

UNIVERSITY OF NIGERIA, NSUKKA

FACULTY OF ART

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TOPIC:

BUSINESS PLAN

AN ASSIGNMENT

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BY

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CHORES LIQUID

Part I

Executive Summary

The following report and recommendation relate to the proposal by chores liquid to establish a company that produce a special liquid for washing dishes, hands, sinks, washing hand basins, mopping of floor and a host of others at Nsukka Enugu State

Part II

INTRODUCTION

CHORES LIQUID is the first producer that answers this problem and provides indisputable proof every time a person washes his or her hands. After washing occurs, the unique dye in our liquid soap remains on the hands and fades to the skin's natural colour in less than six minutes. It also contains an agent that ensures your dishes and other items do not lose their colours in the course of washing them. No other product on the market offers such a high level of assurance of sanitation compliance. The product is safe and meets all current regulatory requirements for liquid soap.

Vision

To be the top most producer of high quality liquid liquid soap in Nigeria.

Mission

Our mission is to create value for customers and shareholders by continually improving health and reducing preventable illnesses through the use of our liquid soap.

Keys to Success

- A first-mover branding campaign to build awareness of CHORES LIQUID's products as the standard for ensuring hand washing compliance.

- Patent protection to defend our time-sensitive dye and product concept from competitors.

Inherent risks

More individuals will begin to venture into the business because of this project

Unavailability of sources of funds

- Complementary relationships with organizations interested in increasing hand washing compliance.
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Business Ownership

The executive team will retain at least 70% of the equity in the company. Every 1 million Naira of investment in the company will secure up to 1% equity in the company

Part III

Products

CHORES LIQUID's product line provides a unique control level to managers, supervisors and parents alike. We have two basic product lines: CHILDchores, intended for day care facilities, and an antimicrobial-based product for hospitals (HEALTHchores) and restaurants (FOODchores) - the antibacterial products are not yet in development. The various product lines, competitors and future product possibilities for CHORES LIQUID, will be outlined in the following section.¹

Product Description

- CHORES LIQUID, will produce a line of institutional liquid liquid soaps with a time-sensitive dye blended into the mixture.
- The dye reacts with the hands during the lathering process, staining the hands a distinct color, then fading in less than six minutes.

- The product will sell for approximately N200 per 250ml
- The packaging will be compatible with existing liquid soap dispensers mounted in washing stations and be available in a variety of sizes.
- Initially, CHORES LIQUID, will produce products with child care acquirers in mind, utilizing the brightest colors possible. This product line, called CHILDchores, will consist of four colors: red, blue, pink and green.

Part IV

Market Analysis

There is tremendous potential for a product that provides supervisors and parents with the control to monitor and encourage hand washing. Considering the large scope of our potential markets, we feel it is imperative to focus our limited resources on a particular geographic region where we can establish demand for our product. After successful market penetration, we will begin implementation into the restaurant and hospital markets.

Market Segmentation

CHORES LIQUID's first product line addresses the day care market. CHILDchores will first be introduced in the Nsukka, before sequential expansion to additional day care markets. . After successful implementation in Nsukka, we will begin expansion into the greater Enugu State.

Successful penetration into the day care market will be followed by implementation into the restaurant and hospital markets. There are currently over 200 restaurants in the Nsukka. Followed by health care services.

Market Demands

According to a study published in the medical journal, Infectious Diseases in Children, researchers in hand washing recovered fecal coliforms from the hands of one out of every five staff members, citing that more than 33% of day care facilities "had poor hand washing techniques and no policy for hand washing before eating or after playing outside. In spite of all the studies about the benefits of hand washing, improper or infrequent hand washing

continues to be a major factor in the spread of disease in day-cares." (<http://www.ehs.wustl.edu/Topic/top500.htm>)

Hand washing in child care facilities is an ideal initial target market for several additional reasons:

- Child care facilities have rampant illness and germ problems that can be directly reduced through frequent child and worker hand washing.
- Child care facilities have strict, government mandated rules that require frequent hand washing.
- Parents are particularly interested in reducing child illness, making them one of our strongest advocates for the use of CHILDchores in environments they cannot directly monitor.
- **Hospitals:** "In health care, nurses and doctors wash only 30% of the required time between patient contacts and procedures. Each year, an alarming number of bacteria infections occur in Nigeria. They are estimated to directly cause 30,000 deaths and contribute to another 70,000 deaths each year
- **Restaurants:** "Food borne illness kills over 10,000 people each year. Over 70% of all outbreaks originate in food service operations and, as many as 40% are the result of poor food service and cross-contamination

PART V

Market Pan

There has been a recent effort by health service providers and regulatory bodies to promote education to increase hand washing compliance in target markets. The focus of these programs is to educate and encourage preventative control measures for children and workers to help reduce diseases and lawsuits.

Marketing Strategy

For our initial target market of day care facilities, the company will implement two parallel marketing efforts, aimed respectively at day care facility decision makers, and the parents of young children who use these facilities. We will create a push factor by effectively convincing the decision-level managers within the organizations that our product provides an ideal solution to the hand washing compliance. A "first to mind" branding campaign will build CHILDchores as the leader in increasing hand washing compliance. Significant parental support will encourage organizations to implement CHILDchores in environments involving their children.

Market Positioning

CHILDchores is valuable to day care managers who need effective control solutions to ensure frequent child and child-care worker hand washing to keep the environment clean and to minimize preventable illness. No other product on the market serves the hand washing compliance aspect of workplace safety with such an affordable, direct and complete solution. Unlike traditional liquid soaps, our product provides conclusive evidence every time an employee washes his or her hands for only a marginally higher cost than traditional liquid soaps, and significantly less than gloves or other hand washing compliance systems.

Pricing Strategy

Retail pricing for CHILDchores will generally be around N90/case for four gallons and will command a 25-30% price premium over conventional liquid liquid soaps. The value of our product will not be attractive to extremely price sensitive customers.

Promotion Strategy

One of the most important aspects of a successful launch is positive publicity for our product. We will develop an awareness campaign to promote our product through several avenues. Our management team will fiercely pursue positive public perception through government endorsements promoting the benefits of our products. We will also attempt to capitalize on the novelty of the solutions provided by our product by actively seeking local news and media coverage to help spread awareness. Buzz will be developed in social hubs by distributing samples to parties with potential interest. Parental support of the product will be

garnered through free trials, demonstrations, and direct mailings to the day care parent roster lists, parent groups and PTA's.

At washing stations in client facilities we will spread awareness with stickers targeted towards children, showing them the process of washing to turn their hands different colors and emphasizing how fun it can be. Pamphlets will be sent to the family homes through the day care roster mailing lists, to calm fears regarding a new product in their child's environment, explain the benefits and encourage the parents to respond and build feedback for the benefits of the product to further increase implementation.

Sales Forecast

- If we are able to distribute our product through existing distributors, it will provide us a significant financial advantage, as well as the ability to meet the quick increase in demand for our product.
- Beginning with an initial monthly sale of N1,250 for our day care liquid soap product (CHILDchores), we predict sales will increase by 45% per month for the first year. We then calculate a growth rate of 90% yearly. Cost of Goods Sold is approximately 47% of sales. However, COGS grows at a yearly rate of 88%, which is less than the sales growth rate in order to represent the economies of scale that we hope to achieve as our operations grows.

