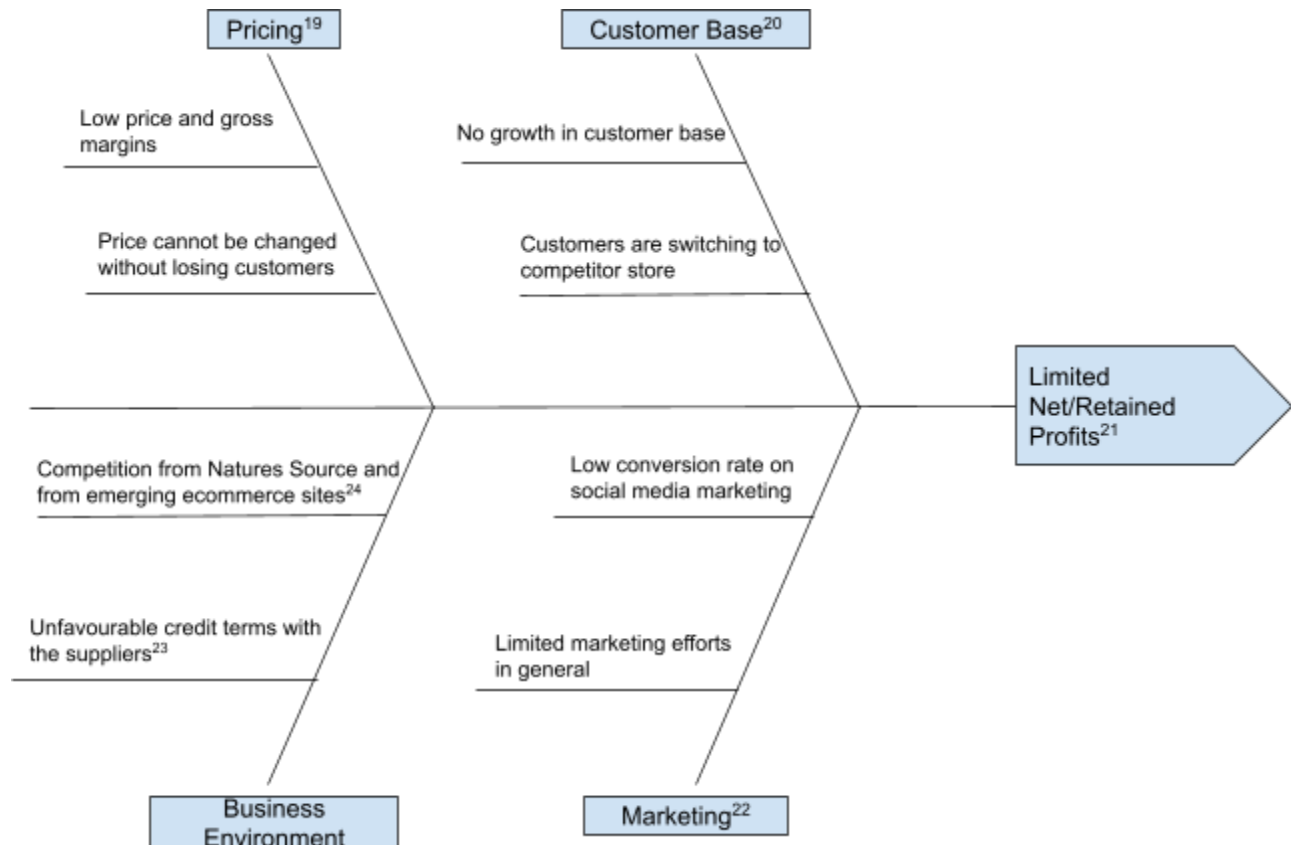
<sup>18</sup> Nicole Osinga, RD. "Missing Nutrients from Our Diet & How to Get Them." Osinga Nutrition | Registered Dietitian in the Durham Region, June 6, 2022.

<https://nicoleosinga.com/2022/06/06/missing-nutrients-from-our-diet-how-to-get-them/>.

