SAUT Probiotic Yogurt Kitchen Business Plan

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SAUT Probiotic Yogurt Kitchen

Business Plan

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2016 Western Heads East Intern
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The SAUT Probiotic Kitchen will sell freshly made yogurt with good bacteria that improves the health of the consumer. The Kitchen is situated on the SAUT Malimbe Campus in Mwanza, Tanzania.

Due to the Kitchen’s convenient and accessible location, the Kitchen’s primary customer group will be the SAUT community when the students are attending school. The secondary customer group will include the population from the local market, and the workers from the nearby dala-dala stand. Finally, the third customer group would be businesses and other organizations in the Mwanza region. Selling to this third group in bulk throughout the year will help supplement the lack of sales during off-seasons when the students are away from campus.

The SAUT Probiotic Kitchen faces competitors in both the formal and informal industry. In supermarkets, ASAS and Daima are popular brands of yogurt that offer a variety of flavours. On campus, the Konsolele Kanteen also sells a small daily supply of yogurt. In the informal market, there are small businesses that produces and sells their own dairy products. The SAUT Kitchen enjoys a few distinct competitive advantages: 1) exclusive access to the probiotic sachets, 2) a physical space on the Malimbe campus, 3) association with the SAUT students working at the kitchen, and 4) the yogurt is fresh and produced on a daily basis. Most of these competitive advantages are hard to replicate.

The SAUT Kitchen must employ many promotional activities to convince its customer groups to buy. The Kitchen should focus on integrating itself into the students’ experiences to ensure customer loyalty and retention. Activities like social media advertisements, monthly social events, partnerships with SAUT clubs, and low-season discounts will help SAUT increase its sales.

The Project Leader, Celestine Mazigo, will be in charge of the entire operations for the kitchen starting from August 15th, 2016. During the summer, current SAUT students will work at the Kitchen for their Practical Internship Program (PIP). A permanent Yogurt Mama will be hired by October to ensure the consistency of the yogurt production. In addition, during the school year, recent university graduates will work at the kitchen to gain real-life experience.

Through accounting for sensitivity and seasonality, the kitchen will have a negative cash budget balance in Year One, but will see a positive cash balance in both Year Two and Three. Furthermore, the Kitchen will see a net income of around 1 million in Year One, 1.5 million and 4.5 million in Year Two and Three respectively. We believe that sales will pick up at a greater pace after Year One. The Kitchen must be cautious about its cash spending, as it will see an enormous fall in cash in off-seasons of August and September, due to the loss in sales from the students’ absence.

The Kitchen will begin operations immediately, as the PIP students are knowledgeable in the procedure of making probiotic yogurt. Through a taste-test experiment done on August 11th, 2016, the yogurt is favourable to its consumer market. We are confident and excited about the Kitchen and SAUT’s future success.
History of the Organization

In 2002, a group from Western University in Canada formed Western Heads East (WHE), an organization with the intentions to create a sustainable community development project that would help with the HIV/AIDS pandemic in East Africa. Through the research of probiotic bacteria, the organization learned that probiotic bacteria build immune systems, improves health and nutrition, and lower mortality and morbidity due to diarrhea in children and patients with AIDS. Researchers at Western University incorporated the healthy and good bacteria with yogurt to create a product that was used to fight the HIV/AIDS epidemic in East Africa.

As a result, WHE aims to establish probiotic yogurt kitchens as social enterprises in areas of East Africa to address HIV/AIDS, nutrition, and community and economic development. The first probiotic yogurt kitchen site opened in the Mabatini region of Mwanza, Tanzania in 2004. Since then, more than 10 community yogurt kitchens have operated in different areas of Mwanza and East Africa by providing communities with healthy and nutritious yogurt at low prices. Now, there are 7 operating kitchens in the Mwanza region.

The SAUT Probiotic Yogurt Kitchen

Currently, WHE is partnered with the St. Augustine University of Tanzania (SAUT) to establish a probiotic yogurt kitchen on campus (the SAUT Probiotic Yogurt Kitchen) that would offer students, staff, and faculty with a nutritious meal alternative, improve
the health of the local community, and provide economic empowerment. The SAUT Kitchen hopes to bring additional income to the university, provide students with a summer internship opportunity, and become a health and social hub on campus. In addition, the SAUT Kitchen will act as a model and training centre for other community kitchens, and be the main distributor of probiotic sachets in the Mwanza region.

INDUSTRY ANALYSIS

The Dairy Industry

Overview:

The dairy industry remains one of the most important components of the livestock sector, as it accounts for 30% of the 35.9% livestock contribution to the Tanzanian GDP. While the dairy industry in Tanzania is in its infancy, it is growing. In the past decade, the demand for livestock products, including dairy, has been increasing. This is attributed to various new emergences in the country including rising income levels. Additionally, the contribution of the dairy industry is crucial to poverty reduction, food security and rural development.

