

Economic Profitability Assessment on the Operations of Lechon Manok Enterprises in Selected Towns in Northern Samar

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ABSTRACT

This study investigated the economic profitability assessment on the operations of lechon manok enterprise in selected towns in Northern Samar.

Results revealed that the economic profitability of the enterprise was computed using return on investment (ROI). It was found out that on the return on investment of the respondents the highest was 9.23%, and the lowest was 3.12 %. Working capital can be looked at as the excess of total current assets over total current liabilities. Thus, the larger the amount of working capital the stronger the liquidity position of the business organization (Al-Debi'e, 2011).

Furthermore, results of simple linear regression analysis performed on the data indicated that the relationship between capital and net income was significantly related. The higher the capital, the higher the income.

With this, the researchers recommend that lechon manok operators should consider strategies to adjust with the factors that will help to sustain a better profitability of the business. The profitability refers to the measures of profitability of the firm in generating profit (San Gabriel, 2005). However, it is attained by watching the profit over the growth of cost and revenue by watching the profit over the growth of cost and revenue at that margin and by containing the direction of the cost revenue combination that yield the highest possible profit (Villegas, 2008). Consumers should be meticulous enough in choosing and buying a lechon manok in an accredited lechon manok enterprise, for their own safety consumption. Government regulatory authorities should be consistent in supervising the different lechon manok enterprise in town, to secure that all operators are following the standard policies or guidelines used in the business. It is viable that the future investors should have enough capital in starting a lechon manok business. Studies that will involve other respondents in other towns may be conducted to provide further information on the assessment of economic profitability assessment on the operations of lechon manok enterprises.

Keywords: operation, return on investment, economic profitability, lechon manok

INTRODUCTION

Lechon manok is an authorized long - run variety of business. Selecting a proper spot is the favored gold mine for any business. Any capital spent on a concept can take time to possess the comeback of an investment (Business alert: 2014). Filipinos can easily adapt to different food presented by the different countries. Roasted chicken or lechon manok, as translated in a Filipino dictionary, was among the top popular delicacies in the Philippines seventy years ago, it has retained its status up to now. It is prepared not only in the Philippines but also in other countries where chicken are easily grown. Moreover, lechon manok is not new to the Filipinos. It serves as a popular food choice to everyone from young to adult in all walks of life.

In Northern Samar alone, a lot of lechon manok enterprises boom either from the market side or in the car line areas. It only shows that Northerners prefer to eat this delicacy. As reflected in the research of Choachuy, it is loved by nine out

of ten Filipino individuals because of its simplicity in cooking, yet appetizing taste, not only that, it mirrors the creative minds of the natives in terms of food cooking, but it also symbolizes the Philippine culture during the Spanish times up to this present generation where roasted chicken is served with twists in ingredients and presentation.

The lechon manok industry is a powerful and attractive business to try. In order to properly function and develop, an enterprise needs managers who can well understand the economic environment that it operates in (Adesina and Djato, 2005).

The lechon manok enterprise in Northern Samar are increasing due to the demand of the people. Hence, these observations prompted the researchers to conduct this study. The lechon manok owners/operators may help to identify the factors that hinder the progress of their lechon

manok enterprise in terms of the economic profitability, and guide them to improve their business to succeed; further study hopes to gather information needed by the researchers.

METHODOLOGY

This study was conducted in selected municipalities of Northern Samar such as Catarman, Bobon, Pambujan and San Roque. This study utilized the descriptive research design. The respondents were the owner-operators of the selected lechon manok enterprise in selected municipalities.

Data gathering was done using a questionnaire and an interview schedule. A list of the respondents were identified through a survey of the existing lechon manok enterprises.

Frequency counts and percentages were used to interpret the business profile and economic profitability of the lechon manok enterprises. To summarize the categorical data, frequency counts and percentages were used.

