

An analysis of cost and revenue of Bakery Industry in Dharan

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The research paper aims to analyze the cost and revenue of bakery industry in Dharan. This research is based on primary data. To achieve the objective, quantitative and qualitative research designs have been used. Bakery industry is the emerging business industry in Dharan.

Abstract

The research paper aims to analyze the cost and revenue of bakery industry in Dharan. This research is based on primary data. To achieve the objective, quantitative and qualitative research designs have been used. Bakery industry is the emerging business industry in Dharan. Bakery industry is a huge business that caters to people's weaknesses for tasty breads, cakes, pies and sweet rolls. It is revealed that the cost and revenue of Bakery products have highest mean values where as location is least important than other dimensions. There is various Bakery industry in Dharan, which produce different types of Bakery product and it provides various job opportunities. Lack of skilled manpower, scarcity of water, sufficient amount of food product are major problem of bakery industry and high price of raw material is another major problem of bakery industry of Dharan.

Key words: Bakery products, cost, revenue, profit, employment, variable cost.

Introduction

The bakery industry usually refers to the grain-based food industry. Grain-based foods may include breads, cakes, pies, pastries, baked pet treats, and similar foods. Along with the production of bakeries, the industry consists of the equipment, supplies, and delivery drivers to support the industry. A bakery is an establishment that produces and sells flour-based food baked in an oven such as bread, cookies, cakes, pastries, and pies. Some retail bakeries are also categorized as cafes, serving coffee and tea to customers who wish to consume the baked goods on the premises.

Baked goods have been around for thousands of years. The art of baking was developed early during the Roman Empire. It was a highly famous art as Roman citizens loved baked goods and demanded them frequently for important occasions such as feasts and weddings. Because of the fame of the art of baking, around 300 BC, baking was introduced as an occupation and respectable profession for Romans. Bakers began to prepare bread at home in an oven, using mills to grind grain into flour for their breads. The demand for baked goods persisted, and the first bakers' guild was established in 168 BC in Rome. The desire for baked goods promoted baking throughout Europe and expanded into eastern parts of Asia. Bakers started baking bread and other goods at home and selling them on the streets.

The history of bakeries in Nepal is relatively new. Krishna Pauroti (now Krishna Breads), opened in 1948, catering to the elite in Kathmandu. Krishna Bahadur Rajkarnikar was the one who opened Bakery Industry for the first time in Nepal. Even up to 30 years ago, it was possible to count the number of bakeries in the Valley on one's fingers. Nowadays, the situation has changed. There is no place in the country where bakery industries do not exist. Each city of Nepal owns at least 5 to 6 bakeries and even in the trekking centers bakeries has been

established. Likewise, in the eastern part of the country, cities like Biratnagar, Itahari, Dharan, Birtamod Damak etc., and the bakery industries are gradually growing.

In Dharan, there are more than 20 bakeries. The beginning of bakery industry in Dharan started with the establishment of the Haley's café. The bakery industries renowned in Dharan are Cake palace, Brother's bakery, Haley's café, Dharan kwality Bakers, Shubham sweet and snacks etc.

In this report, we study about the cost and revenue of bakery industries in Dharan. Moreover, we also study about the problems of bakery industries and competition of the bakery industries. The present condition of the bakery industries in Dharan is also studied.

Statement of the problem

Bakery industry is one of the major industries in Dharan. It plays the significant role for employment generation and poverty reduction in Dharan. The major problems of this research are: -

1. How much total cost of estimate bakery industries in Dharan?
2. How much total income earn bakery industries of Dharan?

Objectives of the study

The major objectives of this research are: -

1. To estimate the cost of bakery industries.
2. To analyze the revenue of bakery industries.

Research Methodology

To fulfill the objectives of the study, both primary and secondary data has been used. Similarly, both qualitative and quantitative data has been used. The relevant secondary data were collected from the sources: delightedcooking.com, wikipedia.org, askinglot.com, archieive.nepalitimes.com. The relevant primary

data were collected by visiting different bakeries of Dharan. In order to analyze the research study, different statistical table, diagrams, graphs, etc. has been used.