Milk Consumption:

According to the Food and Agriculture Organization of Tanzania, milk consumption in the country is low with people consuming 40-45 litres of milk a year. However, milk is used and regarded as a common food in the country.
Milk Production:

From 1995 to 2010, milk production greatly increased from 555 million litres to 1.6 billion litres of milk a year. Over 70% of the milk comes from the informal or traditional sector. The milk produced during the dry season can drop as much as 50% when compared to the milk produced during the wet season. Seasonal fluctuation in milk production can also affect the reproductive system of the animals.

Challenges in the Industry:

The different chain actors involved in the production and consumption of dairy include milk producers, vendors and processors. They experience an array of challenges: no electricity, lack of funding, low quality of milk, low education level or possess little to no training, high costs associated with caring for cattle, etc.

Furthermore, the majority of the milk being produced and sold by individuals in the informal or traditional market. There are opportunities for the probiotic yogurt in Mwanza to expand from the informal sector to the formal sector (potentially to be sold in supermarkets), and the SAUT Probiotic Yogurt Kitchen has the ability to lead this endeavor.

Strengths, Weaknesses, Opportunities, and Threats (SWOT)

Strengths:

The SAUT Kitchen is conveniently placed in the SAUT Malimbe campus, so the business can access the SAUT population of 7,000 students and 300 staff members with ease. In addition, the SAUT Kitchen is the only major supplier of yogurt and milk products on campus, giving the business an exclusive entry to its customers. Finally, the kitchen
enjoys support by association, as the SAUT administration and students would have personally worked on the kitchen by the kitchen’s official opening in October.

**Weaknesses and Threats:**

While the easy access into the SAUT population is undoubtedly beneficial, it presents a weakness and threat for the SAUT Kitchen: extreme seasonality. Based on school-term schedules, the campus will be empty during parts of the year when students return home for their holidays, specifically August and September. This gives the SAUT Kitchen a challenge, as the usual customer market will be absent. Also, the kitchen will suffer from additional seasonality because customers buy less yogurt during the rainy season. This information was given by the Yogurt Mamas at the Mabatini Kitchen. Having lower sales during different parts of the year will create a challenge in cash management and budgeting.

**Opportunities:**

In terms of potential opportunities, the ability and possibility to create community partners in the Mwanza region is promising. Through WHE and SAUT’s relations, the Kitchen can establish partnerships with different businesses, schools, organizations, and more to distribute the yogurt into other Mwanza regions. This will allow the SAUT Kitchen to continue to reap profits during low-sales periods affected by the seasonality mentioned above. Partnerships are extremely crucial for the profitability of the kitchen, and the ability to improve health in other Mwanza areas. This opportunity is greatly elaborated in the Consumer Analysis.
Big Brand Competitors

There are a couple of yogurt brands available to customers in the Mwanza region. Specifically, the big names currently being sold in supermarkets are ASAS Yogurt, Nyuki Maziwa Mgando, and Daima Thick Yogurt. Both ASAS yogurt and Nyuki Maziwa Mgando are available at the small convenience store in the local market. Both yogurts are in 500ml containers, and are sold for 1,500 TZS each. ASAS Yogurt carries strawberry and vanilla flavoured yogurt, whereas Nyuki sells both plain and strawberry flavoured yogurt.

On Campus Competitors

Through conversation with the Konsolele Kanteen on campus, we learned that this Kanteen purchases yogurt from an outside supplier to sell on campus every day. They sell 500ml plain yogurt packets for 1,500 TZS, and 500ml bottles of yogurt for 2,500 TZS. There are more flavour choices for the bottles of yogurt. Flavours include: vanilla, strawberry, and plain. They expect around 10-15 customers a day who purchase these products from this Kanteen.

Informal Economy Competitors

There are small businesses that sell their own dairy products currently existing in the informal market. At the time of the research, we were not able to locate any and identify their prices and examine their products.
Competitive Advantage

Currently, the majority of the yogurt offered in the Mwanza region are pre-packaged flavoured yogurt sold in supermarkets or grocery stores. Therefore, the yogurt produced at the SAUT Kitchen has four main competitive advantages. Firstly, and most importantly, the Kitchen has an exclusive access to the probiotic sachets through a partnership with WHE. This enables the SAUT Kitchen to differentiate its products significantly from those on the current market. Secondly, the SAUT Kitchen has a physical space on the Malimbe campus, giving easy access to its student and staff. Thirdly, the SAUT Kitchen will be employing students to work at the kitchen, giving the kitchen an emotional connection to its main target market. Finally, the yogurt is fresh and produced on a daily basis. This allows differentiation from its main big-brand competitors as the yogurt is pre-produced and packaged.

