

# Business plan for food supplement- Canvas model

## **1. Introduction**

Business model refer that rational of how a company creates, delivers and capture value. (Pigneur, Y. and Osterwalder, A. 2009). Canvas model is one page plan which easily visualize overall operation of the business which includes key partners, key activities, key recourses, value propositions etc. “Natural Energy” is a natural food supplement which is included horse gram “kollu”, garlic, ginger and cinnamon. This product helps to weight loss and regulates blood glucose level, blood pressure, cholesterol and reduce flatulence and many health issues.

## 2. Canvas Model for “Natural Energy”

<p><b>Key Partners</b> Farmers and other suppliers.</p> <p>Community organization</p> <p>Health and fitness centers (gym, Yoga centers)</p> <p>Ministry of Health and National Medicines Regulatory Authority</p> <p>Distribution Agency</p> <p>Individual Customers</p> <p>Pharmacies</p> <p>Super markets</p> <p>Doctors and Nutritionists</p>	<p><b>Key Activities</b> Suppling required ingredients and logistic.</p> <p>Evaluating quality of ingredients.</p> <p>Storing facility.</p> <p>Conducting operational process.</p> <p>Distributing products on time to the market.</p> <p>Sales and Marketing.</p> <p>On time maintenance of grinders, mixtures and other machines.</p> <p>Customer relations management</p>	<p><b>Value Proposition</b> Use organic ingredients</p> <p>Product include protein, vitamin C, dietary fiber and iron.</p> <p>Product help to reduce fat, regulates blood glucose level, blood pressure, cholesterol and reduces flatulence and many health issues.</p> <p>Best source of protein for vegetarians.</p> <p>Use natural preserving technique to keep product one year.</p> <p>Product has been approved by NMRA.</p> <p>Recommended by doctors.</p>	<p><b>Customer Relationship</b> Social media based community.</p> <p>Getting feedback from customers.</p> <p>Personal guidance through phone and emails.</p> <p>Educating customers through health oriented websites and blogs.</p> <p>Promotion campaign at health and fitness companies, gymnasiums and health clubs.</p> <p><b>Channels</b> Brand awareness through social media.</p> <p>Distribute to supermarkets and pharmacies frequently.</p> <p>Promoting through community leaders who encourage healthy foods.</p> <p>Vehicle deliver to partner sites; gyms, health clubs, yoga centers.</p> <p>Advertise on newspapers and magazines, health oriented websites and blogs.</p> <p>Introduce the product to doctors and Nutritionists and personal trainers to recommend products to their patients and clients.</p>	<p><b>Customer Segmentation</b> Busy people</p> <p>High and mid income groups</p> <p>All age groups (above 6 year olds)</p> <p>People wants to lose weight.</p> <p>People want to live healthy life style.</p> <p>Groups of people have health issues which need special diets.</p> <p>Athletes</p> <p>Vegetarians</p> <p>Working parents who need to give health foods to their children.</p> <p>Personal trainers and Nutritionists.</p>
<p><b>Cost structure</b> Cost for farming Employees' salaries Transport and storing cost machine and operation cost Rent cost Sales, marketing and distribution cost</p>			<p><b>Revenue</b> Sales through supermarkets and pharmacies.</p> <p>Sales through gyms, health clubs, yoga centers.</p> <p>Sales directly through doctors and nutritionists.</p>	

## 2.1 Customer Segmentation

Customer segmentation defines various group of people or business which company aim to reach. Business need to decide which customer segment to serve and which customer to ignore. There are high demand for natural food supplement which is energetic and reduce health issues. These qualities of the product helps to capture broad range of customers.

This product is suitable for any age group of above 6 years old. Basically “Natural Energy” target on high and medium income groups. According to Porter’s generic strategy, “Natural Energy” follows differentiation strategy. High end urban residents who mainly lives in western province, Kandy, Galle and Matara and corporate professionals who live busy life are looking for food supplement to get required nutrition quickly. But main issue of some food supplements is that its cause to side effects. Hence there is a demand for natural food supplements. Targeted corporate professionals’ monthly income should be more than Rs 60,000.

Currently people are highly concern about wellness so all health conscious individual can be targeted. One of main health issue of Sri Lanka is spreading non communicable diseases. According World Health Organization 75% of all death of Sri Lanka cause to non-communicable diseases. One out of third people in Sri Lanka have raised blood pressure and one out of third of women are overweight. And also according to The Diabetes Association of Sri Lanka (DASL), there are closely four million diabetics in Sri Lanka. This products cause to regulate blood pressure and blood glucose level. Further main ingredient horse gram help to weight loss. Therefore “Natural Energy” can target group of people who have health problems since there are looking for natural food supplement.

Now lot of people try to move healthy life style. Therefore people tend to go gymnasium, do regular exercises, practice yoga and etc. This product is suitable for them too. Product can be promoted through personal trainers, nutritionist to recommend their clients. Further this is a good source of protein for vegetarians. “Natural Energy” has been recommended to athletes as an energetic supplement. Working parents also can be targeted since they are looking for healthy food for their children.

