



## JOYCE-BAGS AND FOOTWARES MAKING

INDUSTRY



A BUSSINESS PLAN ON

CED 342 (BUSSINESS CREATION AND GROWTH)

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## **TYPICAL EXECUTIVE SUMMARY**

### **1.0 EXECUTIVE SUMMARY**

- 1.1 The following report and recommendations relate to the proposal by JOYCE INDUSTRY (NIGERIA) to establish a bag and foot ware industry.
- 1.2 The proposed project is to be fully implemented with an investment of N 800 thousand (eight hundred thousand) made up of N500,000 fixed capital and N300,000 working capital.
- 1.3 The company's vision is "to be a bag and foot ware producers of choice, providing quality product/service to the satisfaction of eager customers".
- 1.4 The proposed project will be located at Nsukka in Enugu State.
- 1.5 A ready market exists for the planned business, based on our market survey.
- 1.6 The financial projections reveal a good level of liquidity and stability. The projected turnover for 2010, 2011 and 2012 respectively is N1million, N1.5million and N1.8million. Profit after taxation in 2010 is N197,000 increasing to N712,985 in 2012

1.7 The funding requirement is N600,000, as the promoter is committing N200,000 to the project.

1.8 The company's competitive edge is the management's strong technical skills and knowledge of the industry.

1.9 The profitability indicators as extracted from the projections embodied in this plan, are as follows:

INDICATORS	2018	2019	2020
Turnover N	1,200,000	1,440,000	1,728,000
Gross merger N	720,000	912,000	1,148,800
Net operating profit N	142,000	297,200	500,300
Return on Equity or owner's contr. %	71	148.6	250.16
Return on total investment %	17.75	37.15	62.54

#### 1.10 Conclusion and Recommendation

- From the point of view of the analysis of our findings, the proposed project is found to be technically feasible, financially viable and economically, desirable.
- The project offers good investment benefits. We therefore, highly recommend it to be funded so that we can ensure its implementation.

## **2.0 BACKGROUND**

It was discovered by studies that the need for customized bags and foot wares is high in universities especially amongst the female students. There is also high demand of these products in the market among the traders, civil servants etc. The need for this unique bags and shoes has proven to increase especially since foreign shoes and foot wares cannot give us this satisfaction. A study was actually carried out using University of Nigeria, Nsukka as a case study, it showed that students preferred customized bags and foot wares to the foreign ones.

It was also discovered that they preferred it because it brings out the beauty of their traditional or native wares. That is, wearing the same cloth, carrying the same hand bag and wearing the same foot ware made from the cloth material. A feasibility study was carried out and it was discovered that there are few industries producing such bags and foot wares. I hope to attract my customers by being cheaper than the other industries but producing quality products.

### **-Vision Statement**

To be known as the best and most reliable bags and foot wares producer.

### **-Mission Statement**

To make artistic and creative designs using man and technology to have the best customized bags and foot wares to meet the satisfaction of my eager customers.

### **-Ownership of the enterprise**

Joyce-bag and foot ware making industry is a sole proprietorship business enterprise wholly owned and managed by Egesi Joy.

#### **-Legal status**

The industry is undergoing registration process with Cooperate Affairs Commission

#### **-Location and facilities**

The industry will be located at Nsukka Urban, Enugu State. Reasons for this choice:

1. Low cost of supply
2. Easy accessibility and high visibility to the markets in Enugu.
3. Central attraction of customers.

**Facilities** like tables, chairs, industry sewing machine, embroidery machine, generator, cutting machine, filing machine, sizing machine etc.

#### **-Products/services**

Joyce bag and foot ware industry offers customized bags and foot wares for sale to the general public at reduced prices.