The first and fourth competitive advantage – the location and freshness, are easy to replicate by competitors. If any small businesses or local salespeople enter the SAUT community with their dairy products, the SAUT Kitchen will lose some of its competitive edge. However, the other two competitive advantages are difficult to replicate. This is because in order to produce fresh and quality yogurt with probiotics, there must be a lot of infrastructure and money invested into the business. It would be difficult for competitors quickly build a yogurt kitchen, and access the probiotic sachets that SAUT currently has.

By advertising heavily in the SAUT community and the Mwanza region regarding the benefits and quality of the probiotic yogurt, we are confident that the SAUT Kitchen can obtain a large market share in the SAUT community for the consumption of yogurt
and other milk products. It is imperative that the SAUT Kitchen take advantage of its distinctive features, and promote its products as significantly better than its competitors, and integrate itself into the lives of the SAUT community to retain customer loyalty.

**CONSUMER ANALYSIS**

**Students, Staff, and Faculty in the SAUT Community**

Students, staff, and faculty in the SAUT Community are the kitchen’s primary target market. Located on the Malimbe Campus, the kitchen is accessible and convenient for the SAUT community. Through information collected using customer surveys, this customer group greatly values convenience, as the large majority prefers takeaway yogurt instead of a sit-down experience (Exhibit 1). The majority of the customer segment already consume yogurt 1-2 times a week (Exhibit 2), showing demand and interest in having the ability to purchase yogurt on campus. When asked regarding the upcoming yogurt kitchen, this group expressed their preference of 500ml as the serving size (Exhibit 3), and most would purchase yogurt once per day (Exhibit 4). It is with this data that we conclude that the SAUT students, staff, and faculty are an accessible and willing market.

It should be noted that the preferred yogurt flavour in Tanzania is plain, as people enjoy eating yogurt as a meal rather than a snack. Yogurt is usually eaten with ugali, chapatti, mandazi, etc. However, the SAUT students expressed interest in flavours such as strawberry, vanilla, and chocolate (Exhibit 5).
**Surrounding Population in the SAUT Community**

We consider the population working at the nearby daladala stand and the local market to be part of this consumer segment. Data and information regarding is group is limited, as these people were unwilling to provide their time to answer the customer surveys. However, we do expect to see some interest from this group once the kitchen has been established and carries a good reputation.

**Community Organizations and Partners**

Due to the high seasonality of the first two consumer segments, the SAUT Kitchen must look for ways to earn income when the university campus and surrounding communities are rather empty due to holiday seasons after exams. We propose contacting businesses and restaurants, schools, charities and other organizations, and hospitals.

The SAUT Kitchen should use the Sponsorship Package already drafted to convince community organizations and partners to buy yogurt in large quantities (10Ls and more) on a daily, weekly, or monthly basis. The community partner can then increase the price of the yogurt and sell to their surrounding communities, or consume the yogurt themselves. We believe these partnerships could increase the reach of the yogurt, improve the health of more people in the Mwanza region, and give SAUT income when sales are low on campus. This model has been proving possible and profitable, as the Nuru Probiotic Yogurt Kitchen sells around 50 litres a day to different organizations, such as Foundation Karibu Tanzania, a charity aimed at rehabilitating tortured children.
Before SAUT completes a partnership agreement, SAUT and the potential partner must negotiate the amount of yogurt expected, the timeframe and frequency of the deliveries, the transportation of the yogurt (whether it is the responsibility of the distributor to pick up the yogurt at SAUT or the responsibility of SAUT to deliver the yogurt to the partner organization), and sign a partnership contract. For the Partnership Contract, refer to Exhibit 6.

**Product**

The primary product is yogurt made from fresh milk with healthy bacteria (probiotics) mixed into it. The yogurt will have a plain base, and consumers may choose from a variety of flavours as toppings to add. Flavours include chocolate and strawberry syrups, honey, sugar, peanut butter, and fresh fruits. Adding toppings will allow customization in yogurt consumption, and enable the Kitchen to provide many flavours at low costs and operation procedures. In addition, fresh milk, tea, and coffee will be available for sale. Due to the nature of the product, the yogurt must be made in a standardized way. The WHE Interns will provide instructions manual on how to make the yogurt; as well, the PIP students have been trained in making yogurt.

It was advised that SAUT also sell popular foods like chapatti, mandazi, vitumbuo, etc. because at the Mabatini Kitchen the majority of the income actually result from these foods rather than the yogurt. However, due to the proximity of the local market, we believe that the SAUT Kitchen should not sell foods like chapatti to avoid stealing.
business from the local market and people. Instead, if students express interest in having their yogurt with chapatti and other foods, the SAUT Kitchen should establish a partnership with food shops at the local market to buy these food items on demand and have it delivered to the kitchen for the customers to enjoy. This method will allow the SAUT Kitchen to sell complimentary food without damaging the economic niche already in place from the local market.