But pregnant ladies should avoid consuming this since this produce heat. Other than that this product can use to anyone.

Table 01 – Mean and Median monthly salary of paid employees – 2015

District	Mean	Median
Colombo	Rs 37,000	Rs 27,500

(Source – Department of Census and Statistics 2016)

Table 02 – Sri Lanka Average salary high skilled

	2017	2016
Sri Lanka salary High Skilled	Rs 60700	Rs 56,800

(Source – Trading Economics)

## **2.2 Value propositions**

According to Pigneur, Y. and Osterwalder, A (Business Model Generation. 2009) value propositions describes values business delivers to the customers and which customer need are we satisfying.

“Natural Energy” includes 85% of Kollu, 10% ginger, cinnamon and garlic. All these ingredients except of garlic are 100% organic. This supplement includes protein, vitamin C, dietary fiber, vitamin B, Calcium, iron and minerals. This products help to reduce obesity since kollu has the ability to attack fatty tissue due to it include phenol. Further this products help to regulate blood glucose level, blood pressure, cholesterol level, cancer prevention and reduce many health threats. Ginger and garlic have anti blood clotting ability and when they are taken together there is a powerful support to prevent heart attack and stock. Further it improve immunity in the body. “Natural Energy” has been approved by National Medicines Regulatory Authority (NMRA) and recommended by doctors.

This product is powder mix so it can prepare easily. Natural preserving techniques have been added to this to keep product one year. And this food supplement is rich in protein therefore this is good protein source for vegetarian. This is good for athletes as an energy drink. Horse gram has the ability to generate energy and heat in human body.

Customers can find easily this product in supermarkets and main pharmacies.

## **2.3 Channels**

Channels describes how business communicate with and reaches its customer segments. Now a day’s most effective advertising method is using social media. Most popular social media in Sri Lanka is Facebook and there is 5.4 mn Facebook users in Sri Lanka, 52% out of those users are among 19 – 30 age group. (Seven media group, 2017). Therefore business need to use proper digital marketing strategy to improve brand awareness. Further business can use newspapers and magazines to capture broad range of customers. Lankadeepa and Ceylon Today are the most popular Sinhala and English newspapers in Sri Lanka. Further this product can be advertised in health oriented websites and blogs.

This product can be introduced to customers through community leaders who promote healthy life style. Further this product can be introduced to doctors, nutritionist and personal trainers to recommend to their patients. Hence company need to develop sales force to drive the sales strategy at a personal level. They should have 100% product knowledge and sales skills. They need to visit gymnasiums, health clubs, yoga centers, dispensaries which is located in urban areas frequently.

Distribution could be outsourced to distribution agency which has more resources and coverage in urban areas to supply products to supermarkets and main pharmacies.

## **2.4 Customer relationship**

In canvas model, customer relationship describes the relationships a company establishes with specific customer segments. According to Pigneur, Y. and Osterwalder, A (Business Model Generation. 2009) customer relationship can be driven through three areas.

- Customer acquisition
- Customer retention
- Boosting sales

One of the easiest way to engage with customers is through social media. Company can educate their customers through Facebook page and company can get feedback from customers through it very easily. On the other side, company need to response to customers' inquires quickly.

There should be a dedicated customer service mechanism to get personal assistance and guidance through phone, SMS or emails. Company need to give immediate attention to negative feedbacks and need to answer for their concerns. Customers' suggestions and opinions can be used to future improvement of the product.

Company can publish articles in health oriented websites and blogs about the nutritious qualities of the "Natural Energy". Company can initiate wellness program at gymnasium, health club, health and fitness companies to promote product and educate their customers.

## **2.5 Revenue streams**

The main revenue stream is the selling "Natural Energy" cans through supermarkets and pharmacies. Price of 1kg can is Rs 2,000. Other than that, income comes from health club, gymnasium, and yoga centers which are available this product. Company can offer discounts for such places. Further company need to calculate possible revenue generate from doctors, nutritionists and personal trainers with their recommendation or prescription. Company expects Rs 53 Mn revenue within first year. (Refer table 04)

## **2.6 Key resources**

This refers most important assets required to make business model success. This could be physical, intellectual, financial or human resource. "Natural Energy" is concluded in organic ingredients. Therefore company purchasing department should have employees which have knowledge on organic farming to select suppliers and the check the quality of the harvest. They should share the knowledge with farmers. Company should have technology and technicians to check the quality of the ingredients. Proper quality management system is one of the key resource company should have. Professional nutritionists and chefs need to prepare recipe and process to process required quality need to be checked. Nutritionists, chefs and recipe are the most crucial resource of the business. Skilled labors should have to conduct operating process and maintain the machines. As

a new business, company should have good marketing and sales team to introduce the product to the market and boost the sales.