#### **Business Strategy**

I believe the saying that says “you believe what you see”. By creative and artistic designs, Joyce industry will attract and retain her customers. Joyce industry will do her best by producing unqie products amongst her competitors. Her products are targeted at female students especially in the universities in Enugu state. Efforts will be made to ensure that these products are available and affordable in most universities and

polytechnics in Enugu State (especially, University of Nigeria Nsukka, Enugu State University of Technology, University of Nigeria, Enugu Campus, Institute of Management and Technology etc) and to the markets like Ogige in Nsukka, new market in Enugu etc.

#### **-Key success factors**

The key success factors are:

- a. The material resources needed for bags and foot wares are affordable and cost effective
- b. The main designer has undergone training in entrepreneurship and fine art
- c. Existence of reliable market outlets

#### **-Revenue based**

Our revenue will be gotten from:

1. Sales of bags and foot wares to individuals (students, civil servants, traders etc).
2. Sales of bags and foot wares to cooperate organization
3. Training of potential entrepreneurs in the area of bags and foot wares as skill acquisition.
4. Income from consultancy services.

### **3.0 MARKETING AND CLIENTS**

**-Nature and size-**The main target markets are in the Enugu State of Nigeria. Particularly, the following markets are targeted: Ogige, new

market, old market etc all in Enugu State. The reason for targeting these markets is due to the fact that they are all urban and have large population of students who would like to buy these products. Other members of the society will benefit from the products. The nature of the market for these products is large.

### **-Target Clients**

- Female students are targeted especially.

- wholesalers and retailers

- Civil servants

### **-Key Competitors and Players**

There are other bag and foot ware industries that produce these products to the general public. The area of competition in this industry is basically based on quality of products, creativity and designs made. But there is low competition because of overprice of the products. We seek quality products at minimal cost and quality products for the satisfaction of our customers

### **Production Process**

- The first step is to choose the most suitable last and then create the design of a bag or foot ware. The model is then drawn on the selected last and covered with adhesive paper. The paper is then removed and place on a cardboard and the cut in selected pattern for the construction of the foot ware or bag. The cutting is done manually with great attention. The edging process is carried out by expert hands, and can be over an hour's work for each model. Assembly for example in foot wares is done, which involves several steps starting with the application of a leather midsole, the part where we place our feet, onto the last. For bags,

lining are cut and stitched and sewed with the leather. Straps, buckles, chains are added to the final product.

### **-Service Delivery**

Service will be delivered to students, civil servants, traders, households etc

### **-Quality Assurance**

The quality of the product is assured and a warrantee of one month without cutting is allowed. There will be provision of high quality products of different designs.

### **-Demand/Supply Analysis**

-As early stated, the number of students and adults in need of these customized bags and foot wares increases every year. A survey carried out at the University of Nigeria, Nsukka showed that the demand for these products is very high especially among the female students. This is because of the trend of fashion that is reigning for the individuals where a person wears a traditional cloth and wants his/her bag to be the same with the cloth he/she is wearing.

### **-Technology**

A generator will be needed, different machines and a website will be created to show case our products.

### **-Competitive Edge**

This venture requires both creativity and business acumen. Therefore, Joyce industry will make sure that the quality is superb, design concept and originality. This is because it takes a lot of fashion flare and technical knowledge to create a design that trend and we have all the qualities to do that.

#### 4.0 **MARKETING PLAN**

**-Marketing plan-** There are few industries in Enugu that are concerned with these products. Therefore, the competition will not be high. Joyce bag and foot wares making industry will soon be known when there is a display of creative and artistic designs of customized bags and foot wares.

##### **-Promotion and distribution strategy**

There is going to be an awareness campaign. A face book page, whatsapp page and a website will be opened to this regard. Business cards will be printed that will show where these products can be gotten. Incentives will be given to customers, that is, there will be a reduction of price for the first five students, teachers, traders, civil servants. They will be part of the awareness group. These set of people are chosen because they represent a vital area of our society. There will also be door-door selling.

**- Alliances-**We don't intend to partnership with any organization at the initial stage.

##### **-Market positioning**

Joyce bag and shoes making industry will position itself as the best designer and producer of bags and foot wares in Enugu and its Environs.