**Product Variations and Sizes:**

The long-term standardized packaging of this product is not yet confirmed, as the closest factory for suitable yogurt bottles is located in Nairobi. It is currently outside of the WHE Interns’ scope to approve a long-term packaging solution. However, we believe this is a challenge that future WHE interns and SAUT students must overcome. Long-term standardized packaging is crucial for the SAUT Kitchen to move into other streams of distribution, like supermarkets. For a product to be displayed and sold in supermarkets, the product must be in a standard and sealed packaging, and obtain a “tbs” seal to authenticate its ability to be sold in supermarkets. This is a possibility that future interns must explore to expand the reach of the probiotic yogurt in Tanzania.

The only temporary packaging we have been able to find are favourable 300ml disposable cups with lids that are sold at most supermarkets in town. These cups currently cost 8,000 TZS for 50 cups and corresponding lids at the Lavena Supermarket. We believe that once the kitchen can start purchasing these containers in bulk, we can negotiate with the supermarket for a reduced price. Therefore, our only packaged product available would be in the 300ml capacity.
However, we plan to follow the Mabatini Kitchen regarding their solution to the limited packaging options problem. Customers at the Mabatini Kitchen bring their own containers to store the yogurt in. Usually, customers use plastic water bottles or water jugs to store the yogurt. This allows more convenience in operations for the kitchen, and a lowered-price due to the elimination of the packaging cost. Following the Mabatini model, the SAUT Kitchen can sell yogurt without packaging ranging from 250ml in capacity to 10Ls in capacity; as long as the customer has the appropriate package to contain the product.

In addition, the SAUT Kitchen has buckets that can store yogurt, and each bucket would be able to contain up to 10Ls of yogurt. When delivering and selling to community partners, the SAUT Kitchen can use these buckets to transport the yogurt. If the SAUT Kitchen uses the buckets to sell to partners, the kitchen would have to pay transportation costs for the delivery of the yogurt. Therefore, an additional product variation would be 10Ls of yogurt with delivery for the community partners.

In terms of fresh milk, the SAUT Kitchen has the 300ml disposable cups that can be used to store fresh milk for consumption. We also predict that the SAUT community may be interested in having fresh milk in glasses, or bring their own containers. Thus, the SAUT Kitchen will offer 300ml and 500ml of fresh milk.

It should be noted that the SAUT Kitchen’s products can be further varied by adding desired toppings by the customers. Toppings will cost extra, but customers can then choose and mix many toppings like honey, strawberry syrup, chocolate syrup, etc. The toppings can be applied on any base product (the yogurt and fresh milk) that the
Kitchen offers. The toppings are not considered products of their own, but an enhancement to the products the Kitchen produces.

For a full list of possible product variations, please refer to Exhibit 7.

Price

Since the kitchen has different sizes and variations available, different prices are given to each size and variation. The prices are allocated as such: the smaller quantities (for example: 250ml) have larger contribution margins than bigger quantities (ex. 10L). The prices are based off of variable costs such as milk, probiotic, and spoons, as well as factors such as transportation and the need for packaging (cups). Furthermore, the prices for larger quantities to community partners can be negotiable. For a list of the different product variations and their prices, please refer to Exhibit 8.

Placement

The kitchen is located on the SAUT campus but hopes to distribute the products to many different communities in Mwanza through relationships with partner organizations. However, the SAUT Kitchen should be careful not to cannibalize sales from the other probiotic yogurt kitchens currently in operation in the Mwanza region.

We believe the location of the kitchen on the SAUT campus is rather favourable, since it is close to the students, staff, and faculty of SAUT. The kitchen is also close to the dala-dala stand, and the local market. Through our field research, the SAUT Kitchen will be the first main provider of yogurt in the campus vicinity (as the Konsolele Kanteen do not primarily sell milk products). Even in the local market, only a few shops carry pre-
packaged yogurt. And since the SAUT Kitchen is closer to campus than the local market, we believe we can attract the students if the product is deemed high quality.

**Promotion**

First and foremost, the employees of the Kitchen must represent the probiotic yogurt as what it is. Customers should not misunderstand that the probiotic yogurt is not a medicine, and is not a replacement of their regular medicine that they take. Rather, the probiotic yogurt is a supplement to their routines, and the yogurt will help the medicine to perform within a beneficiary’s body. The customers should not stop taking their medicines when consuming yogurt.

Below is a list of promotional activities suggested for the Kitchen to implement.

**Social Media and Physical Posters:**

Students have expressed their use of social media, especially *WhatsApp*, as a way of communicating with each other. Therefore, before the start of the new school year in October 2016, the SAUT PIP students will distribute already made images (Exhibit 9) regarding the kitchen on different social media platforms to create awareness of the kitchen’s opening.

