

IMPERIAL COLLEGE LONDON

DEPARTMENT OF COMPUTING

COURSE 350: MANAGEMENT AND BUSINESS FOR COMPUTING ENGINEERS

name of company here

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1 Executive summary

business model = product (disguised as service for legal reasons - absolut?)

business objective maximise sales - new to the market explain the required infrastructure to sell a lot

2 Vision statement

Our mission is to bring a mid priced cider to the people of India. India has the second largest population in the world, and has an estimated market size of 500 million alcohol consumers [better estimate]. At the moment, there is one provider of cider in India, and we would like the change that.

We want to be a brewery. We will brew our own cider in the state of Himachal Pradesh, which is the source of the majority of the apples in India. Along with producing cider, we will sponsor other exclusive bars and clubs.

Operating in India which is well known for its corruption, we want to practice ethical development. eg corrupt free, no bribes, no blood cider forced labour fairtrade

We hope to gain popularity in major establishments, in Delhi and Mumbai through the open minded youth and bar owners.

Our cider will become a desired commodity through exclusivity and we will be able to research our market further at this point with minimal risk.

We will adapt and pick up popularity and scale up to make it available to the public.

Operating in India which is well known for its corruption, we want to practice ethical development. eg corrupt free, no bribes, no blood cider forced labour fairtrade

ethics. fairtrade - look at poverty + with partners poverty - provide jobs and food to the villagers. improve infrastructure (added benefits - tax exemptions) religion - no issue, alcohol is still sold across all of india corruption - no bribes, do everything by the books age restriction - different restrictions for different states, alcohol content health - people already drink, we arent trying to get more people to drink, just introduce it to current drinkers eco(water recycling, using up all the apples) - recycle apple waste. recycle all water. solar energy. supply of apples

type = pvt. ltd. co. - control of the company

3 Management team

4 Introduction to the market

5 Products and services offered

6 Marketing plan

6.1 Route to Market

6.1.1 Be At One

B@1 was founded from the ashes of an Indian restaurant in Battersea park by three experienced bartenders.

They started their bar on £60,000 raised from savings and car loans and after a year grew to a stage where they could start a second bar.

We believe their success stems from their intimate knowledge of the local drinkers and thier personal service to create a great night for each customer.

6.1.2 Red Bull

Dietrich Mateschitz attempted to introduce an existing Thai drink, a favourite for local truck drivers, to a western market, an objective which mirrors our own.

After initial market research he was strongly advised not to continue with his venture. He continued regardless on the grounds that the research would be relevant for an existing product but not his new 'energy drink' which was unheard of at the time.

He then employed a marketing intensive business strategy focused on the high energy activity sector. We believe that this was important in getting people to warm to the new unfamiliar product, and retain its strong market position despite the emerging competitors.

6.1.3 New Albion Brewing Company

This was a small scale venture by optical engineer Jack McAuliffe in California. He made a brewhouse from scratch able to produce 7.5 barrels of ale a week. His company became respected by beer enthusiasts and was very popular. However his brewery could not produce enough volume to survive, was unable to raise investment to expand and ground to a halt eight years after it opened.

We learn from this that small scale production is not without risk and under supply could be detrimental to our growth. In the early stages it would be sensible to sell at a high markup to give us a good chance of survival.

6.1.4 Conclusion

Our proposed route to market begins with the launch of a microbrewery in [city]. This is in order to test manufacture on a small scale and conduct market research for later expansion. A brewpub will allow us to get as close as possible to the consumer and the production process so that we can best understand our customers and quickly react to their response.

This route is cheaper than building a factory since manufacture would be on a smaller scale. But, as shown from the brewpub market and the B@1 case, a microbrewery is large/profitable enough to be sustainable.

We must ensure that our market research is focused and in depth so that it is useful for development. This can be achieved by [something].

Brand awareness will be very valuable for the introduction of a new alcoholic drink. Sponsorship of festivals, fashion shows ... will play a big part in our company.