# Analysis and Discussion

(933 Words)

Figure 1 - Fishbone Diagram



A fishbone diagram was first conducted to provide insight into the main factors causing low net profits. It was determined that there were four critical factors: low prices, stagnant customer base, threats in the business environment, and limited marketing. Marketing and customer base go hand-in-hand, and with better marketing strategies, the customer base can easily be improved. Additionally, marketing would help alleviate the stress from competition and bypasses the issue

<sup>19</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>20</sup> *ibid.*

<sup>21</sup> *ibid.*

<sup>22</sup> *ibid.*

<sup>23</sup> *ibid.*

<sup>24</sup> Mr. XXXX, Natures Source Health Food Store, Interview by Akshat Shah, December 12, 2022 (Appendix E)

of not being able to raise prices. Therefore, this fishbone diagram justifies the research question of focusing on sponsorships to help increase net profits.

When considering marketing, it is crucial to understand the business environment.<sup>25</sup> For this, a SWOT analysis was conducted, which has great utility as it covers both internal and external factors, laying a framework for subsequent analysis.<sup>26</sup> Refer to Appendix C for full SWOT.

**Table 1 - SWOT Analysis**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Customer loyalty (90.5% returning)<sup>27</sup></li> <li>- Customers are highly satisfied with both price and quality<sup>28</sup></li> <li>- USP of great tasting foods that are healthy<sup>29</sup></li> <li>- Affiliation with Dr Poon's clinic<sup>30</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Unfavourable location in terms of visibility<sup>31</sup></li> <li>- Stagnant customer growth and therefore no profit growth<sup>32</sup></li> <li>- Inability to increase prices<sup>33</sup></li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Increasing emphasis on eating healthy in Canadians (72% of men and 80% of women)<sup>34</sup></li> <li>- Expansion of Dr. Poon's clinic to a closer location<sup>35</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Growth of a major competitor (Nature's Source health food store)<sup>36</sup></li> <li>- Increasing competition from e-commerce grocery providers<sup>37</sup></li> </ul>

<sup>25</sup> "What Is a Marketing Environment?" Wrike. Accessed February 19, 2023.

<https://www.wrike.com/blog/what-is-marketing-environment/>.

<sup>26</sup> HOANG, PAUL. Business Management 4th Edition. IBID Press, 2018.

<sup>27</sup> Customer Survey. Administered on December 14 2022 (Appendix A)

<sup>28</sup> *ibid.*

<sup>29</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>30</sup> *ibid.*

<sup>31</sup> *ibid.*

<sup>32</sup> *ibid.*

<sup>33</sup> *ibid.*

<sup>34</sup> Powell, Chris. "Healthy Eating Becoming Increasingly Important to Canadians: Study." Canadian Grocer, December 15, 2021.

<https://canadiangrocer.com/healthy-eating-becoming-increasingly-important-canadians-study>.

<sup>35</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>36</sup> Mr. XXXX, Natures Source Health Food Store, Interview by Akshat Shah, December 12, 2022 (Appendix E)

<sup>37</sup> *ibid.*

The critical strength for Low-Fat Nutrition is their USP and the affiliation with Dr. Poon's clinic, which provide a constant stream of returning, loyal customers. However, this is offset by a few competitive threats from Nature's Source, which has led to recent customer switching, albeit a small amount. This, combined with Low-Fat Nutrition's inadequate net profits prevents them from impactfully countering the competition. However, this is the perfect time to capitalize on the increasing emphasis on healthy eating, which can be done through the sponsorship. The SWOT itself is great for understanding the business environment, however, it is a static model that does not well account for the target market of the business.<sup>38</sup>

Therefore, a consumer profile was created using the customer survey results, and then compared to the potential customer survey. This allows for a better understanding of the target market, and specifically whether a sponsorship of a sports event targets this market.

**Table 2 - Customer Profile<sup>39</sup>**

	Observations from Customer Survey
<b>Demographic</b>	Primarily individuals aged 30-40 and 40-50
	<ul style="list-style-type: none"> <li>- Primarily middle-class and upper-middle class customers</li> <li>- Few lower middle-class</li> <li>- No upper class or lower class</li> </ul>
	Average family size of 2-3 people
<b>Geographic</b>	Majority of customers are between 5 and 15 km away
<b>Behavioural</b>	<ul style="list-style-type: none"> <li>- Most customers are regulars</li> <li>- Most customers shop three or four times a month</li> </ul>
<b>Psychographic</b>	<ul style="list-style-type: none"> <li>- Majority of customers (62%) shopped there to eat healthier</li> <li>- Even distribution between customers who shopped at Low-Fat Nutrition and due to Dr Poon's health clinic</li> <li>- Customers appreciated the quality, variety, and price</li> </ul>

<sup>38</sup> HOANG, PAUL. Business Management 4th Edition. IBID Press, 2018.