Projected Sales

	Year 1	Year 2	Year 3
Sales			
CHILDchores liquid soap (day care)	N237,168	N450,620	N856,177
HEALTHassure/FOODassure	N0	N0	N0
Total Sales	N237,168	N450,620	N856,177
Direct Cost of Sales	Year 1	Year 2	Year 3
CHILDchores liquid soap (day care)	N94,867	N178,351	N321,031

care)

HEALTHassure/FOODassure	N0	N0	N0
Subtotal Direct Cost of Sales	N94,867	N178,351	N321,031

Schedule of operation

CHORES LIQUID, will initially encourage critical strategic alliances in two distinct areas:

Distributors

The relationship between CHORES LIQUID, and the product distributors will be essential. A flexible distribution system will be critical to the success and growth of our product. Good distribution will allow our product to satisfy and flexibly expand to accommodate demand.

The Government

By teaming up with government organizations, CHORES LIQUID will be able to utilize existing hand washing compliance programs to reach a much larger potential audience than could be directly contacted. Government endorsement of our product, and the mention of its benefits in government brochures and written materials could be a major competitive advantage and sales opportunity for CHORES LIQUID,

Management and Organization

Two of our strengths are the low cost structure and flexible personnel needs. Sales people with experience relevant to each new respective target market can be attained as need dictates, but the initial management team consists of the founders themselves, with little operational support. The Board of Advisors will be a critical foundation for the successful growth and development of CHORES LIQUID, ,.

Management Team

Initially, both founders will share in the operational and financial responsibilities of the company. They will be responsible for finding, attaining and managing new accounts. Both founders will be responsible for making direct sales, marketing, and all other operational

tasks involved with making this company successful. The CEO will oversee all company decisions.

Principals:

Adanna Nnamani: President/Founder/CEO

Adanna Nnamani will oversee operations in all aspects of the business. In addition to managing client relationships, marketing and product expansion, Miss Nnamani will be responsible for hiring new personnel members to enhance the management team. Miss Nnamani will be receiving her bachelor of Arts in Mass Communication from the University of Nigeria .

Kelechi Nnamani: Founder/COO

Mr. Kelechi will contribute in both sales and financial management for CHORES LIQUID, . He has worked as a manager at a restaurant and as a computer technician with several years of experience. In the spring of 2004, he will be receiving his bachelor of Science degree in Business Administration from the University of Nigeria with a concentration in Entrepreneurship.

Personnel Plan

	Year 1	Year 2	Year 3	External support
Adanna Nnamani	N28,800	N32,000	N50,000	It will be necessary to hire new sales associates as we expand into each new market segment. An individual with experience in networking with the government, perhaps having specific contacts with the NDLEA
Kelechi Nnamani	N28,800	N32,000	N50,000	
Inventory Manager	N0	N30,000	N40,000	
Sales Associate	N0	N30,000	N36,000	
Research and Development	N0	N20,000	N40,000	
Total People	2	5	6	
Total Payroll	N57,600	N144,000	N216,000	

and NAFDAG, will be a necessary addition to successfully create a complementary relationship with government organizations. A child-care industry professional with relevant experience and networks in the industry will be acquired to accelerate sales growth. After

sufficient cash flow has been established and revenues have plateaued, we will hire a chemist on salary to expand our existing product line. A chemical expert working as a consultant will initially be useful for three reasons:

Value and norms of the company

To offer the best customer services

To develop an employee friendly environment

To see our customers as our first priority

PART VII

LEGAL, ENVIRONMENTAL, SOCIAL AND REGULATORY ISSUES

Legal issues

LIQUID CHORES plans to start operations as sole proprietorship. The business is registered under NAFDAG and NDLEA.

Environment

Soap production could pose environmental challenge due to the chemicals used in the production processes. Its in our plan to make provision for adequate waste management and to prevent spillages.