We will sell at a top mid tier price to set it apart from other light alcoholic beverages, as Red Bull and Innocent have done with thier industries. Our product currently has no alternative and will be sought after so we believe it could support a premium price tag.

After 2-3 years, we hope to have a large brand awareness and to seek investment for for mass production...

6.2 Market Analysis

6.2.1 Current Competitors in the Cider Market

At the moment, there is only one company which produces cider in India. The company, Green Valley Cider, produces Tempest Cider in the state of Himachal Pradesh, where they own several acres of apple orchards.

6.2.2 Current Competitors in the Microbrewery Market

- Rockman's Beer Island, Gurgaon - Located in the largest shopping mall in Gurgaon (bordering New Delhi), Rockman's Beer Island was India's first micro pub brewery. They offer four types of beer: Lager Strong Beer, Dark Beer, Lager Beer and Wheat Beer, and they aim to serve some exclusive flavoured beers by the summer. Along with the micro pub brewery, they also own an exclusive German restaurant and a digital auditorium covering an area of around 3500 m². Rockman's are planning to expand now by opening their branch in different locations in India.

- Toit, Bangalore - Located in the Technology capital of India, Toit has been doing really well since it has opened. They offer 6 different types of beers, which are Toit's Basmati Blonde, Tintin Toit, Toit Weiss, Toit Red, Colonial Toit and Toit's Dark Knight. They are currently in the process of introducing exclusive Toit merchandise, along with their wide selection of food and alcohol. Toit are planning on making the branch national by the end of this year.
- The Biere Club, Bangalore - Another micro pub brewery which is located in Bangalore, The Biere Club also brews around 6 different types of beers, which include Lager, Ale and Wheat. The Biere Club are planning on making partnerships with rich individuals for expansion in the future.
- Doolally, Pune - Located in Pune, Doolally has been operational for around three years. It is located in a boutique hotel, and plans to open in a few more locations soon.

6.2.3 Conclusion

As we can see, there is a large market for alcohol in India, who are eager to try out new things, which can be seen by the successes of these microbreweries. As India continues to grow to become a bigger powerhouse in the world, it will attract more foreigners, which means that people who already know about cider and like it will increase in the country. This increasing market size makes us believe that cider will become increasingly popular in India once introduced properly.

7 Advertising

7.1 Current Laws Affection Alcohol Advertising

In the 90s, extensive surveys resulted in the conclusion that liquor advertisements were directly influencing the consumer's purchasing behaviour, which led to the introduction to new laws. Ever since the Cable Television Network Amendment Bill came into effect on September 8th 2000, advertising alcoholic beverages on television networks and billboards is completely banned in India.

7.1.1 How the law has affected advertisement

Although illegal, alcohol companies have found a way to spread their name through the media by the use of surrogate advertisement. Surrogate Advertisement refers to the form of advertisement which is used to promote banned product, which is alcohol in our case, in the disguise of another product.

Nearly all alcohol brands have now created other products which they use to advertise their alcohol. Examples of this include Bagpiper Whiskey creating a Club Soda with their brand name, Royal Stag creating Music CDs and Royal Challenge creating Mineral Water and Music CDs.

Surveys say that over 80 people out of a 100 understand the actual liquor being advertised, which means that it is still an effective way of advertising alcohol.

Although currently legal, the government is currently in the process of banning surrogate advertisements. This is not certain to happen though.

7.1.2 Alternate Methods of Advertisement

With the future of surrogate advertising uncertain, some brands have moved to the event sponsorship and organisation. Examples of this include Kingfisher sponsoring many teams in the Indian Premier League. Many alcohol brands have now started sponsoring many glamorous events to spread their name.