<sup>39</sup> Customer Survey. Administered on December 14 2022 (Appendix A)

### Comparison of Customer profile to potential customer survey

Demographically, the customer profile is primarily of individuals of middle-class status, which matches perfectly with the potential customer survey.<sup>40</sup> Moreover, the customer survey suggests high emphasis on eating healthy and good quality products, and a slightly lower emphasis on price.<sup>41</sup> The age group between customers and potential customers from the sporting event is also very similar, between 30 to 50 years old.<sup>42</sup> Additionally, 86.7% of individuals said they are likely or very likely to try out Low-Fat Nutrition.<sup>43</sup> This statistic alongside the immense similarity between customers and potential customers suggests that a sponsorship, specifically at a sporting event is a justified decision.

However, all of the tools used thus far have been qualitatively analyzing the situation, and it is important to determine how much of a financial return a sponsorship can provide, as that is the overarching goal of this investigation. To do this, the following methodology was used.

**Table 3 - Return on Sponsorship Promotional Strategy**

<b>Metric</b>	<b>Formula/Significance</b>	<b>Value</b>
Total Audience at Average Sporting event	To determine how many people the sponsorship reaches	400 people <sup>44</sup>
Conversion Rate	Percent of individuals who see the sponsored advertisement and become customers	9%
Total Number of Converted Customers	Total audience x Conversion Rate	36 customers
Cost per Customer Acquisition	$\frac{\text{Marketing Budget } (\$6000)}{\text{Converted Customers } (36)}$	\$166.67/customer

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<sup>40</sup> Potential Customer Survey. Administered on December 17/18 2023 (Appendix B)

<sup>41</sup> *ibid.*

<sup>42</sup> *ibid.*

<sup>43</sup> *ibid.*

<sup>44</sup> Email with City of Mississauga. December 20 2023



Determination of Customer Value	Average order value per visit x Average Visits/year	\$1080/year
Financial Return	$\frac{\text{customer value } (\$1080) - \text{customer acquisition } (\$166.67)}{\text{customer acquisition } (\$166.67)}$	548%
Sales Revenue Increase	Customer Value x Number of Converted Customers	\$38, 880

Based on these calculations, 36 customers will be acquired, there will be a 548% return on the cost of the sponsorship, and an overall increase of \$38, 880 in sales revenue. However, both the 548% return and \$38, 880 increase in sales revenue overlook a major part of the financial calculation. This is simply the revenue generated, disregarding the cost of the sponsorship, and the increased cost of goods sold that is associated with selling more products. Therefore, an adjustment to the income statement was done to determine the increase in **Net profit**.

**Figure 2 - Low Fat Nutrition Income Statement<sup>45</sup>**

Profit and Loss account for Low-Fat Nutrition, for the year ended 31 December 2022				
			\$	
Sales Revenue			1,037,126	
Cost of Goods Sold			520,000	
<b>Gross Profit</b>			517,126	
<b>Expenses</b>				
Rent			63,870	
Insurance			5,500	
Advertising				
Other Fees			2,150	
Operating Costs			175,000	
Utility			17,200	
Labour			160,000	
<b>Less Expenses</b>			423,720	
<b>Net Profit before Interest and Tax</b>			93,406	
<b>Less Interest:</b>			7,000	
<b>Net Profit before Tax</b>			86,406	
<b>Less Tax:</b>			12,961	
<b>Net Profit after Interest and Tax</b>			73,445	
<b>Retained Profit</b>			73,445	

<sup>45</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

The values from this income statement were taken and readjusted in terms of the revenues and costs of the sponsorship.

#### Projected Sales Revenue

$$\begin{aligned}\textbf{Projected Sales Revenue} &= 2022 \text{ Sales Revenue} + \text{Sales Revenue increase from sponsorship} \\ &= \$1,037,126 + \$38,880 \\ &= \mathbf{\$1,076,006}\end{aligned}$$

#### Projected COGS

This was calculated by finding the relative ratio between COGS and sales revenue<sup>46</sup>:

$$\begin{aligned}\textbf{COGS percent} &= \frac{\textit{COGS}}{\textit{Sales Revenue}} \times 100\% \\ &= \frac{\$520,000}{\$1,037,126} \times 100\% \\ &= \mathbf{50.14\%}\end{aligned}$$

$$\begin{aligned}\textbf{Projected COGS} &= \text{COGS Percent} \times \text{Projected Sales Revenue} \\ &= \mathbf{\$539,509}\end{aligned}$$

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<sup>46</sup> "How to Calculate Cost of Goods Sold: Formula & Information." Complete Bar Inventory Software System. Accessed February 19, 2023. <https://home.binwise.com/blog/cost-of-goods-sold>.