To determine the profitability of the lechon manok enterprises, Return of Investment (ROI) was used by Anthony and Reece (1995):

$$ROI = \frac{\text{net income}}{\text{capital}} \times 100$$

To find out the significant relationship between the net income and capital of the lechon manok enterprises, the simple linear regression analysis was used.

RESULTS AND DISCUSSION

Business Profile

Table 1 shows that out of 11 lechon manok enterprises, seven (7) or 63.64 of the total respondents have been operating their business for less than five (5) years. Moreover, two (2) or 18.18% of the respondents have been operating their business for six (6) to ten (10) years. One (1) respondent or 9.09%, said that he has been operating for 11 years. And lastly, one (1) or 9.09% had just started operating his business for a month. The data indicated that majority of the respondents have been operating the lechon manok enterprise for less than five (5) years, which means lechon manok business is still new in Northern Samar.

As per type of business 63.64% had single proprietorship and the remaining four (4) or 36.36 had a partnership. The data indicated that majority of the respondents preferred single proprietorship type of business, which means that they manage the business and have the capital of their own.

As per estimated capital 63.64% of the total respondents, had capital ranging from P100,000 to P149,000, followed by three (3) or 27.27% having a capital ranging from P60,000 to P99,000. Lastly, one (1) or 9.09% of the respondents had a capital that ranged from P150,000 – P200,000. This means that lechon manok enterprise can somewhat survive with these amount of capitalization, as cited on benefits of a lechon baboy and lechon manok business(Internet,2015), starting any business needs a selected capital to satisfy the requirements of that investment and just make some management and marketing strategies for the sustainability of the business.

Table1. Summary of lechon manok business profile

Business Profile	Frequency	Percentage(%)
Years of Operation		
≤ 5 years	7	63.64
6 - 10 years	2	18.18
11 years	1	9.10
Others (12 years or more)	1	9.10
TOTAL	11	100.00
Business type		
Single proprietorship	7	63.64
Partnership	4	36.36
TOTAL	11	100.00
Capital		
Php60,000 – 99,000	3	27.27
100,000 – 149, 000	7	63.64
150,000 – 200,000	1	9.09
TOTAL	11	100.00

Number of employees

Majority (100%) of the respondents had one to three (1-3) employees. This indicated that the management considered labor as a part of the overhead monthly expenses which can be controlled or minimized to gain more income. If the business can limit the number of employees, expenses will be lesser.

Salary rate of employees

Seven (7) or 63.64% had a salary rate of P200 per day. Three (3) or 27.27% were on monthly basis and one (1) or 9.09% had P201-300 day. This means that majority of the respondents' salary rate per employee is P200 per day. The rate is the standard salary per day in region 8 (Summary of Current Regional Daily Minimum Wage Rate, None Agriculture, as of June 2016). But it is more on the management's decisions on the financial status of the business, if the business is doing great and his employees are hardworking, he can increase their salary. Brief and Tomlinson , (1997) reward power comes from the manager ability to allot pay, praise, and other incentives among his/her employees. Good performance will earn them more money.

Table2. Business profile as to salary rate of the employee

Salary rate of employee	Frequency	Percentage (%)
Php200 per day	7	63.64
Php201 – 300 per day	1	9.09
others	3	27.27
TOTAL	11	100.00

Economic Profitability Return on Investment

Table 3 presents the return on investment (ROI) of the respondents. From Catarman alone, Remax Lechon manok had the highest return on investment of 9.23% while Lucily lechon manok from Brgy. Dalakit Catarman had the lowest return of investment of 3.90%. The study revealed that location of the business can be one factor that affects the return on investment. Strategy may allow producers to achieve the highest gross revenue, it may not yield the highest profit because of the differences in transaction costs. The product are generally priced based on customers' demand, competition and costs (Dutta, et al, 2013) The Mandaue Sam Ashley Lechon manok and Samson Ashley lechon manok are all located at the center of Catarman were most of the customers prefer to buy lechon manok for their viand and during special occasions. As mentioned on (Business Alert, 2014), selecting a proper spot is the favoured gold mine for any business. Choachuy (2009) said that location is a strategy that one must not forget.