Result and Discussion

Cost in bakery industries

Cost refers to the expenses which incurred in the process of production of final goods from the raw materials. Cost in bakery industries means the expenses which occurred in the process of production of bakery items like bread, cookies, and cakes from flour, ghee, sugar. Usually, the cost is classified in two types. They are fixed costs and variable costs. Fixed costs are those costs which remain constant and do not change with the fluctuation in the production. Examples of fixed costs are land, building, machines etc. Unlike fixed costs, variable costs are those costs which changes with the fluctuation in the production. Examples of variable costs are electricity and water expenses, expenses of raw material etc.

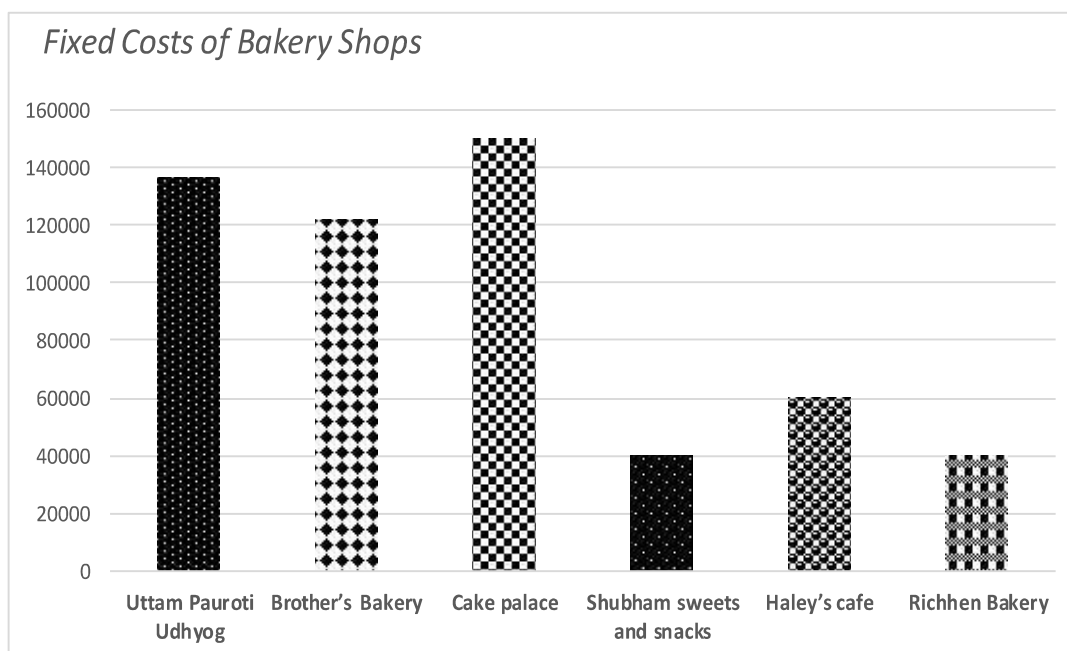
fixed cost of Bakery Industries:

Bakery shops	Fixed cost (Rs Monthly)
Uttam Puroti Udhyog	136000
Brother's Bakery	122000
Cake palace	150000
Shubham sweets and snacks	40000
Haley's café	60000
Richhen Bakery	40000

Source: - field servey, 2078

In the above table, the fixed costs of bakeries shops in Dharan are tabulated. The table shows that some bakeries have high fixed cost and some have low fixed cost. Uttam Puroti Udhyog has Rs. 136000 fixed costs whereas Shubham sweets and snacks have only Rs 40000 fixed cost. The bakery shop Cake Palace has Rs 150000 fixed. Likewise, Richhen Bakery and Shubham sweets and snacks has

similar fixed cost that is only Rs 40000. Moreover, Brother's Bakery and Haley's café has Rs 122000 and Rs 60000 fixed costs respectively.