**Figure 3 - Low-Fat Nutrition Income Statement Adjusted for Sponsorship<sup>47</sup>**

Projected Profit and Loss account for Low-Fat Nutrition, for the year ended 31 December 2023				
Sales Revenue			1,076,006	
Cost of Goods Sold			539,509	
<b>Gross Profit</b>			<b>536,497</b>	
<b>Expenses</b>				
Rent			63,870	
Insurance			5,500	
Advertising			6,000	
Other Fees			2,150	
Operating Costs			175,000	
Utility			17,200	
Labour			160,000	
<b>Less Expenses</b>			<b>429,720</b>	
<b>Net Profit before Interest and Tax</b>			<b>106,777</b>	
Less Interest:			7,000	
<b>Net Profit before Tax</b>			<b>99,777</b>	
Less Tax:			14,966	
<b>Net Profit after Interest and Tax</b>			<b>84,810</b>	
<b>Retained Profit</b>			<b>84,810</b>	

Accounting for the increase in sales revenue, COGS, and the added sponsorship cost, the adjusted/projected net profit after the sponsorship is expected to be \$84,810. What remains is to calculate the percentage increase in net profit, and see if it matches the 20% requested by the owner of Low-Fat Nutrition.

#### Percent Increase in Net Profit

$$\begin{aligned}
 \text{Percent Increase} &= \frac{\text{Projected Net Profit} - \text{2022 Net Profit}}{\text{2022 Net Profit}} \times 100\% \\
 &= \frac{\$84,810 - \$73,445}{\$73,445} \times 100\% \\
 &= 15.47\%
 \end{aligned}$$

Analyzing the final accounts and return on promotional strategies, it has been determined that the sponsorship would lead to an estimated 15.47% increase in net profit. While not at the 20%

<sup>47</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

mark, it is only \$4,000 away from the net profit required to reach that level of percent increase. Based on this, sponsoring a sports event seems worthwhile. However, the quantitative situation does not depict the full picture of choosing to sponsor an event. To lay out all of the facts while including qualitative factors, a Force Field Analysis will be conducted to reach a final conclusion.

**Figure 4 - Force Field Analysis**



<sup>48</sup> Potential Customer Survey. Administered on December 17/18 2023 (Appendix B)

<sup>49</sup> Nicole Osinga, RD. "Missing Nutrients from Our Diet & How to Get Them." Osinga Nutrition | Registered Dietitian in the Durham Region, June 6, 2022.

<https://nicoleosinga.com/2022/06/06/missing-nutrients-from-our-diet-how-to-get-them/>.

<sup>50</sup> Ontario newsroom. Accessed February 19, 2023.

<https://news.ontario.ca/en/bulletin/1000340/ontarios-2022-rent-increase-guideline>.

### **Driving Forces**

1. Not 5 points since the conversion rate is not guaranteed, and a 15.47% increase does not exactly meet the 20% goal. However, it is only \$4000 away from the 20% goal, and therefore still a great financial decision
2. Crucial factor supporting the success of the sponsorship, hence 4 points.
3. Capitalizes on an opportunity. 3 points however since the distribution of these individuals and how many of them are in the local Mississauga area is essentially a guess.

### **Restraining Forces**

1. Not very likely due to various journals and trusted sources suggesting around 9%
2. 1.2% increase in rent expected, however, this does not increase overheads enough to make the sponsorship unviable
3. \$6,000 is a lot. However, after talking to Ms Vyas, she stated that the working capital cycle is stable and the cash outflow on the sponsorship will not be damaging to liquidity

It has been acknowledged that a limitation of the Force Field Analysis is the subjectivity with assigning points to each force.<sup>51</sup> To make it as objective as possible, all points are assigned based on factual data collected through primary research (interviews and surveys) and secondary research (academic journals, trusted websites, and government publications).