To reach the rest of the SAUT consumer group (staff, faculty, people working at the dala-dala stand and the local market), physical posters would have to be employed along with word-of-mouth promotional strategies. Posting physical advertisements on campus and handing them out at the dala-dala stand and the market will reach the people who did not receive the information from the social media efforts, and reinforce the information to those who have already been notified on social media.
Taste Sampling:

Once the campus is active again in October, the kitchen should give out free samples of the yogurt to increase the interest of the SAUT population. This tactic should only be employed at the start of the school year to build publicity for the product. This tactic is also useful in obtaining immediate customer feedback. For example, the Kitchen can gauge in the customers’ preferences in the texture of the yogurt, their favourite flavour topping(s) available, and the overall taste.

Class Presentations:

During the beginning of the year, the PIP students should give presentations about the Kitchen to classes at SAUT. The students should arrange presentations times with different professors, and explain to each class about the yogurt project, the benefits of yogurt, and give out taste samples. This will create instant awareness for the Kitchen and encourage the students to come to the Kitchen to try the yogurt themselves.

Daily Health Facts Contest:

The SAUT Kitchen’s purpose is more than just to earn money. Therefore, this promotional idea incorporates the kitchen’s other mission, which is to increase the knowledge of the benefits of yogurt and overall health in the SAUT community. Every day, the SAUT Kitchen can think of a health related question. For example: name one significant benefit of yogurt to a person’s health. The kitchen can then use this question as a contest. The person who comes to the SAUT Kitchen and answers this question correctly first without any help would receive a free 300ml yogurt that day. This method would increase the foot traffic to the kitchen, as well as improve the enthusiasm of customers regarding health information.
Social Events:

One of the goals of the kitchen, as stated by the Vice Chancellor, is to become a social hub for the students, staff, and faculty on campus. However, the students have expressed their preference of purchasing their yogurt as takeaways. Therefore, we can counter this problem by hosting fun events during the school year. This promotional strategy can increase the foot traffic of the Kitchen and in turn increase sales. Some ideas of the social events that the Kitchen can hold are karaoke nights, trivia nights, yogurt eating competitions, board game nights, etc. The events can be once-per-month, and the employees working at the kitchen can gauge the interests of the students on campus to appropriately pick the event that matches the students’ desires. Any money spent would have to be approved by the Project Leader at SAUT, and taken from the Marketing section of the budget.

Low-Season Discounts:

Through a conversation with the Yogurt Mamas at the Mabatini Kitchen, we learned that yogurt sales are low during the rainy season (occurring around November – March). Thus, SAUT should offer discounts during the rainy season in order to encourage the SAUT population to consume more yogurt. However, we believe warm fresh milk would still be desirable during the wet seasons.

SAUT Clubs Partnerships:

As another way to increase the social aspect of the SAUT Kitchen, the Kitchen can partner with SAUT clubs and organizations on campus. If the clubs or organizations need meeting or event spaces, the SAUT Kitchen can arrange to have the meeting or
event at the Kitchen’s patio space for free. This again increases the foot-traffic of the Kitchen, and successfully integrates the Kitchen into campus life.

**OPERATIONS**

**Human Resources**

The SAUT Administration, specifically Mr. Thadeus Mkamwa (the Vice Chancellor of SAUT), and Ms. Mary Mushi (The Vice Chancellor’s Assistant), will oversee the SAUT Kitchen. However, Professor Spillane, the Dean of the Business Administration Department at SAUT will be responsible for immediate supervision of the kitchen.

From the months of May to August, WHE will provide interns from Canada to aid the Kitchen. From the months of August to September, Tourism students from SAUT will work at the Kitchen for 6 weeks to fulfill their Practical Internship Program (PIP) requirements. In 2016, the PIP students will be mainly responsible for promoting the Kitchen throughout the summer, gain partnerships in the Mwanza community, learn the basics of running a business, and prepare the SAUT Kitchen for its opening in October. The PIP students will be provided accommodations during their PIP, and will be given a stipend of 20,000 TZS a week each for 6 weeks to spend on food. The students’ stipends are provided by Samira Matan and Iris Wu – the 2016 WHE interns.