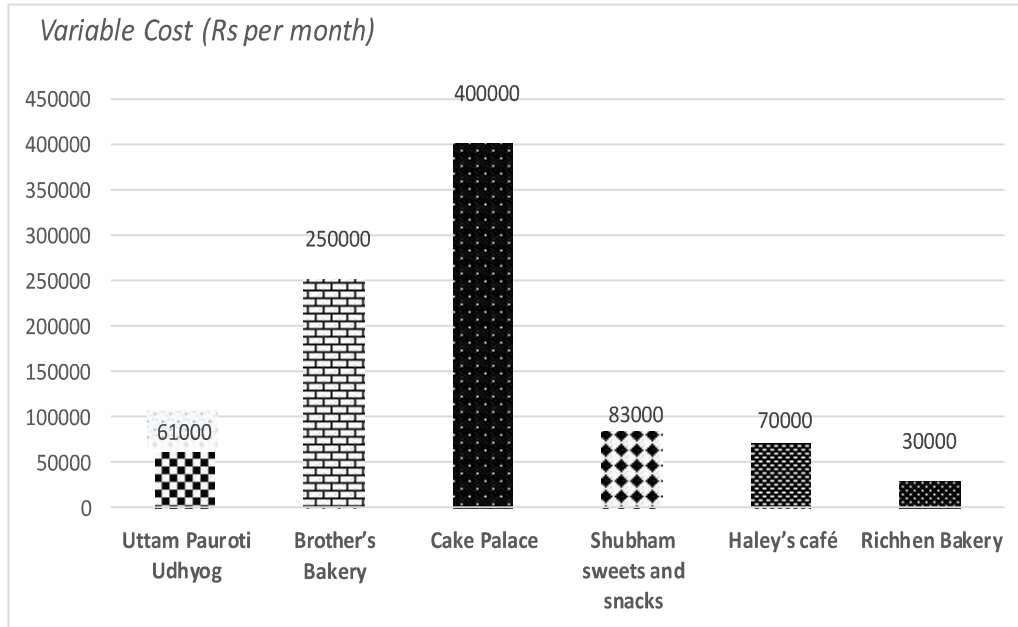
The above figure is bar graph. It shows the fixed cost of different bakery industries of Dharan like Uttam Puroti Udhyog, Brother's Bakery, Cake Palace, Shubham sweets and snacks, Haley's Café, Richhen Bakery. The graph shows that Cake Palace has the highest fixed cost among the above-mentioned bakery shops that is Rs 150000. After Cake Palace, Uttam Puroti has the second highest fixed cost that is Rs 136000. The difference between the highest fixed cost spender and second highest spender is by Rs. 14000. The fixed cost of Brother's Bakery is Rs 122000 and the fixed cost of Haley's café is Rs 60000. Moreover, Shubham sweets and snacks and Richhen Bakery have similar fixed cost that is Rs 40000. The difference between the highest fixed cost spender and the lowest fixed cost spender is by Rs 110000.

Variable cost of Bakery Industries:

Bakery Shops	Variable costs (Rs. Monthly)
Uttam Pauroti Udh yog	61000
Brother's Bakery	250000
Cake Palace	400000
Shubham sweets and snacks	83000
Haley's café	70000
Richhen Bakery	30000

Source: - field survey, 2078

In the above table, variable costs of different bakery shops are tabulated. In variable cost, cost of raw materials, electricity expenses, water expenses etc. are included. The table shows that variable cost varies with the size of businesses. The variable cost of Cake Palace is Rs 400000. Likewise, the variable cost of Richhen Bakery is Rs 30000. The variable costs of Uttam Pauroti Udh yog is Rs 61000. Moreover, Brother's Bakery, Shubham sweets and snacks, Haley's Café have variable costs Rs 250000, Rs 83000, Rs 70000 respectively.



