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Spice House

Etude de faisabilité préparée par
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The points of view expressed in this study reflect the author opinion.

Summary

The following feasibility study represents a spice house operating and financial plan for the coming five years.

The spice house would be a family business. The business will have three products, loose spices, cereals and packaged spices. We estimated that a location of 100 m² would be enough to accommodate the packaging and grinding machine and the stock at hand. An investment of 2 850 \$US will be needed to buy the equipment.

Loose spices and cereals will be sold in the spice house store, whereas packaged spices will be sold in supermarkets. Spice Consumers include households, restaurants, and outlets such as mini markets and super markets.

Five trends have been identified as contributing to the increased consumer demand for fresh and dried herbs. The trend towards healthy lifestyles has led to a decrease in the use of salt and an increase in the use of natural flavorings; greater acceptance of ethnic cooking has generated a greater use of herbs; as consumers purchase greater amounts of convenience food products; use of herbs for high quality flavoring of these products has increased; greater use of herbs by quality restaurants.

The selling techniques used for marketing packaged spices involve extending credit to outlets till the sale of their product.

The financing requirements are 4 547 \$US of which 3 000 \$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. The remaining 1 547 \$US will represent the contribution of owner. The total investment in the first year will be used to buyout the equipment necessary to startup the business. Working capital needs amounted to 1 697 \$US.

Total sales are expected to be 20 330 \$US in the first year of operation and increase gradually to reach 29 900 \$US in the fifth year. The gross profit margin in the first year is 70 %, it increases over the years reaching 72 % in the fifth year. The net profit will increase from 5 926 \$US in the first year to 11 606 \$US in the fifth year; the resulting net profit margin is 29 % in the first year and it increases over the years reaching 39 % in the fifth year.

The overall performance of spice house is subject to the realization of the projected sales.