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<sup>51</sup> HOANG, PAUL. Business Management 4th Edition. IBID Press, 2018.

# **Conclusion and Recommendations**

*(299 Words)*

## **Conclusion**

In conclusion, it was found that the main causes of Low-Fat Nutrition's low net profits were marketing, customer base, pricing, and the business environment. Sponsorship of a sporting event was considered to be effective for increasing net profits and hence was analyzed. The qualitative and quantitative primary research, supported by secondary research favours the decision to sponsor a sporting event. A great match has been found between the characteristics of potential customers at sporting events and the existing customer base of Low-Fat Nutrition.

Additionally, the sponsorship has the ability to capitalize on many of the strengths of Low-Fat Nutrition such as its USP, while eliminating threats such as competition. Financially speaking, it also provides a 548% direct return on investment, amounting to a 15.47% increase in net profits. A few limitations of this investigation were the sampling method (random sampling was used) and estimations for sponsorship conversion rates, both of which could possibly skew the results.

## **Recommendations**

Based on the large increase in net profit and evident targetting of the correct market, it has been suggested that Low-Fat Nutrition sponsor a local sporting event. The business should use its \$6,000 budget for sponsoring a large event and should emphasize its USP of healthy food alternatives. Additionally, after the sponsorship, the number of converted customers should be carefully monitored, to determine whether a future sponsorship may be helpful. Prior to reaching a final decision, however, further market research should be conducted to determine specifically which sporting event should be sponsored. A more accurate sampling method such as stratified sampling should be used. Additionally, it is crucial to continue to research sponsorship

conversion rates to ensure a successful marketing campaign. With these recommendations and extra considerations, Low-Fat Nutrition can more safely and effectively achieve its goals of higher net profits.

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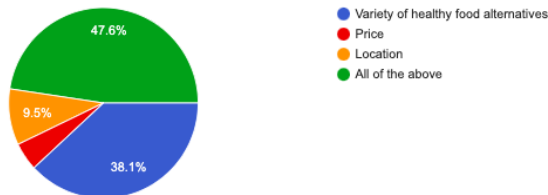
# Appendix

## Appendix A: Customer Survey Results (51 Responses)

What is the main reason you get your groceries from Low-Fat Nutrition?

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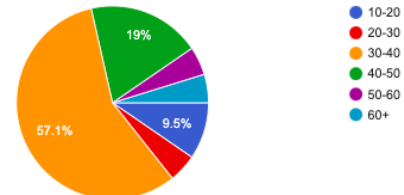
51 responses



How old are you?

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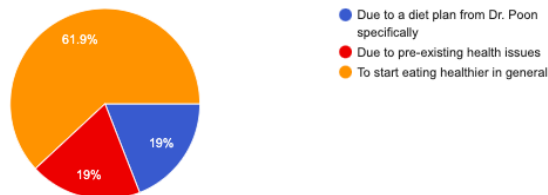
51 responses



Why did you *initially* choose to buy your groceries from Low-Fat Nutrition?

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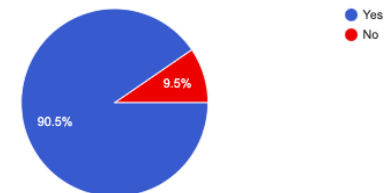
51 responses



Are you a regular customer? (you have come to the store at least 10 times in the past four months)

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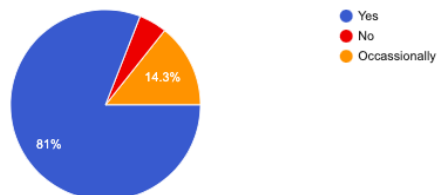
51 responses



Is the customer service to your expectations?

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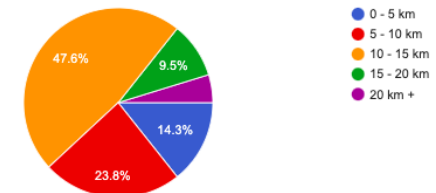
51 responses



Approximately how far do you live from Low-Fat Nutrition?

 Copy

51 responses

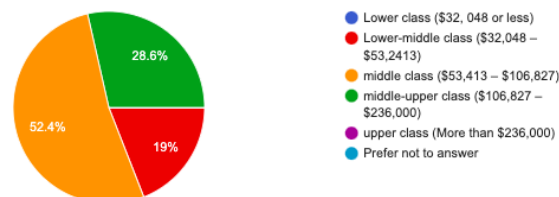


Please select which best describes your socioeconomic position (based on yearly earnings).