The above figure is bar graph which shows the variable cost of Bakery shops of Dharan. In the graph, Cake Palace has the largest variable cost that is Rs 400000. As the business size of Cake Palace is larger than other bakeries of above table, the variable cost is also high. Similarly, Richhen Bakery is a small size of bakery industry so Richhen Bakery has the lowest variable cost that is Rs 30000 only. Uttam Puroti Udhyog has Rs 61000 as variable cost. Since, Uttam Puroti Udhyog is medium business it has medium variable costs. Brother's Bakery is the second highest variable cost spender. The variable cost of Brother's Bakery is Rs 250000. Haley's Café and Shubham sweets and snacks have Rs 70000 and Rs 83000 as variable cost respectively. The difference between the highest variable cost spender and the lowest variable cost spender is by Rs.370000. Similarly, the difference between the highest variable cost spender and the second highest variable cost spender is by Rs 150000.

Revenue of Bakery Industries

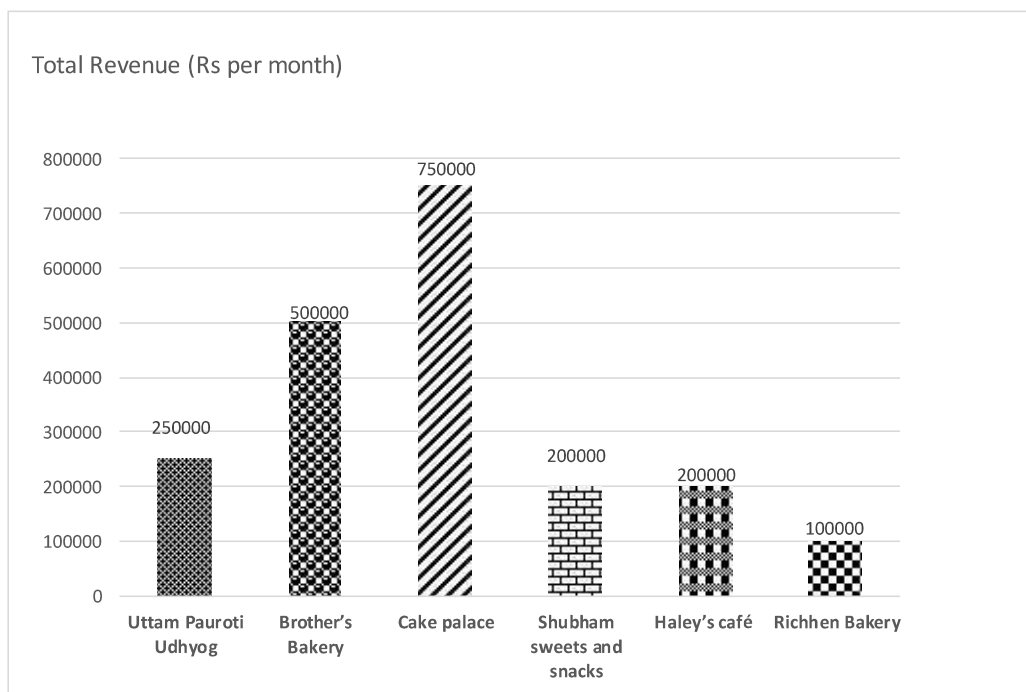
Revenue is the total sales receipt of the output produced over a given period of time. It is the receipts obtained by a firm from selling various quantities of its product. Revenue in the bakery industries means the total amount of money received by selling the produced bakery items to the consumer in given period of time. In short, revenue is the income of the business firm. There are different kinds of revenue such as total revenue, average revenue, and marginal revenue. Total revenue is the total amount of money received by producer after the sale of given commodities. Average revenue is the per unit revenue of quantity sold whereas marginal revenue is the addition to the total revenue from the sales of an additional commodity.