##### **-Service delivery strategy**

Services will be delivered to traders and buyers (in the market), students (schools), civil servants (in the offices), households (home service).

##### **-SWOT Analysis-**

##### **-Strengths**

-The location of the industry makes it easy for the production and distribution of these products.

-The artistic and creative design of the industry makes our products unique.

-The products are available and affordable.

The industry will build on these strengths.

### **-Weaknesses**

-It is stressful and hectic when it comes with artistic designs, therefore, needs people who are creative.

-Initial problems of raising adequate capital for the industry.

Joyce industry plans to address these weaknesses through raising funds and hiring skilled hands and experts who are creative.

### **-Opportunities**

-There are few industries producing customized bags and foot wares currently in Enugu State. Therefore, with our industry producing high quality products is a major advantage.

-The demand for these products is high especially among students. Therefore, there is hope that the business will grow in the next few years.

The industry hopes to exploit these opportunities.

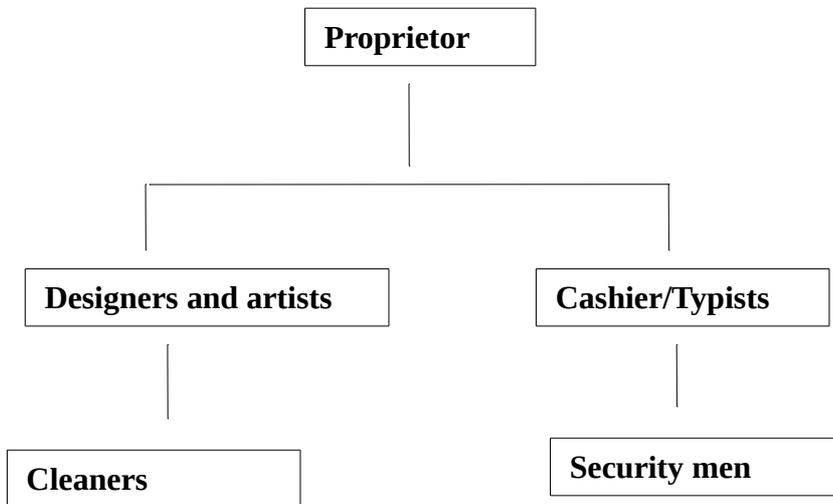
### **-Threat**

-Increased competition due to the high demand of these products.

There will be aggressive awareness and other promotions that portray our beautiful products.

## 5.0 ORGANIZATION AND MANAGEMENT

### -Organizational structure



**-Shareholders and directors-** The proprietor is the director and shareholder

### -Management team

At the start there is no management team except the proprietor, who being the sole owner of the industry will manage the affairs of the industry. Miss Joy Egesi is a nutritionist by profession but has undergone several entrepreneurial courses. Some skilled hands will be hired who will help in the management.

### -External support

External support will be given by a friend that studied fine arts and has entrepreneurial skills.

### -Personal plan

Skilled staff (designers, artists, typists, cashier) and unskilled staff (cleaners, security men).

The total salary and allowances is N400, 000. To hire distributing personnel who will help in the distribution of these products beyond Enugu State.

**-Value and norms of the company-**

Joyce bag and foot ware making industry plans to adopt the following norms and values

- a. To show honesty always.
- b. To see her employers as her most valuable assets.
- c. To treat their customers with care and respect.

## **6.0 LEGAL, REGULATORY, SOCIAL AND ENVIRONMENTAL ISSUES**

### **- Legal Issues**

Joyce industry had made some serious plans to commence commercial and distribution operation as a sole proprietorship. Such it is enough to register with the Local Government Headquarters and trade unions. Attempts will be made to get necessary permits for the business operation.

**-Regulatory bodies-** The bag and foot ware industry will simply comply with all the environmental regulations, as well as all relevant industrial safety regulatory requirements.