Social

This project will

1. Create employment
2. Create wealth
3. Reduce poverty

PART VIII

RISK ANALYSIS

Table: identified risks 7 their mitigants

IDENTIFIED RISKS	MITIGANTS
Inhaling of chemicals	Covering of the nose while in the factory
Corrosion of the palms	Use of hand gloves
Irregular water supply	Provision of large water reservoir

SWOT Analysis

A SWOT analysis carried out on the project reveals the following:

Strengths

The location of the factory makes it to have access to its target market

The combination of quality chemicals to produce corrosion free liquid soap

It comes in variety of colour which makes it one of its kinds

It prevents fading of items its used on

Its has plans to expand as soon as possible

The proprietor has adequate experience in soap production

Weaknesses

Problem of sourcing for funds

The company will have to export its machineries

Opportunities

There is a very high demand of liquid soap in homes, schools, hotels, offices, residential domes and almost everywhere.

The colour of the product makes it one of its kind in Nigeria

Threats

Increased competition due to more people venturing into liquid soap production

Availability of varieties of liquid soap in the market

Low initial demand

Limited means of distribution

PART IX

Company financial

Summary of project cost

. The project will would require a start up capital of N 3,000,000, made up of N2000, 000 for fixed assets and N1000, 000 for working capital.The enterprise vision is to be the top most producer of high quality liquid liquid soap.The project will be located at Nsukka because of its access to target market.A huge market is provided by the University of Nigeria located there in Nsukka.

Financial Plan

Based on market research, we expect the business to begin growing at 45% per month for the first 12 months, then at a yearly rate of 90% for the next two years. Due to our low initial investment costs, we can maintain the operations of the business with the cash buffer we will

have from start up. In addition, we will almost immediately have a positive cash flow, allowing us the flexibility to cover any unforeseen expenses.

Break-even Analysis

The following fixed costs reflect the relative costs for selling and distributing our product within the greater Portland metro area, and do not reflect the fixed costs necessary to expand further.

Break-even Analysis

Monthly Revenue Break-even	N11,25000
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Assumptions:

Average Percent Variable Cost	40%
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Estimated Monthly Fixed Cost	N6,75000
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Projected Cash Flow

Overall, our business is expected to generate sufficient cashflows. Our cash balance will, among other things, depend on the level of inventory we'll decided to keep at a rented warehouse. At the moment, our projections in this respect are preliminary and we expect to fine-tune them as the demand for our products grows.

We expect to secure a N50,000,000 line of credit in year 3 to finance our receivables, listed as "New Current Borrowing" in the table below.

In year 5 of operations, we will begin looking at our ability to begin paying back our initial investorsthe 5000,000. Although the terms of the additionally sought investment are yet to be agreed upon, we belief that our investors will provide us with a buffer of some years before expecting a return on their investment, allowing us the capital and time to expand and grow at an appropriate or desired rate. Nevertheless, for planning purposes, we have made provisions to start paying out a modest dividend from the third year of our operations. Currently, we set dividend payments to be equal to 5% of net profits.

Pro Forma Cash Flow

	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	N0	N0	N0
Cash from Receivables	N138,736	N362,031	N687,858
Subtotal Cash from Operations	N138,736	N362,031	N687,858
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	N0	N0	N0
New Current Borrowing	N0	N0	N50,000
New Other Liabilities (interest-free)	N0	N0	N0
New Long-term Liabilities	N0	N0	N0
Sales of Other Current Assets	N0	N0	N0
Sales of Long-term Assets	N0	N0	N0
New Investment Received	N0	N0	N0
Subtotal Cash Received	N138,736	N362,031	N737,858
Expenditures			
Expenditures from Operations			
Cash Spending	N57,600	N144,000	N216,000
Bill Payments	N128,381	N215,710	N438,395
Subtotal Spent on Operations	N185,981	N359,710	N654,395
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	N0	N0	N0
Principal Repayment of Current Borrowing	N0	N0	N0
Other Liabilities Principal Repayment	N0	N0	N0

Long-term Liabilities	Principal		
Repayment	N0	N0	N0
Purchase Other Current Assets	N0	N0	N0
Purchase Long-term Assets	N0	N0	N0
Dividends	N0	N0	N0
Subtotal Cash Spent	N185,981	N359,710	N654,395
Net Cash Flow	(N47,245)	N2,320	N83,463
Cash Balance	N29,455	N31,775	N115,239

Profit and Loss account

Our profit and loss projections reflect our expectation that monthly fixed costs will remain constant over the course of the first year.