Revenue of Bakery Industry

Bakery shops	Total Revenue (Rs per month)
Uttam Puroti Udhyog	250000
Brother's Bakery	500000
Cake palace	750000
Shubham sweets and snacks	200000
Haley's café	200000
Richhen Bakery	100000

Source: - field servey, 2078

In the above table, revenue of different bakery shops is tabulated. The table shows that the revenue of Cake palace is Rs 750000. Similarly, the revenue is of Brother's bakery is Rs 500000. Uttam Puroti Udhyog earns Rs 250000 revenue. Shubham sweets and snacks and Haley's café both earns Rs 200000 revenue. Richhen Bakery earns the lowest revenue that is Rs 100000.



graph, it shows that the highest revenue is earned by Cake Palace followed by Brother's Bakery. Likewise, Shubham sweets and snacks earn similar to Haley's café that is Rs 200000 per month. Uttam Pauroti Udhyog earns Rs 250000 that is Rs 50000 more than Haley's café and Shubham sweets and snacks. Richhen Bakery earns the lowest revenue among the above-mentioned bakery shops. The difference between the highest revenue earner and the lowest revenue earner is by Rs. 650000. Similarly, the difference between the highest revenue earner and the second highest earner is by Rs. 150000. Cake Palace is large business compared to Richhen Bakery. Since the total cost of Cake Palace is more than the total cost of Richhen Bakery, it is normal to earn more profit by Cake Palace as the investment is done more by Cake Palace than by the Richhen Bakery in their business. In conclusion, there are differences in the revenue of different bakery shops of Dharan.

Profit in Bakery Industry

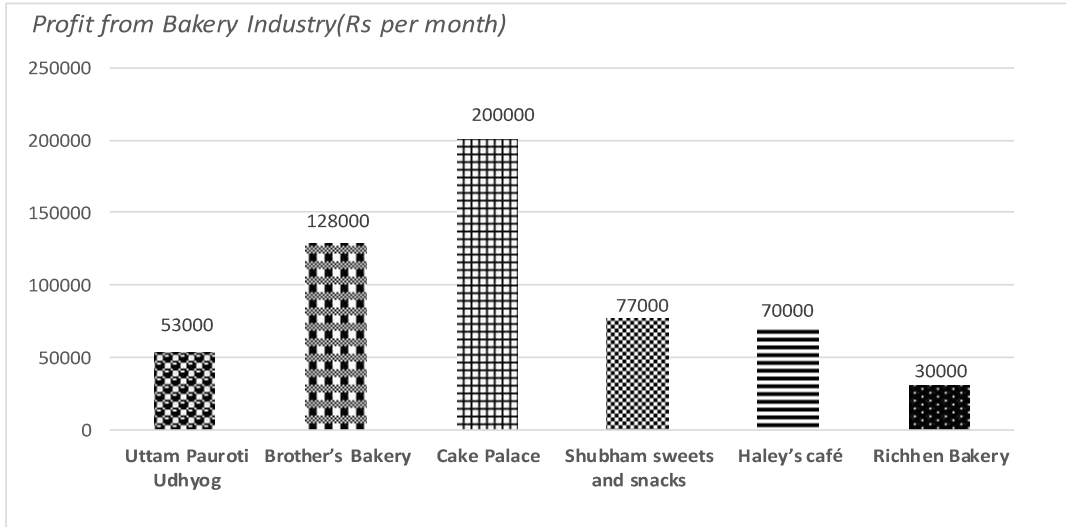
Profit is the amount received after deducting total costs from the total revenue. Profit is the reward for the entrepreneurship. Profit cannot be predetermined. Profit in Bakery Industry means the amount of money gained by the owner of Bakery shops after deducting the total cost of bakery shops from the total revenue of the bakery shops. Without profit, industries cannot last long. For the long run business, entrepreneur must earn profit.