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You may of course choose not to answer if you are not comfortable.

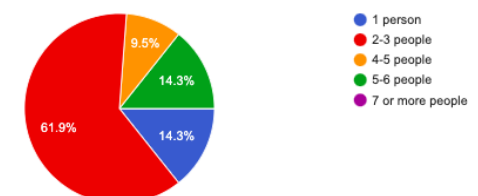
51 responses



How large is your family, yourself included?

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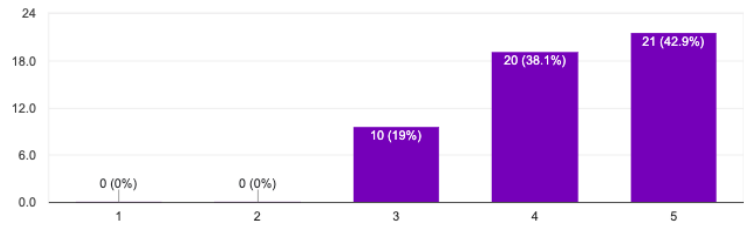
51 responses



How satisfied are you with the quality of groceries at Low-Fat Nutrition

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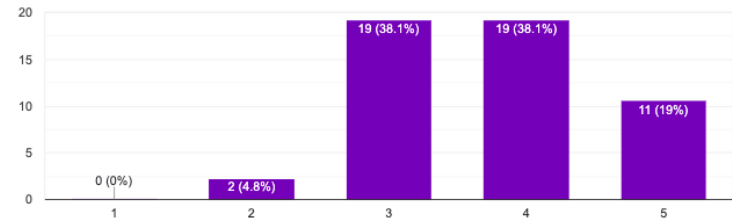
51 responses



How satisfied are you with the price of groceries at Low-fat Nutrition

 Copy

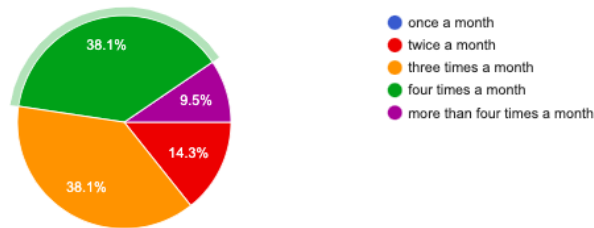
51 responses



How frequently do you shop at Low-Fat Nutrition?

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51 responses

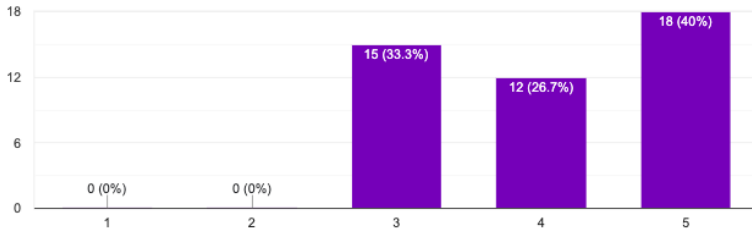


## Appendix B: Potential Customer Survey Results (45 Responses)

How important is the price of products to you when buying groceries

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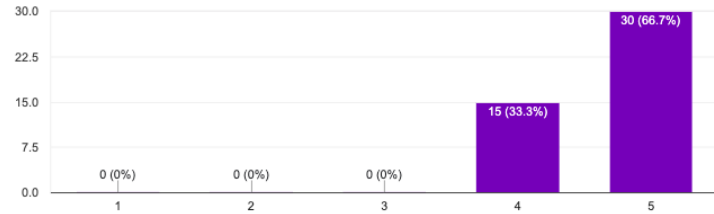
45 responses



How important is the quality of products to you when buying groceries

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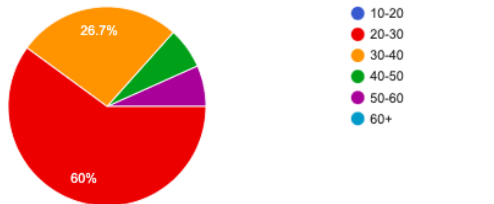
45 responses



How old are you

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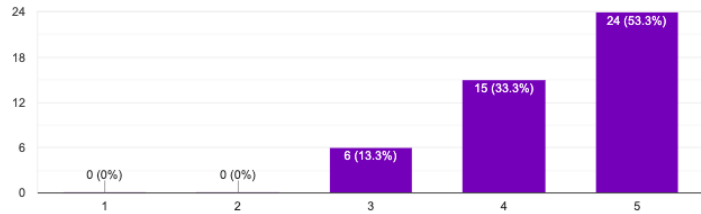
45 responses



How much do you prioritize healthy eating.