In addition, The SAUT students advised the 2016 WHE Interns to hire a permanent Project Leader who will work full time at the kitchen. This is due to the fact that once the school year begins, the SAUT students can no longer devote their full attention to the Kitchen, as they must focus on their studies. Having a permanent Project Leader will
help with the sustainability of the project, and be able to provide the kitchen with a clear vision. This Project Leader will be responsible for overseeing the kitchen’s financials, operations, selling, yogurt production, public relations, and marketing. In addition, the Project Leader will be responsible of directing human resources, and scheduling employees to work at the kitchen. As well, the Project Leader will be responsible to report findings and updates to Professor Spillane and the Vice Chancellor (Exhibit 10). For this role, the WHE interns have hired Mr. Celestine Mazigo, who has worked with the African Probiotic Yogurt Network Organization (APYNO) before, and understands the mission and value of WHE and the yogurt kitchens very well. In addition, Celestine is also a graduate from SAUT. The Project Leader will receive a gross monthly wage of 450,000 TZS, but Celestine Mazigo has agreed to work for a net monthly wage of 240,000 TZS (gross: 300,000 TZS) from August 15th, 2016 to February 15th, 2017.

During the school year, internship opportunities will be available to recent university graduates, rather than SAUT students. Through a conversation with Celestine Mazigo, he expressed that the current students will be too busy with classes and homework to devote time to the yogurt kitchen. Rather, the opportunity should be given to recent university graduates because they will be looking for activities that will give them positive experiences on their resumes. The Project Leader will be responsible for recruiting and hiring these recent graduates who will work full time at the kitchen for a weekly stipend of 15,000 TZS. The SAUT Kitchen should hire 4 recent graduates in the first fiscal year, and in the second and third year the SAUT Kitchen should hire 5 recent graduates to match the increase in demand.
Celestine Mazigo also suggested that the SAUT Kitchen should hire a full time Yogurt Mama. This Yogurt Mama will be mainly responsible of producing standardized quality yogurt. The Yogurt Mama will work full-time, and given a net monthly wage of 150,000 TZS.

**Day-to-Day Kitchen Operations**

**Yogurt Production:**

Currently, we have secured a milk supplier from the Ferry Port in Mwanza. This supplier sells high quality milk for 1,000 TZS per litre. Currently, the WHE Interns have walked to this supplier every morning to buy 2-5 litres of milk a day. However, in the future, the Kitchen should discuss the possibility for the supplier to deliver to the SAUT.

Depending on demand, milk should be purchased on a daily basis. Currently, the yogurt production process takes 4 full days to complete. On the first day, the probiotic sachet should be added to 1 litre of milk, after it has been sifted, boiled, and has cooled down. This 1 litre should be left in room temperature for around 12 hours. On the second day, the Kitchen must treat and boil as many litres of milk as desired in order to make the appropriate quantity of yogurt. After, tablespoons of the probiotic yogurt mixture should be mixed into the large quantity of milk and left to cool in room temperature. On the third day, after the large quantity of yogurt has been sitting in room temperature, this mixture should be refrigerated for about 12 hours. The yogurt would be available for consumption on the fourth day. Also, the yogurt should be packaged into the 300ml temporary cups for sale.
It should be noted that the 1 litre of probiotic yogurt mixture can be used for up to 100 litres of plain yogurt. The WHE Interns believe that this 1 litre of probiotic yogurt mixture can last and be mixed into subsequent quantities of plain yogurt for a week, and then it must be disposed for the risk that the mixture has gone bad. The employees must be attentive to when the 1 liter of probiotic mixture was made, in order to prevent the probiotic mixture from spoiling and in turn spoiling the rest of the yogurt.

Depending on what day it is, the operations of the kitchen will look slightly different. However, the Kitchen can produce many batches simultaneously, and in turn must complete all 4 steps of the yogurt production process in one day. If multiple batches are produced at the same time, the Kitchen must be careful to mark the different batches to ensure the correct next-steps are taken for each batch.

For more precise information and instructions on how to make the yogurt, please refer to the FITI yogurt instructions manual written by Samira Matan.

Selling:

Due to the fact that the Kitchen has not established and confirmed any partners, it is difficult to predict the specific operations needed. However, the Kitchen will sell daily to the SAUT Community. The opening hours and days out of a week of the kitchen will be decided by the Project Leader based on the season and demand.
Revenue

The SAUT Probiotic Yogurt Kitchen’s revenue is generated through dairy products, mostly from the probiotic yogurt. Additional revenue can be earned through the selling of fresh milk, coffee, and tea. In addition, the SAUT Kitchen can earn supplementary income from flavour toppings that can be added to the plain yogurt or milk. It should be noted that the flavours were not accounted for in the financial projections to ensure conservative estimation of the projection. However, this just shows that the SAUT Kitchen may earn even more than the projections show. All of SAUT’s probiotic products have favourable margins, ranging from 42% to 10%. Lower margins are provided to attract buyers to purchase goods with larger quantities.