Profit of Bakery Industries:

Bakery shops	Profit (Rs per month)
Uttam Pauroti Udhyog	53000
Brother's Bakery	128000
Cake Palace	200000
Shubham sweets and snacks	77000
Haley's café	70000
Richhen Bakery	30000

Source: - field servey, 2078

In the above table, profit of each bakery shops is tabulated. The table shows that Uttam Pauroti Udhog earns Rs 53000 per month. Similarly, the gain of Brother’s Bakery is Rs 128000. Cake palace earns more profit than other bakery shops. The profit of Cake Palace is Rs 200000. Shubham sweets and snacks and Haley’s café earns Rs 77000 and Rs 70000 profit per month. The profit of Richhen Bakery is only Rs 30000.



The given figure is bar graph. The graph depicts the profit earn by bakery industries. From the above-mentioned bakery shops, Cake Palace earns the highest profit that is Rs 200000. The second highest profit earner is Brother’s Bakery. Brother’s Bakery earns profit of Rs 128000 per month. The difference between the highest profit earner and second highest profit earner is huge that is by Rs 72000. Similarly, Shubham sweets and snacks and Haley’s café earn Rs 77000 and Rs 70000 respectively. These both bakery shops have slight difference in profit that is by Rs 7000. Moreover, Uttam Pauroti Udhog earns Rs 53000 profit per month. Richhen Bakery earns the lowest profit among all the above-mentioned bakery shops. It earns only Rs 30000 per month. The difference

between the highest profit earner and the lowest profit earner is dramatically huge. The difference is by Rs 170000.

Some major Problems in Bakery Industry of Dharan

Bakery industry is an infant industry in Dharan. Dharan is still new to these bakery industries. There are many challenges which create obstacles in the growth of Bakery Industry. According to the entrepreneur of Bakery Industries, the Bakery Industries are facing following problems: Electricity Problem
Electricity is essential to bakery industries in order to produce various kinds of bakery items. For running machineries, ovens electricity is must. Nowadays, due to frequent load shedding Dharan's Bakery Industries are facing huge problem. Refrigerator does not work when there is no power. The bakery items may go stale if not stored properly. Due to high price in generator fuel, it is kind of impossible to run bakery industries without electricity.

Scarcity of Water

Dharan Sub-metropolitan City does not have proper source of water. Without proper source and increasing population in Dharan it is more difficult to distribute water to industries and dwellings of Dharan. The water is supplied once in three days. This is major problem of bakery industries in Dharan. Buying water tankers is costlier and this does not support the business economically. Therefore, scarcity of water is the major obstacle for bakery industries of Dharan.

Frequent lockdown problems

Since few years back, corona pandemic causing frequent lockdown has become the enemy of entrepreneurs. The businesses had to shut down due to wide spread of deadly pandemic in the country. Frequent lockdown causes obstacles in smooth operation of the industry. In Dharan also, according to the rules and regulation of

Dharan Sub-Metropolitan City the industries and businesses had to follow the safety measures for pandemic which was quite troublesome.

Abnormal increase in price of raw material

Abnormal increase in price of raw material is another obstacles and challenge for the bakery industries. Raw materials like floor, vegetable oil, ghee, milk, etc. are essential to produce bakery items. Continuous increase in price of such materials and constant selling price increases the variable cost of the industry which directly affects in the profit of the industry. Therefore, increase in price of materials is also major problem of bakery industry.

Lack of skilled manpower

Bakery industry requires skilled manpower. The worker must have taken the trainings and courses. Such manpower is hard to find in the city. Bakery industry is a busy workplace where worker's need to work diligently to fulfill the requirement of the clients. It is very hard to find the worker who is consistent and hardworking. Therefore, shortage of labor force for this industry is another obstacle for the growth of this industry.