Cost of goods sold increases at a decreasing rate, as economies of scale make liquid soap production cheaper per unit as production volume increases. Based on these projections the company will become profitable in October, 2017.

Advertising expenses will remain steady during our first year of operations. However, Advertising and Promotion will grow in years 2018 and 2019 to reflect the purchase of print ads, PR brochures, and additional promotional content.

Pro Forma Profit and Loss

	Year 1	Year 2	Year 3
Sales	N237,168	N450,620	N856,177
Direct Cost of Sales	N94,867	N178,351	N321,031
Other	N0	N0	N0
Total Cost of Sales	N94,867	N178,351	N321,031
Gross Margin	N142,301	N272,269	N535,146
Gross Margin %	60.00%	60.42%	62.50%

Expenses			
Payroll	N57,600	N144,000	N216,000
Payroll Taxes	N0	N0	N0
Depreciation	N0	N0	N0
Rent	N8,400	N8,400	N8,400
Utilities	N1,200	N1,200	N1,500
Insurance	N6,000	N6,000	N6,000
Telecommunications	N1,200	N2,500	N3,500
Travel	N1,800	N2,500	N4,000
Warehousing	N3,600	N4,000	N4,500
Other General and Administrative Expenses	N1,200	N1,200	N1,200
Total Operating Expenses	N81,000	N169,800	N245,100
Profit Before Interest and Taxes	N61,301	N102,469	N290,046
EBITDA	N61,301	N102,469	N290,046
Interest Expense	N0	N0	N2,500
Taxes Incurred	N18,390	N30,741	N86,264
Net Profit	N42,911	N71,728	N201,282
Net Profit/Sales	18.09%	15.92%	23.51%

PART X

Projected Balance Sheet

Once we have established a relationship with the manufacturer, we will purchase inventory in minimum quantities of approximately 15,000 gallons for approximately N20,000 per shipment (following the initial start-up inventory purchase, at N50,000). As sales increase we expect that inventory turnover rate to increase.

Our only significant Accounts Payable will be Inventory, which are a direct reflection of the level of inventory on hand. We will be paying off our Accounts Payable in accordance with

sale of inventory. Therefore, as we begin to sell more liquid soap, we will be increasingly capable of meeting our obligations in a timelier manner, ensuring that we have enough cash on hand to cover our short term liabilities.

Pro Forma Balance Sheet

	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	N29,455	N31,775	N115,239
Accounts Receivable	N98,432	N187,021	N355,340
Inventory	N119,146	N34,927	N60,193
Other Current Assets	N0	N0	N0
Total Current Assets	N247,032	N253,723	N530,772
Long-term Assets			
Long-term Assets	N0	N0	N0
Accumulated Depreciation	N0	N0	N0
Total Long-term Assets	N0	N0	N0
Total Assets	N247,032	N253,723	N530,772
Liabilities and Capital			
	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	N77,422	N12,384	N38,150
Current Borrowing	N0	N0	N50,000
Other Current Liabilities	N0	N0	N0
Subtotal Current Liabilities	N77,422	N12,384	N88,150
Long-term Liabilities	N0	N0	N0
Total Liabilities	N77,422	N12,384	N88,150
Paid-in Capital	N250,000	N250,000	N250,000
Retained Earnings	(N123,300)	(N80,389)	(N8,661)

Earnings	N42,911	N71,728	N201,282
Total Capital	N169,611	N241,339	N442,621
Total Liabilities and Capital	N247,032	N253,723	N530,772
Net Worth	N169,611	N241,339	N442,621

Commercial viability.

The market viability of the project is very clear. The project hold great potentials for individuals, government and society at large.

Conclusion

There, the project is highly recommended both finding and implementation.