Variable Costs

Variable costs depend on the product. For fresh milk products of 300ml and 500ml quantities, the 500ml only has the variable cost of milk, while the 300ml has milk and cups as its variable cost. All of the yogurt products share the same variable costs of the milk, probiotic, and the spoon that will accompany the yogurt. These three variable costs are in the 250ml, 300ml, 500ml, 1L, and 10L products without packaging. Currently, only the 300ml yogurt has temporary packaging; therefore, this product will have an additional variable cost of plastic cups with lids. The 10L product with delivery is aimed to satisfy the needs of our distribution partners. We have accounted for an
additional 1,000 TZS for every 10L as a transportation expense. For a full list of the variable costs, please refer to Exhibit 11.

**Initial Investments and Equity**

The initial investments for the SAUT Probiotic Yogurt Kitchen is mainly for the building of the kitchen. Currently, total investments amount to 19,873,500 TZS (Exhibit 12). This information is gathered through the SAUT Accounting Department.

Both Western Heads East from Western University and SAUT have contributed 7,700,000 TZS each in equity, totaling 15,400,000 TZS. However, this equity is not enough to finance the initial investment. SAUT has paid for the extra costs of the kitchen construction. Currently on the financial projections, this additional investment is listed as a PLUG on the Statement of Financial Position.

**Operating Expenses**

Our fixed costs (Exhibit 13) represent our operating costs over the first three years. From a meeting with Father Mabula, the Vice Chancellor of the Finance Department, he explained that SAUT will be responsible for paying the utilities of the kitchen. Therefore, the SAUT Probiotic Yogurt Kitchen do not have to account for water, gas, and electricity.

For general administration expenses, we estimated that SAUT will spend around 56,250 TZS in its first year, and this amount increases every year. For marketing expenses, we have allotted a larger budget to accommodate our many promotional ideas that the SAUT Kitchen can implement. Ideas like social nights may require the purchasing of materials and equipment like board games and karaoke machines. In
addition, promoting the kitchen will need money to pay for printing advertisements, etc. For transportation expenses, we estimated that SAUT will spend around 50,000 TZS its first year, and the amount will increase every year.

Wages make up for the largest portion of fixed costs. Under wages, there are 3 different expenses lines. The first is student wages. We envision the SAUT Kitchen to hire recent university graduates to help with the operations of the kitchen. This will give these graduates real-life working experiences and help them earn a stipend throughout the year. Students will be compensated with a weekly wage of 15,000 TZS and expected to work full time. The SAUT Kitchen should hire 4 graduates for the remainder of Year One. In Year Two and Three, the kitchen should hire 5 graduates in its 52-week fiscal period. The growth in employees is to match the projected growing yogurt demand.

Next is the Project Leader wages. In Year One, Celestine expressed interest in working on this project for six-months at a discounted net wage of 240,000 TZS per month (gross wage of 300,000 TZS). After Celestine’s work-period, the kitchen should hire another full-time Project Manager at a gross rate of 450,000 TZS a month. In Year One, the second Project Manager will work at the kitchen for 2.5 months before the fiscal year ends. In Year Two and Year Three, the second Project Manager will work 12-months full time earning 450,000 TZS a month.

Finally, the Yogurt Mama will be paid 150,000 TZS a month to produce the yogurt. In Year One, the Mama will work the remainder of the 9 months left in this fiscal period, and work 12-month periods in Year Two and Three.
Sales Projections

The number of units sold are estimated based on the information obtained from Konsolele Kanteen, a food establishment at the Malimbe campus’s canteen. An employee said that they expect to sell around 100-150 plates of food a day; therefore, we have based our monthly sales estimates close to this number. In addition, the size of the market depends on the time of the year. During low seasons of August and September, when the students are absent from SAUT, there are only 300 staff and faculty on campus. In addition, we learned that customers tend to buy less dairy products during the wet season. Our sales estimates lowered are accordingly to accommodate for seasonality and the changes in the consumer population.

We predict that the 300ml of yogurt with packaging, the 300ml of yogurt without packaging, the 500ml of yogurt without packaging, and 500ml of fresh milk without packaging will be our most popular items. Therefore, the sales projection for these product is greater than other products. In addition, total units sold are increasing year-by-year to signify the Kitchen’s growth (Exhibit 14-16).

Cash Budgets

The cash budgets in Exhibits 17-19 illustrate how the SAUT Probiotic Kitchen will generate and use cash throughout its first three fiscal years. Aside from our 15,400,000 TZS equity infusion, sales represent our only cash inflow. The cash budget showcase seasonality, with the highest percentage of total sales occurring in the months of October to November, and March to July. Low seasons occur due to the absence of students at the SAUT campus, and because the wet season decreases the customers’ desire to
consume dairy products. Year Two and Three are better indications of future monthly sales as they allow for twelve revenue earning months, whereas Year One only allows for nine months.

In Year One, we can expect a total negative cash balance because of the low sales in only an 8-month fiscal period, and the large cash outflows to finance the kitchen construction. Since the SAUT Kitchen was a large investment, this cash balance is normal and expected.