Figure 1: Royal Challenge Music CD Advert which would commonly be seen on billboards



Figure 2: Royal Stag Music Advert which would commonly be seen on billboards



7.2 How We Plan to Advertise Our Product

7.2.1 Sponsoring Fashion Shows and Horse Races

As the microbrewery and cider are new to the city, we would initially have to spread the name out by spending big. We believe that the best way to do this is by sponsoring Fashion Shows and Horse Races, as

Figure 3: Royal Stag Music Advert which would commonly be seen on billboards



those are the places where we would get the maximum number of people we are targetting, who are young people, females and foreigners. At the events we sponsor, we would get a limited number of bottles of cider produced so that the people at these events could taste the cider. There would be large banners around the location which would advertise the microbrewery. We would also hand out discount coupons at these events which would encourage people to come to the microbrewery. By sponsoring these events, we will also obtain the membership data of many people who would be our potential customers. As we would have phone numbers and emails, we could send them texts and emails notifying them about the opening of the microbrewery.

7.2.2 Initial Discounts on Food and Alcohol

To attract more people, for the first month of two of the opening of the microbrewery, we would provide some discounts and offers on some alcohol and food. When people get to know that they could go to a nice place which is cheaper than the other places, they would be encouraged to do so. Hopefully, after providing a great first experience, they would come back in the future.

7.2.3 Placing Advertisements in the Local Newspapers

Before opening the microbrewery, we would have to create awareness among the people of the city that a new microbrewery would be opening up in the city. The best way to reach to millions of people is by places an advertisement in a popular newspaper. In the advertisement, we would mention the opening date of the microbrewery, and also mention the fact that there would be discounts for a short period of time which would attract more customers.

7.2.4 Sponsoring Radio Shows

Along with placing advertisements in newspapers, sponsoring a radio show would reach out to a large number of people as well. A good time to sponsor a show would be late night as we would want to target the younger people, who have a tendency to be awake later than the older population.

there is only one other provider of this product hence we see very low competition in this field

Introducing to bars, clubs and hotels in the major cities in India (Delhi, Mumbai, Goa, Bangalore, Kolkata). Each city would give a different version of the cider, so we would get a general idea of what the market prefers taste wise.

Low calorie cider?

Need to make other items with the same brand name, because advertising is limited. Surrogate advertisement

Affiliation with a charity? Provide consumers a "feel good" feeling while buying alcohol.

Corruption free

Use of TV and radio. around a billion people listen to the radio, so sponsor the primetime radio show to spread the name.

Affiliation with the IPL. International market, so easy to introduce Indians to cider.

Cost based pricing vs Price based costing. Cant do competitive analysis, as no cider exists, but compete with the local beers, etc. Price based costing wins btw.

objective - maximise sales -> how

$LTV = (Tn + ATV + LT) - (CoA + CoR)$ options which affect LTV

tailor LTV to get maximise value for target customer - guesswork market research needs to be conducted how this affects the supply chain

8 Revenue model

Initially our main source of revenue would stem from sale of products in the short run once we aim at establishing our brand through advertising and selling through pubs. Gradually we would like to further increase volume of sales and production and increase revenue through sponsors. In the long run we would like to further increase our product range including different flavours of ciders and gradually streamline our distribution process. This will all result in economies of scale hence reducing cost and added product range will increase volume of sales.

9 Resource, cost and implementation plan

sources of capital

10 Product and systems development plans

In order to setup a stable and longlasting infrastructure for our business we must take into consideration all the stages and requirements of production. Researching our cider recipe constituted the guideline and starting point of a coherent development plan.

10.1 Recipe

We are planning to operate as a microbrewery producing small volumes of cider. We will start by conducting experiments and testing various recipes to find one which will be most suitable for Indian market. This testing phase significantly reduces our production power as we have to be able to operate quickly and modify recipes according to feedback.

We need two types of specialists to operate effectively as microbrewery. These are two initial recipes for our ciders, which we use to estimate cost and quantities of raw ingredients that will be needed. They are most likely to change, and both quantity and exact ingredients will vary depending on the cider recipe development process and the decisions of the brewing master.

