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Oriental Sweet Outlet

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The points of view expressed in this study reflect the author opinion.

Summary

The following feasibility study represents a Lebanese pastry outlet operating and financial plan for the coming five years.

Most Lebanese pastries in the Mountain and the South are family owned and operated. They usually consist of the father, mother and sons, or a chef and a helper. Ingredients in the making of pastry outlet are flour, yeast, sugar, oil, eggs, water, glucose, salt, and butter.

The pastry outlet should be situated on the main road leading to other villages and tourist sites to benefit from all visitors and residents passing through. The required area does not exceed 100m². The owner should also plan the appropriate infrastructure that enables him to participate, during the summer season, in villages funfairs, and other special occasions e.g. Mar Elias, Mar Takla, Mar Sassine, etc...

Main competitors for the small pastries and their products are neighboring pastry outlets, and pastry outlets selling foreign pastries.

Market opportunities are expected to increase with the come back of the displaced, the development of tourism, and with the boost of wholesale business and creation of distribution networks. There is a risk of low sales during winter, as people tend to go to the Mountain and the South mostly during summer.

Selling techniques used can include the distribution of carts near schools, parking lots and touristic areas.

The financing requirements for starting up a pastry outlet amount to 9 187 \$US of which 3 187 \$US will be injected by investors, 6 000 \$US will be taken as a loan and reimbursed over a period of two years in equal monthly installments with an interest rate of 8,5 % per year.

Total sales are expected to be 27 488 \$US in the first year of operation and increase gradually to reach 35 964 \$US in the fifth year. The increasing pattern shows a 4 % increase in year two and year three, 15 % in year four explained by an increase in prices, and 4 % in year five. The gross profit margin ranges between 63 % and 64 %. Net Income is expected to exceed 6 731 \$US in the first year and it will reach 10 815 \$US in year five. The resulting net profit margin will range between 24 % and 30 %.

We assumed that the investor would set aside a part of his annual net income in order to be able to renew his equipment or expand his business beyond year five.

The overall performance of the pastry outlet is subject to the realization of the projected sales. Actually, there is a high correlation between sales and the overall activity of the region where the pastry outlet is located.