Competition in Bakery Industry

Although the bakery industries of Dharan are slowly blooming there are not many bakeries in number. There are more than 20 bakeries in Dharan Sub-metropolitan city. All kinds of bakeries small size, medium size and large size of bakeries exist in this town. According to some bakery's owner, competition does not matter to them. They just try their best to give their services to the customer. But again, according to some bakery's owner, there is huge competition among the bakery shops.

Large scale bakery industry's owners do not give much importance to the competition. They already have good market and customers are already in their

favor. Whereas, small scale bakery's industry's owners give more importance to the competition as they have less market compared to the large-scale bakery industries. Small scale bakery industries are struggling hard to get recognition from the customers but due to the high competition between large scale bakery industries and small- scale bakery industries, small industries are unrecognizable. There are many differences among large-scale bakery industries and small-scale bakery industries. Those differences are:

Advertisement

Advertisement is essential element for the growth of business. Large scale bakery industries are able to publicize their industry in large scale which attracts more customers. But small-scale bakery industries can publicize their industry in small area. Customers visit those bakery shops which they know. If customers are unknown about the existence of the shop, small scale industries bear loss. Small scale industries feel pressure for competition.

Hospitality and cleanliness

Hospitality and cleanliness both are essential element for the growth of business. Large scale industries can hire skilled manpower by providing higher salaries. Skilled manpower is well aware about the hospitality and the way to treat the customers. Good hospitality increases the efficiency of business. Moreover, large scale industries can afford better cleaning services. Cleanliness can attract the customers. Unlikely, small-scale industries cannot afford skill and trained manpower which may decrease the efficiency of the industries.

Lack of management

Management of the industries is most essential for the growth of the industry. Without proper management, planning, price determination the industry cannot run smoothly. Price should be determined properly so that the consumers will not feel

burden. Consumers go to those shops where they can find quality goods in proper price. So, proper management of price determination must be done.

Conclusion

Bakery industries spread from European countries to the rest of the world. This kind of industries entered Nepal and different cities of Nepal including Dharan. Till date, Dharan has more than 20 bakery shops. The bakery industries of Dharan are in the blooming phase. Different size of bakery industries exists in Dharan. Large, medium and small kinds of industries are found.

Large scale industries have large amount of total cost as well as revenue. Whereas small scale industries have small amount of total cost as well as revenue. Profit of each industry is determined with the help of total cost and total revenue of the industries. Total cost is divided into fixed and variable cost. Fixed cost includes rent of land and building, salary of permanent worker. Some bakery shops might have their own land and building. This reduces the cost of rent. They only have to pay salary for employee as fixed cost. But some bakery shop might have taken land and building on lease. They need to pay rent and salary of employee as fixed cost. For variable cost, some bakery shops may use fewer raw materials as their business is small in scale. They might use less electricity and water compared to large scale. These things can bring fluctuation in variable cost of different bakery industries. Revenue of each bakery shops may differ as some bakery shops might have good reputation and have already gain faith from the customers. Whereas some bakery shops may be struggling to get recognition from the customer.

Bakery industries faces problems in running the business in day-to-day life. Especially in Dharan, there is some difficulty in running the bakery industries. Bakery industries mostly need electricity, water, skilled manpower, proper price determination in raw materials. Dharan suffers from time-to-time power shortage

and water shortage. These things hinder the business. Lack of skilled manpower is another major problem and high price of raw material is another major problem of bakery industry.

Competition among the bakery industries of Dharan is high. Some bakery may care for the competition and some may not. Various factors cause competition. Advertisements of the industry, hospitality, proper management are the major factors. Healthy competition among the bakery shops can help in the rapid growth of this industry. In Dharan, small-scale business of bakery feels the competition pressure but the large scale does not feel. Therefore, competition among bakeries exists in Dharan.

Bakery industries have been providing employment opportunity to the locals. But the locals are not willing to work in the bakery industries. Moreover, skilled and trained workers are not available in the market to boost the bakery industries. Bakery industries are a great source of employment opportunity.

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