### **-Social issues**

The establishment of the industry will bring about social and economic benefits to the society in the following ways:

1. Creation of more jobs for the unemployed
2. It will also be an avenue for people who want to learn thereby increasing the skill acquisition for young adults.

#### **-Environmental issues**

The industry may pose environmental pollution especially air pollution when generators are used. Therefore channels have been put in place to channel the release of these pollutions. Also there are provisions of waste bins in the different areas of the industry.

## **7.0 FINANCIAL PLAN**

### **THE TOTAL PROJECT COST**

**Project Cost:** The total project cost is estimated at N800,000 made up of N500,000 in Fixed Capital and N300,000 in Working Capital.

**Funding Plan:** The total project cost of N800,000 is proposed to funded in the following structure:

	<b>Owner's Contr.</b>	<b>Term Loan</b>	<b>Total</b>
	N	N	N
<b>Owner's contribution</b>	<b>200,000</b>		<b>200,000</b>

<b>Term Loan</b>		<b>600,000</b>	<b>600,000</b>
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<b>Grand Total</b>	<b>200,000</b>	<b>600,000</b>	<b>800,000</b>
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**Funding Requirement:** The funding requirement for this project is N600,000 as the promoter is committing N200,000 into the project.

## JOYCE BAG AND FOOT WARE MAKING INDUSTRY

### PROJECTED INCOME STATEMENT

	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Turnover</b>	<b>N</b>	<b>N</b>	<b>N</b>
	<b>1,200,000</b>	<b>1,440,000</b>	<b>1,728,000</b>
Cost of sales	<b>480,000</b>	<b>528,000</b>	<b>580,800</b>
Gross margin	<b>720,000</b>	<b>912,000</b>	<b>1,148,800</b>
<b>LESS: OPERATING EXPENSES</b>			
Salaries & Allowances	<b>400,000</b>	<b>450,000</b>	<b>490,500</b>
Electricity	<b>20,000</b>	<b>21,000</b>	<b>22,000</b>
Transport & travelling	<b>25,000</b>	<b>27,000</b>	<b>29,000</b>

	<b>60,000</b>	<b>60,000</b>	<b>30,000</b>
Loan interest			
	<b>35,000</b>	<b>36,800</b>	<b>39,000</b>
Telephone & postages			
	<b>38,000</b>	<b>38,000</b>	<b>38,000</b>
Depreciation			
<b>Total Operating Expenses</b>	<b>(578,000)</b>	<b>(632,800)</b>	<b>(648,500)</b>
<b>Net Operating Profit</b>	<b><u>142,000</u></b>	<b><u>279,200</u></b>	<b><u>500,300</u></b>

## JOYCE BAG AND FOOT WARE MAKING INDUSTRY

### PROJECTED CASHFLOWS STATEMENT

	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b><u>Cash in Flows</u></b>	<b>N</b>	<b>N</b>	<b>N</b>
Owner's capital or Equity	200,000	-	-
Bank loan	600,000	-	-
Sales of revenue	<u>1,200,000</u>	<u>1,440,000</u>	<u>1,728,000</u>
<b>Total cash inflows (A)</b>	<b>2,200,000</b>	<b>1,440,000</b>	<b>1,728,200</b>
<b><u>Cash outflows</u></b>			
Fixed Assets Acquisition	480,000	-	-
Cost of sales	480,000	528,000	580,800
Operating expenses	480,000	528,000	580,800
Loan repayment	540,000	594,800	610,500
<b>Total cash out flows (B)</b>	<b>-</b>	<b>300,000</b>	<b>300,000</b>
<b>Net cash flows (A-B)=C</b>	<b>(1,500,000)</b>	<b>(1,422,800)</b>	<b>(1,491,300)</b>

Opening cash balance (D)	700,000	17,200	237,300
<b>Closing cash Balance (D)</b>	-	700,000	717,200
	<b>700,000</b>	<b>717,200</b>	<b>954,500</b>