1. Ingredients for dry, sparkling cider, 10.5% abv (per gallon of cider)
 - Apples - 7kg
 - Yeast (English Cider) - 2g
 - Campden tablets - 1
2. Ingredients for sweet, sparkling cider, 10.5% abv (per gallon of cider)
 - Apples - 7kg
 - Yeast (Sweet Mead) - 2g
 - Sugar - 250g
 - Campden tablets - 1

10.2 Licensing

To be able to legally operate a brewery in India we are required to obtain a set of licenses. They prove that our product is safe for consumption, and that we follow the best standards.

- Brewing license
- Waste water disposal certificate
- Fabricated equipment quality certificates
- Water quality testing certificate
- Quality certificate for beer

10.3 Space requirements

When deciding upon our homebase we considered firstly our situation as a new business, with no existing assets or experience, as well as the small scale of our production line.

We are aiming to brew *15 gallons per day*. We have already identified the ingredients quantity requirements per gallon when researching the recipes we will use. Using this information, these are the room size and functionality requirements we identified:

1. Ingredients handling room

This room must be easily accessible by our providers and large enough to store a week's worth of ingredients including:

- 1500L refrigerator to store 630Kg of apples
- 23kg of sugar
- yeast, campden tablets

The room must have a constant supply of water for washing apples and equipment.

The room will operate a weekly pipeline of ingredients storage, however spare space must be available for unforeseen situations.

The room size must also allow washing, grating and pressing of apples which implies equipment and staff as detailed in the following sections.

2. Brewing room

This room must accomodate the two brewing systems for dry and sweet cider: aproximately $2m^3$ each. It must also be able to fit a desk and file cabinet for general office equipment.

3. Fermenting room

This room will operate a daily pipeline and must be able to accomodate a weeks worth of produce: $4m^3$. It must maintain a constant temperature of aproximately $22^{\circ}C$ for fermentation. We have decided upon this as a good trade-off between quality and speed which are inveresely proportional: a lower fermenting temperature yelds higher quality but requires more time. However this is a specific decision the brewing master must make daily.

4. Bottling and storage room

This room must accomodate

5. Maintainance room

This should be a small room for storing cleaning equipment. It should have access or be attached to a staff restroom.

10.4 Equipment

1. Production equipment

- Apple wash tub
- Apple crushing device
- Hand cracked cider press: small
- Mash tank: 15 gallon
- Sparge tank: 15 gallon
- Boil Kettle with a false bottom and a siphoning tube
- Chill wizzard with a cold water hoze and oxigen pump
- Fermenting tank with blow up valves for speedup: 15 gallon
- Propane burner

2. Storage equipment

- 1500L refridgerator for apple storage
- freezer for excess and spare apple woat

- Fermenting tanks: as mentioned above, in order to host the weekly pipeline, we require 7 15 gallon tanks and spares.
- bottles: we are aiming for a production line of 210 bottles daily therefore our weekly requirements is of approximately 1300 bottles including spares
- boxes and labels
- shelves or containers ingredients (which come in their own boxes)

3. General maintenance equipment

- airconditioning system: for the fermentation process
- security alarm and surveillance system
- fire detection system
- water filtering system
- cleaning equipment:
 - chemical substances (pbw solution, idophor)
 - cleaning substances (soap, bleach)
 - blue roll, toilet roll, cloths
 - bags, bin bags
 - hoses, gloves, brooms, mops, buckets
- office equipment:
 - paper and pens
 - company stamp, files, plastic sleeves, paper punch, envelopes, stapler and staples, disposable cups, bin
 - employee register book, visitor register book
 - company landline telephone
 - company laptop
 - tea, coffee, water
 - first aid kit

10.5 Workforce

1. Qualified Brewmaster

He has to have previous experience with brewing various types of cider and would probably have to be recruited from a country with cider making traditions (France, England). He would serve as our cider making expert, being able to swiftly operate the equipment and professionally assess the quality of our cider. He must also supervise the general staff activity and behaviour.

2. Microbiologist

He would serve as an assistant brewmaster, and would be responsible for conducting cider quality control tests, and performing microbiological analysis. He must also verify all the ingredients including the apples, sugar, yeast and water. It is important to ensure a good quality especially considering the novelty of our product for this market.