In Year Two, we can see a positive cash balance as there are no large outflows from building the kitchen. However, we have to be cautious of our cash in September, as the cash is extremely low at 14,088 TZS. Year Three shows a much healthier cash balance each month.

Since the Kitchen a business that is impacted by high seasonality, it must retain the cash earned during peak seasons to ensure we can sustain the months with low cash inflows from sales. It is imperative that we remain cash positive in order to keep our business sustainable.

Income Statements

The income statement (Exhibit 20) displays how the SAUT Probiotic Kitchen will perform financially over the first three years of operations. We see a positive net income in all three years. This is because in Year One, although our sales are low from only a 9-month revenue period, most of our fixed costs are also incurred in 8 or 9 months of the fiscal period. Therefore, the Kitchen is projected to earn 1,107,423 TZS in net income in Year One. In Year Two and Three, we continue to expect healthier net incomes of
1,563,309 TZS and 4,583,148 TZS respectively. The fixed costs in this business is rather steady, but the healthy subsequent net incomes show that the kitchen has some flexibility to invest and spend in fixed costs in subsequent years.

**Statements of Financial Position**

The SAUT Kitchen’s main assets are the kitchen building and equipment for making the yogurt. The kitchen also expects to see healthy cash balances after Year One. To account for depreciation, the assets are depreciated in the straight-line method, with the kitchen building having an useful life of 20 years, the deep freezer having an useful life of 10 years, and the general equipment having an useful life of 5 years.

The majority of the business and investments are financed by equity from both WHE and SAUT; however, in Year One, due to the fact that the kitchen building was costlier than the equity, a PLUG line in liabilities was used to balance the Statement of Financial Position (Exhibit 21).

**Return on Investment (ROI) & Return on Equity (ROE)**

Exhibit 22 shows the Kitchen’s return on investment and return on equity. Due to the fact that Year One only has 9 profitable months, we will not see a return on investment this fiscal year. However, in both Year Two and Year Three, the kitchen will experience 12 profitable months, and the kitchen will experience a return on investment of 8% and 23%, respectively. Although the ratios are low at the moment, we believe we were conservative with our sales units and the Kitchen may perform better than the projections.
When net income is compared to yearly equity, the return on equity seems small with 0%, 9%, and 20%, respectively. However, this is partially because of the large equity infusion, thereby increasing the value of total equity, and decreasing the value of the return on equity. It is expected that a project with large equity infusion take longer to earn an return on equity.

RISKS & MITIGATION

The issue of seasonality is the largest risk that the SAUT Kitchen will face. Due to the fact that people enjoy yogurt when the weather is warmer and dry, the SAUT Kitchen will see fluctuations of demand throughout the year. To mitigate this risk, the SAUT Kitchen must employ promotional strategies to encourage customers to enjoy yogurt even in the rainy season. Ideas like the wet season discounts will entice the customers to buy yogurt. During the wet season, the SAUT Kitchen should also focus on selling more warm and fresh milk, as this is another way to earn revenue for the Kitchen.

In addition, the SAUT Kitchen is located on campus, and its performance will be based on the livelihood of the campus. When the 7,000 students return home for the holidays after their exams, the SAUT Kitchen will lose the majority of its market. The contingency we must put into place is during the holidays, the Kitchen should increase partnerships with businesses and restaurants in town to sell the probiotic yogurt in bulk. The SAUT Kitchen must be alert and predict any changes in yogurt demand, and in turn be in constant communication with the milk suppliers to relay the changes in milk demand.
The most linear path to growth for this kitchen would be to continuously integrate the product into the SAUT community and its surrounding areas, and increasing the number of community partners in the Mwanza region that would act as a distributor for the yogurt. All of these efforts will contribute to the increase in sales and the improvement of the Kitchen’s financial situation. With the increase in sales, the Kitchen can aim to use the larger quantities to achieve economies of scale. For example, bargain with the milk and packaging suppliers for cheaper prices.

Next, the Kitchen should consider entering the supermarket scene. However, before this step can be realized, the SAUT Kitchen must locate long-term standardized packaging that can store the yogurt to last more than a few days. In addition, different flavours should be experimented and produced to fill the packaging. Finally, the product must obtain the “tbs” seal that signifies the product’s ability to be sold in supermarkets.

The SAUT Probiotic Yogurt Kitchen is an exciting project with the hopes of offering students, staff, and faculty a nutritious meal alternative, improving the health of the local community, and providing economic empowerment. On August 11th, 2016 the PIP students dispensed yogurt samples throughout the SAUT community, and the response was widely favourable (Exhibit 23). Through careful management and tactful sales strategies, the SAUT Probiotic Yogurt Kitchen can be profitable and successful.