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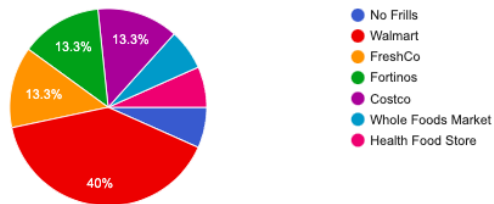
45 responses



What is the main store you get your groceries from

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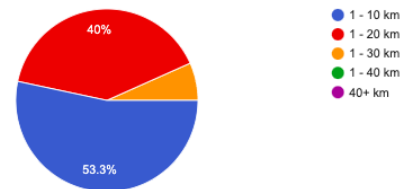
45 responses



How far would you go to buy groceries that provide affordable and healthy alternative foods?

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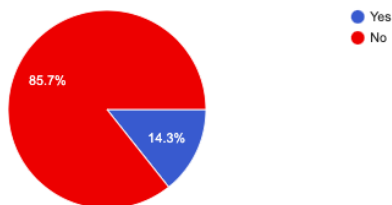
45 responses



Have you heard of Low-Fat Nutrition?

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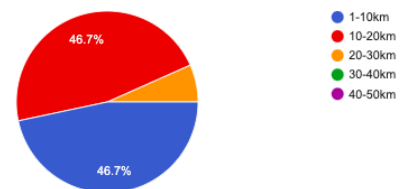
45 responses



If you feel comfortable, please select below how far you live from Low-Fat Nutrition (2624 Dunwin Dr)

 Copy

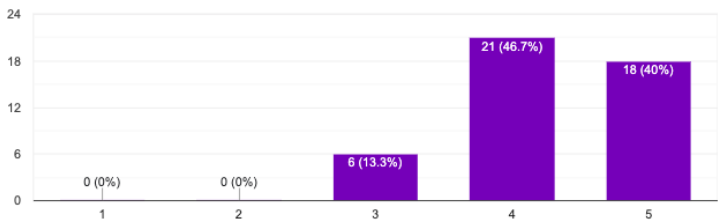
45 responses



How likely would you be to try out Low-Fat Nutrition if we sponsored one of your favourite local sporting events?

 Copy

45 responses

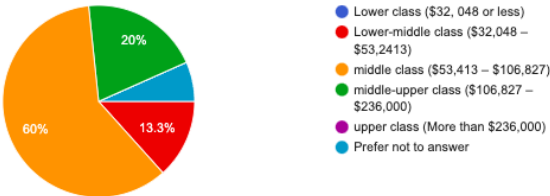


Please select which best describes your socioeconomic position (based on yearly earnings).

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You may of course choose not to answer if you are not comfortable.