## **2.7 Key activities**

Hiring is one of the key activity of new business. So company need to hire staff with right knowledge and right skills. Main ingredients horse gram, ginger and cinnamon directly purchase through farmers. Basic quality checkup need to be conducted in the firm before purchase and need to transport safely to the store. Company should have clean storing facility which has temperature level within 20- 30 C and should completely avoid the threat of pest. Reliable suppliers need to be selected to obtain other ingredients such as garlic. In the factory, quality of the ingredients need to be checked up by selecting samples. After qualify the quality checkup, materials will be sent to production process. Grinders, mixtures and canning machines should be there for production. Complete production process should be supervised by chef and nutritionists. Company need to comply with Good Manufacturing Practices for pharmaceuticals published by World Health Organization (NMRA). Skilled workers and technicians need to handle the process. Technicians should have knowledge and experience to operate and maintain those machines.

Further, finished products need to be distributed to target markets which are western province, Kandy, Galle and Matara. Distribution could be outsourced to distribution agency. Sales force should push sales personal level through doctors, personal trainers and nutritionists. And also sales team need to cover gymnasiums and other health centers which this product is available. Customer service center need to response all the customers feedback and inquires.

## **2.8 Key partners**

Key partners describes the network of suppliers and partners that make the business success. Horse gram and ginger are the main ingredients of this product and they are contented 95% of the product. Horse gram and ginger grow in Monaragala and cinnamon supply from Matara. These ingredients should be 100% organic. Therefore company need to select the farmers carefully. These farms need to be certified as an organic farms by agriculture department of Sri Lanka. Further company also need to verify their techniques.

Company need to take license from National Medicines Regulation Authority (NMRA) to product food supplement. And company should comply with Customer Affair Authority Act. Therefore company should have good relationship with these authorized bodies. Further this product can introduce to community leaders who encourage healthy life style to promote this product through them. Now lot of health conscious individuals regularly visit gym, fitness centers or yoga centers. Therefore this product should make available in those places. Sales team need to visit those place often and should convince them to get their support to the product. Company can offer discount for those places. Other key partners are doctors and nutritionists since they can recommend this products to their patients and clients. So sales team need to develop good relationship with them.

Distribution agency is also play key role in this business therefore company need to find an agency which have enough resources such as vehicles, required level of storage facility and a team to

distribute the products to supermarkets and pharmacies. Sales team need to visit pharmacies and supermarkets time to time to monitor the sales level. Enough margin should allocate to distribution agency to motivate to distribute effectively. Main objective of the business is satisfying the customers and satisfied customers will act as a brand ambassador for the product.

## 2.9 Cost structure

Cost structure describes all the costs incurred to operate a business model. Initial investment for the business would be Rs 7 million to set up the business. This is for business registration fees, license fees, advance payment for farmers, distributors, machines and equipment, rent cost, three month salary of employees and etc. Cost structure per unit is expected as below.

Table – 03 Cost structure per unit

<b>COST STRUCTURE</b>	
	<b>Rs per unit</b>
Direct material	327.70
Direct labor	153.85
Direct expenses	287.70
<b>PRIME COST</b>	<b>769.25</b>
Variable production overheads	76.90
<b>MARGINAL PRODUCTION COST</b>	<b>846.15</b>
Fixed production overheads	307.70
<b>TOTAL PRODUCTION COST</b>	<b>1153.85</b>
Non production overhead	
- Administration	76.90
- Selling & Distribution	153.85
<b>TOTAL COST</b>	<b>1384.60</b>
<b>PROFIT (30.7%)</b>	<b>615.40</b>
<b>SALES PRICE</b>	<b>2000.00</b>

According to cost structure business expect 30% profit margin from one product. Projected revenue for first year is calculated below. Company expect to sale 1000 unit through supermarket and pharmacies and 500 unit through gym and health centers. Further company expect to increase sales by 10% in every month until July. End of the first year, company expect Rs 53 Mn revenue.

Table 04 – Projected revenue for first year

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	No of units	Unit price	Revenue
Expected sales from supermarket & pharmacies (Units)	1000	1100	1210	1331	1464	1611	1772	1772	1772	1772	1772	1772	18347	2,000	36,694,342
Expected sales from gyms & other health centers(Units)	500	550	605	665.5	732	805	886	886	886	886	886	886	9174	1,800	16,512,454
<b>Total revenue</b>															<b>53,206,796</b>



<b>Projected Profit &amp; Loss Statement</b>		Rs
<b>Total Sales</b>		53,206,796
<b>Less Total Cost of Goods Sold</b>		21,170,529
<b>Gross Profit</b>		<b>32,036,267</b>
<b>Expenses</b>		
General & Administrative (Business insurance, registration, licenses, Bank charges etc)		1,116,365
Marketing & Promotional ( Advertising, promotional)		2,234,106
Operating Expenses		434,764
Motor Vehicle Expenses (Fuel, Motor vehicle, Insurance etc)		6,132,237
Website Expenses		50,000
Total Employment Expenses		4,270,234
Occupancy Costs ( Electricity, water, rent etc)		932,654
Other Expenses		876,345
<b>Total Expenses</b>		<b>16,046,705</b>
<b>Profit / (Loss)</b>		<b>15,989,562</b>

As per the projected profit and loss statement, it is indicated that company can generate Rs 15.9 Mn profit in first year. Further initial investment could be covered approximately within 6 months.

As per the above calculation, breakeven point of the business is 13,038 units. Therefore within 7month, business can achieve the breakeven point.

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