3. Unqualified labour: our microbrewery requires manual labour as described below. These employees must work with the equipment we provide, attend to washing and maintaining it with responsibility. Therefore brief training must be considered as a cost.

2 workers in charge of apple reception, washing and sorting 2 workers in charge of apple grating 2 workers in charge of apple pressing 1 worker in charge of general cleaning of the area

4. Security guard

On top of general surveillance, he is in charge of verifying employee IDs and greeting visitors.

10.6 Contractors

Whilst most of our equipment constitutes a one time purchase, some of our requirements are constant and imply a contracting a provider.

- Apple supply
Identify a reliable cheap provider: 630kg/week
- Water provider
- Gas and electricity provider
- Internet and telephone provider
- Bottles provider

10.7 Risks

1. human related

- supply : delivery: maybe extra small freezer (2 days worth) : product quality risk (redundancy)
- late pickup : (extra space?)
- worker's experience: us, or hire
- injuries (insurance, training), illness (spare trained professional), misbehaviour
- security (24h, think key privileges: already existent)
- working conditions:

2. equipment related risks

- breaks (replacements) (have backup?)
- power cuts (generator backup? - some need: fridge etc.)
- water contamination
- moldy apples
- run out of storage space (redundant storage)

3. ethical risks

- working environment
- religious employees
- local water supply, disposal of waste (donate apple waste)

11 Capital requirements

Since we aim at setting up a microbrewery to start with in Mumbai. We aim at choosing a location frequented by youth. Hence renting an area in Lower Parel was chosen as this area is frequented a lot by young drinkers willing to try new types of alcohol as it is known for its night life. Rent in this area is roughly about Rs.75/sqfoot per month. As seen in the requirements: the area of the kitchen would be estimated at: 300 sq/ft area of the actual sit out and bar would be about 2500 sq/ft allowing seating for about 60 people along with a nice bar area that would comfortably fit about 150 people.

Further we would require about 80 different types of spirits ranging from vodka to wine. Initially we would start with about 5 bottles each. On consulting a whole-seller this would cost about Rs 3,50,000 to 4,00,000.

The average cost of hiring waitors is about Rs. 1,00,000 a year we would require about 4 bar tenders 2 barbacks 5 waitors and servers. A good chef being about Rs. 5,00,000 a year. Along with this nightly security hire costs about Rs 50,000 annually.

We aim at advertising at horse racing events this has a cost of Rs. 5,00,000 though this number is high it has several benefits in doing so:

1) Conduct contests of skill and award prizes to the public to generate interest. 2) Advertise on the CCTV transmission at all centers . 3) Have full rights for on-site branding across the stands. 4) Name the race to suit its preference. 5) Have its CEO / nominee present the trophy. 6) Be entitled to the free use of lawns above a certain value of sponsorship. 7) Arrange for live entertainment at race time or before or after the event. 8) Promote and your brand the race via mailers/press. 9) Have access to the Club's membership data which consists of thousands of potential customers who represent some of the most well off clients in India. 10) Have promotion on the website with links to the lounges webpage. 11) Get coverage on a major television network as these races will be viewed world wide.

12 Pricing

We aim at pricing our cider at about Rs.250 which falls in line with most other mid range beer prices. Hence allowing people to try it as an alternative to beer as for a majority of Indians it will be viewed in the same lines. Though this is slightly more expensive than other local beers like Kingfisher available at roughly between Rs150 - Rs.200 . But it does provide a level of slight exclusivity much desired by the growing youth in Mumbai.

All other alcohols will be sold at the rate roughly found in and around similar pubs in the area. Which is usually sold at a mark up of about 350 percent.

Just to give an idea of expected prices we have attached a menu of Cafe Zoey a very popular and frequented lounge by several drinkers of all ages.

Figure 4: Cafe Zoey Menu

Figure 5: Cafe Zoey Menu2

13 Business opportunities and risks

14 Pro-forma financial projections

15 Risk analysis