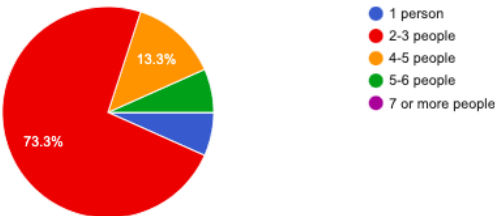
45 responses



How Large is your family

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45 responses



## Appendix C: Full SWOT Analysis

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>- Strong USP, sell health based items that not many other stores offer<sup>52</sup> <ul style="list-style-type: none"> <li>- Moreover, 57.1% of customers are highly satisfied with the price, and 81% with the quality<sup>53</sup></li> </ul> </li> <li>- Affiliated with an actual clinic where all patients directly referred to low-fat nutrition <ul style="list-style-type: none"> <li>- Very well organized system with the diet clinic, made up of three phases which require customers to shop often<sup>54</sup></li> </ul> </li> <li>- Constant stream of returning, loyal customers (90.5% of customers are regular)<sup>55</sup></li> <li>- Target both a niche market of people with diet-related health issues, as well as the general public of individuals<sup>56</sup></li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>- Increasing awareness for the importance of healthy eating <ul style="list-style-type: none"> <li>- 72% of men and 80% of women reported choosing to eat healthier<sup>57</sup></li> </ul> </li> <li>- Up to 40% of Canadians not meeting dietary alongside increase in medically-diagnosed obesity and diabetes<sup>58</sup></li> <li>- End of the COVID 19 pandemic, and therefore more opportunities for sponsorship <ul style="list-style-type: none"> <li>- Upcoming summer months is also a benefit due to more attendance at sporting events</li> </ul> </li> <li>- Expansion of Dr. Poon's diet clinic to a location within 5km of Low Fat Nutrition<sup>59</sup></li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>- limited retained profits and personal finance<sup>60</sup></li> <li>- Minimal and ineffective promotional campaigns so stagnant customer growth and low profit growth <ul style="list-style-type: none"> <li>- Only use flyers and facebook marketing<sup>61</sup></li> </ul> </li> <li>- Location in an area where it is hard to attract attention<sup>62</sup></li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>- Increasing promotional campaigns from competitor Natures Food Health Store: 10% increase customer base<sup>63</sup></li> <li>- Increasing support for supplemental pills rather than choosing healthy alternatives<sup>64</sup></li> <li>- Increase in e-commerce companies providing similar products<sup>65</sup></li> </ul>

<sup>52</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>53</sup> Customer Survey. Administered on December 14 2022 (Appendix A)

<sup>54</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>55</sup> Customer Survey. Administered on December 14 2022 (Appendix A)

<sup>56</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>57</sup> Powell, Chris. "Healthy Eating Becoming Increasingly Important to Canadians: Study." Canadian Grocer, December 15, 2021.

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<sup>59</sup> Vyomi Vyas, Low-Fat Nutrition Owner, interview by Akshat Shah, September 21, 2022 (Appendix D)

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Mr. XXXX, Natures Source Health Food Store, Interview by Akshat Shah, December 12, 2022 (Appendix E)

<sup>64</sup> Government of Canada, Statistics Canada. "Health Fact Sheets Use of Nutritional Supplements, 2015." Use of nutritional supplements, 2015, June 20, 2017.

<https://www150.statcan.gc.ca/n1/pub/82-625-x/2017001/article/14831-eng.htm>.

<sup>65</sup> "Topic: Online Grocery Market in Canada." Statista. Accessed February 19, 2023. <https://www.statista.com/topics/7056/online-grocery-market-in-canada>.

## **Appendix D: Link to Interview with Low-Fat Nutrition Owner**

Link to Interview with Business Owner

Interview Date: September 21, 2022

### Interview with Low-Fat Nutrition

Some parts may have been cut out of the interview to protect business and owner confidentiality, however, all key takeaways have been placed in the “Main Results and Findings” section of the report.

## **Appendix E: Transcript of Interview with Competitor (Natures Source) Owner**

Transcript of the interview with Mr. XXXX, Natures Source Health Food Store owner

Interview Date: December 12, 2022

**Akshat** - Hello, I hope you are doing well, thank you for taking the time to participate in this interview

**Owner** - No worries, let's get started

**Akshat** - We talked about you doing a sponsorship. How has that gone for you and what benefits has it brought to your business.

**Owner** - The sponsorship has yielded amazing results, and it worked even better than I personally expected. Our customer base grew, and our revenue grew accordingly, which I am very happy with.

**Akshat** - That's great to hear, what event did you sponsor

**Owner** - We chose to sponsor a fitness based event as the individuals there match well with our target audience

**Akshat** - Makes sense. You mentioned an increase in customer base. Do you recall by how much you estimated the sponsorship increased your customer base

**Owner** - With the calculations and observations I have made, I believe that we have experienced an approximate 10% increase in our customer base in the weeks following the sponsorship

**Akshat** - How is the competition in the market as of now?

**Owner** - My largest concern is the growing ecommerce platform for providing not only healthy foods, but in a more convenient way. Additionally, the rising preference for "super pills" which do not exist can be threatening to our business.

**Akshat** - Alright perfect, thank you so much for taking the time for this interview. I appreciate your help. A confidentiality agreement has been signed and everything you have mentioned will remain private. Only the International Baccalaureate board and my business management teacher will have access to the contents of the interview. Is that fine?

**Owner** - Yes, there is no problem with that.