Franz lechon manok ranked 4, it is located at the UEP, Catarman, Northern Samar, compared to Mandaue Sam Ashley which is also from UEP, Franz lechon manok had the highest return on investment; years of operation can be one factor. Franz lechon manok have been operating from 6 to 10 years, it has more loyal customers compared to Mandaue Sam Ashley lechon manok which has just started to operate months ago.

Marcel's lechon manok is located in Bobon, Northern Samar; frequency of buyers and location of the lechon manok business are the factors that contributed to the return on investment of 4.90%. It implies that Marcel's Lechon manok is the only "lechon manok" in town so the customer had no choice but to buy lechon manok from that stall.

As to Lydia's and Ken's lechon manok from San Roque, they had the same capital but their net income and return on investment were different; frequency of buyers are the factor to be considered, Lydia's Lechon manok price is only 180 pesos while Ken's Lechon manok is 200 pesos; consumers preferred to buy the cheaper one to save more money. According to Choachuy (2009) location is a strategy that one must not forget. If the target market has a high standard of living, the consumer will not mind about the high price as long as it taste good. If the place is accessible and affordable, a food store can be successful retailer in all time.

Ken lechon manok in Pambujan and Ken's lechon manok in San Roque had the same capital, net income and return on investment. It indicates that even though Ken's is the only lechon manok store in Pambujan yet the return on investment was not that promising. So the taste/food preference of the "Pambujanons" is not more on lechon manok.

Table4. Return on Investment

Municipalities	Respondents	Capital (in Pesos)	Net Income (in Pesos)	ROI %
Catarman	Remax	124,000.00	11,500.00	9.23
	Mandaue Sam Ashley	124,000.00	11,100.00	8.91
	Samson Ashley	79,500.00	6,100.00	7.67
	Franz	79,500.00	5,200.00	6.54
	Mang Juan	175,000.00	7,750.00	4.42
	Mandaue Sam Ashley (UEP)	124,500.00	5,200.00	4.17
	Lucily	79,500.00	3,100.00	3.90
Bobon	Marcel's	124,500.00	6,100.00	4.90
San Roque	Lydia	124,500.00	5,650.00	4.54
	Ken	124,500.00	4,000.00	3.21
Pambujan	Ken	124,500.00	4,000.00	3.21

Purchase of Dressed Chickens

Out of the 11 lechon manok enterprise, nine (9) or (81.82%) purchased their chickens at the local supplier, two (2) or (18.18%) purchased their chicken at Magnolia chicken. This indicated that the majority of the lechon manok enterprise purchased their chicken at local suppliers. The study showed that lechon manok owners preferred fresh chicken from local suppliers.

Table5. Purchase of raw materials (Chicken)

Supply for raw materials	Frequency	Percentage (%)
Local supplier	9	81.82
Magnolia chicken	2	18.18
TOTAL	11	100.00

Daily Purchase of chicken

Out of the 11 respondents, five (5) or (45.45%) purchased 3 to 4 crates of chicken daily. Three (3) or (27.27%) purchased from 1 to 3 crates and another three or (27.27%) purchased from 5 to 6 crates of chicken daily.

Table6. Daily purchase of chicken

Daily purchase of chicken	Frequency	Percentage (%)
1-2 crates	3	27.27
3-4 crates	5	45.45
5-6 crates	3	27.27
TOTAL	11	100.00

Daily Sales

Table 7 shows that five (3) or 45.45% of the lechon manok enterprise sold 21 to 40 lechon manok per day, three (3), 27.27% sold 1 to 20 lechon manok per day, and lastly, three or 27.27% sold 41 lechon manok per day or more. This means that the number of lechon manok sold per day is quite promising to lechon manok industry.