**JOYCE BAG AND FOOT WARE MAKING INDUSTRY**

**PROJECTED BALANCE SHEET**

	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>N</b>	<b>N</b>	<b>N</b>
<b><u>Capital Employed</u></b>			
Fixed assets (at cost)	480,000	480,000	480,000
Less depreciation	<u>38,000</u>	<u>(76,000)</u>	<u>(114,000)</u>
<b>Net book value</b> <b>A</b>	<b>442,000</b>	<b>404,000</b>	<b>366,000</b>
<b><u>Current assets</u></b>			
Balance at bank and in hand <b>B</b>	700,000	717,200	954,500
Less: current liabilities <b>C</b>	(600,000)	(300,000)	-

Net current assets	<b>B-C=D</b>	<u>100,000</u>	<u>417,200</u>	<u>954,500</u>
Net assets	<b>E</b>	342,000	821,000	1,320,500
<b>Financed by:</b>				
Owner's capital	<b>F</b>	200,000	200,000	200,000
Retained profit	<b>G</b>	142,000	621,200	1,120,500
Owner's fund	<b>F+G=H</b>	<u>342,000</u>	<u>821,200</u>	<u>1,320,500</u>

### PROFITABILITY ANALYSIS

INDICATORS	2018	2019	2020	
Turnover N	1,200,000	1,440,000	1,728,000	
Gross merger N	720,000	912,000	1,148,800	
Net operating profit N	142,000	297,200	500,300	
Return on Equity or owner's contr. %	71	148.6	250.16	
Return on total investment %	17.75	37.15	62.54	

**Formula (a) Return on Equity or Owner's Contribution =  $\frac{\text{Operating Profit}}{\text{Owner's Contribution}}$**

### **Break-Even Point (BEP) Analysis**

	Fixed Costs	Variable Cost
	N	N
Salaries and Allowances	400,000	-
Electricity	-	20,000

Transport & Travelling	-	25,000
Loan Interest	60,000	-
Telephone & Postages	-	35,000
Depreciation	38,000	-
<b>Total</b>	<b>498,000</b>	<b>80,000</b>

$$\begin{aligned}
 \text{BEP} &= \frac{\text{FC}}{1 - \frac{\text{VC}}{\text{S}}} \\
 &= \frac{498,000}{1 - \frac{80,000}{1,200,000}} \\
 &= \frac{498,000}{1 - 0.067} \\
 &= \frac{498,000}{0.933} \\
 &= \underline{\underline{\text{N}533,762}}
 \end{aligned}$$

### Risk Analysis

The project has been subjected to risk analysis and some inherent risks identified and appropriate mitigants preferred to avoid the business form being disrupted.

Table 1: Identified Risks & their mitigants.

Identified Risk	Mitigants
Inadequate start-up demand	Aggressive promotion and advertising

	campaigns
Irregular electrical supply	Provision of a stand-by generator.
High unexpected entrance of many competitors due to the fact that the business is profitable	Use of trade secret to keep product formulation formula secret from potential competitors. Also continuous aggressive marketing will be sustained

### **-Contingency Plan**

Joyce industry does not foresee a situation where it will fail. However, if there are tendencies of failing, it can be changed to a merger with another company.

### **-Exit Strategy**

- No exit is planned, but the business can easily open other lines of business and diversify its products.

### **-Other Considerations, Conclusion and Recommendation**

**-Economic Justification:** “From the point of view of our study and analysis of the findings embodied in this plan, the project offers good benefit to the economy as it create job and enhances skill acquisitions ”

**-Commercial Viability:** “We have found this project to be commercially viable, having shown through our financial projections, a conservative but impressive turnover, cash flows, profit line and investments appraisal metrics.”

**-Conclusion and Recommendation:** “Having found this project technically feasible, commercially viable and economically desirable, we therefore strongly recommend it for funding and implementation.”