Table7. Number of daily sold lechon manok of the Lechon Manok Enterprise

Daily sales	Frequency	Percentage (%)
1-20 lechon manok	3	27.27
21-40 lechon manok	5	45.45
41- more lechon manok	3	27.27
TOTAL	11	100.00

Daily Expenses

Out of 11 lechon manok enterprises, 10 or (90.91%) had a daily expense of at least 2,000 or less, while only one (1) or (9.09%) has daily expense of 5,000 or more a day. This means that if the daily sale of lechon manok is within the bracket of 6,400 pesos than through the result of the study of the daily expenses of 2,000 pesos, at last the business has a net income of 4,400 pesos. The profitability refers to the measures of profitability of the firm in generating profit. However, it is attained by watching the profit over the growth of cost and revenue at that margin and by containing the direction of the cost revenue combination that yield the highest possible profit (Villegas, 2008).

Table8. Daily expenses of the Lechon Manok Enterprise

Daily Expenses	Frequency	Percentage (%)
At least 2,000 or less	10	90.91
5,000 or more a day	1	9.09
TOTAL	11	100.00

Relationship between Net Income and Capital

Result of simple linear regression analysis on the test relationship between net capital of the lechon manok enterprise revealed that the F ratio of 1.325554818 is greater than the significant F of 0.279264971, which means that there is a significant relationship between net income and capital. The Agricultural Marketing Resource Centre, on its analysis of agriculture and rural development defined profit as the excess of income over costs. Profitability was described as the measure of the returns a business creates after deducting operating costs and other expenses from income divided by inputs. Though determining profitability may be the most challenging task, it is also a very rewarding part of a new agriculture enterprise (Yesufu, 2008)

The coefficient of determination of 12.83% explains how much the profit depends on the capitalization. The study reveals that the income depends and has to do with the amount of capitalization, the lechon manok enterprise as through the result of the capitalization is big and the gain in income is bigger also. Working capital can be looked as the excess of total current assets over total current liabilities. Thus, the larger the amount of working capital the stronger the liquidity position of the business organization (Al-Debi'e, 2011).

Table 9 shows the perception of the respondents on the future status of the lechon manok enterprises, quite promising ranked first, as defined by Merriam dictionary, quite promising is similar to very good, while promising, also defined in Merriam dictionary as good ranked second, respondents "strongly agree" with these two.

Respondents "agree" with stable and with a weighted mean of 1.82, respondents "disagree" ranked third. Lastly respondents "strongly disagree" with the future status of the lechon manok if it is dim. This means that the respondents had a quite promising future status of lechon manok enterprise. This proves that the lechon manok will always be a demand to the people as time goes by. The poultry industry represents the fastest and economic means of solving the animal protein shortage. Competitiveness of the poultry industry throughout the world is. However, based on structure that facilitates trade. It requires a domestic base and the ability to make consistent profits over the long term. The lechon manok industry is a powerful and attractive business to try. In order to properly function and develop, an enterprise needs managers who can well understand the economic environment that it operates in (Adesina and Djato, 2005).

Table9. Future Status of Lechon Manok Enterprise

Futue status of lechon manok enterprise	WM	VI	Rank
Quite promising	4.91	SA	1
Promising	4.54	SA	2
Stable	3.91	A	3
Unstable	1.82	D	4
Dim	1.18	SD	5

(SA= strongly agree: MA= moderately agree: A= agree: D= disagree: SD= strongly disagree)

CONCLUSIONS

Based on the findings of the study, capital is related to the net income of the business. It implies that the coefficient of determination explains that the income depends on the capital. More so there are different aspects that can cause changes in the economic profitability of business, and the business operators must provide different means of strategies to cope with all those factors. Furthermore, with a sufficient investment, business will be profitable. The capital must be taken into consideration to make a profit for a particular business. Therefore, the higher the capital invested, the higher the net income.

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