

UNIVERSITY OF NIGERIA NSUKKA
FAUCLTY OF AGRICUTURE
DEPARTMENT OF HUMAN AND NUTRITION AND DIETETICS

TOPIC:

**ESTABLISHMENT OF ICE CREAM PRODUCTION AND SELLING
BUSINESS**

A BUSINESS PLAN

**PRESENTED IN PATIAL FULIFIMENT OF THE COURSE CEDR 342
(BUSINESS DEVELOPMENT & MANAGEMENT)**

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EXECUTIVE SUMMARY

The following report and recommendation relate to the proposal by EZE and sons for the establishment of AUGUSTA ventures to establish an ice cream selling business

The proposed project is to be fully implemented with an investment of ₦987,000 (Nine hundred and eighty-seven thousand naira), made up of ₦822,000 (eight hundred and twenty-two thousand naira only) fixed capital and ₦165,000 (one hundred sixty-five thousand naira) working capital.

The company’s vision is “to specialize in selling ice cream providing quality ice cream, dairy products and discerning customers”

The proposed project will be located at Kano capital of Kano State. A ready market exists for the planned business, based on our market survey.

The financial projections reveal a good level of liquidity and stability. The projected turnover for year 1, year 2, year 3 respectively ~~₦~~ 3,055,200, ₦ 3,360,720

and ₦3,696,792. The funding requirement is ₦ 597,000 since the promoter's are committing ₦390,000 to the project.

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

The profitability indicators at extracted from the projections embodies in the plan are as follows;

Indicators	Year 1	Year 2	Year 3
Turnover	3,055,200	3,360,720	3,696,792
Gross margin			
Net operating profit	2,144,750	2,399,170	2,676,942
Return on owner's contribution %	550	615	686
Return on total investment %	217	243	271

1.1 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 recommend it for funding and implementation.

2.0 BACKGROUND

2.1 Introduction

The food and drug industry is the most established, viable and profitable industry a wise man would like to invest in since there is a saying that "Everybody eats or drink food every time". The industry is the prime-mover in the development of any nation and Nigeria being a nation is not exempted. Since the food and drug

industry is a one-stop shop with many specializations like processing of cassava, selling of pure water, selling of ice-block, ice cream, fruit juice business etc.

Ice cream business is important and need-filling because we live in a country situated within one of the hottest regions in the world and our economy is such that majority of our people get involved in hard labour to make ends meet. These two important facts necessitate the high intake of ice cream by especially the people who drive the economy at that level. Therefore, one can imagine the amount of ice cream that is taken on a daily basis irrespective of the season we are in. And of course most people prefer to take their ice cream thick as this makes the ice cream creamier and better appreciated.

In terms of the population, the business has a lot of population base that the entrepreneur can benefit from since Nigeria is the most populous black nation in the world with over 150 million people.

2.2 Vision and Mission

The vision is “to contribute my quota to reducing unemployment in the nation among our youths.” While the mission is” to become a leading global player in the food and drug industry.”

2.4 Legal Status

This business AUGUSTA Ventures which belongs to EZE and Sons is located at Kano capital. It is in the process of being registered with the Co-operate Affairs Commission (CAC).

2.8 Key success factor

The key success factor distinguishes this business from other business ventures operating in the business of selling ice cream products. Even though the competitors say inexperience is our down fall, with the high population and high sunny weather condition, we are determined and focus to overcome the obstacle together with having a good moral, good dressing habit, always giving gratitude and always strive for product quality. With the few attribute of our staff together with our flaws which we will improve will give us a good key success factor over our competitors

2.3 Ownership of the enterprise

This enterprise AUGUSTA Ventures belongs to EZE and sons of No 48 Amadu Bello Road, Kano State, Nigeria.

2.5 Location and Facilities

The ice cream business is located in Kano State, Nigeria. Due to the abundance of population in the area, cheap labour, cheap rent and good network of roads. The area is connected to the national power grid, urban water supply and good security network with a military post and police station located in the area.

2.6 Product and Services

- Home made ice cream
- Yogurt
- Sorbet
- Novelty products in supermarket
- Novelty products in grocery stores
- Novelty products in restaurants

2.7 Business strategy

The business strategy to be used will be a direct selling to the consumers and with the use middle men or agent to help penetrate the market very well.

In the terms of pricing which is an essential part in the business strategy, it is going to use the strategy that involves selling some of the products cheap and using one product to cover for all of them. This is done to get customers and penetrate the market, with the hope that with this strategy it will help us get into the market effectively.

2.9 Revenue Base

The table below gives the revenue base for year 1 of the Augusta Ventures. It is as follows;

S/No	Item	Quantity per month	Unit price (₦)	Quantity per year	Amount(₦)
1	Home made Ice cream	2232	100	26784	2678400
2	Yogurt	30	80	360	28800
3	Sobert	30	50	360	18000
4	Novelty products in supermarket	80	200	960	192000
5	Novelty products in grocery shop	5	300	60	18000
6	Novelty products in restaurant	15	1000	120	120000
	Total				3055200

3.0 MARKETING AND CLIENTS

3.1 Nature and the size

The nature of the market is that it can be used for both raw materials for industries; it can serve for domestication in homes. It can also be used for commercialization.

In terms of the market size, it is enormous when you consider the fact that Nigeria is a populous nation with over 160 million people while Kano State is among the largest states with over 13 million people. We can therefore say that the market size is adequate good enough.

3.2 Target client

The target client in the ice cream business includes the following;

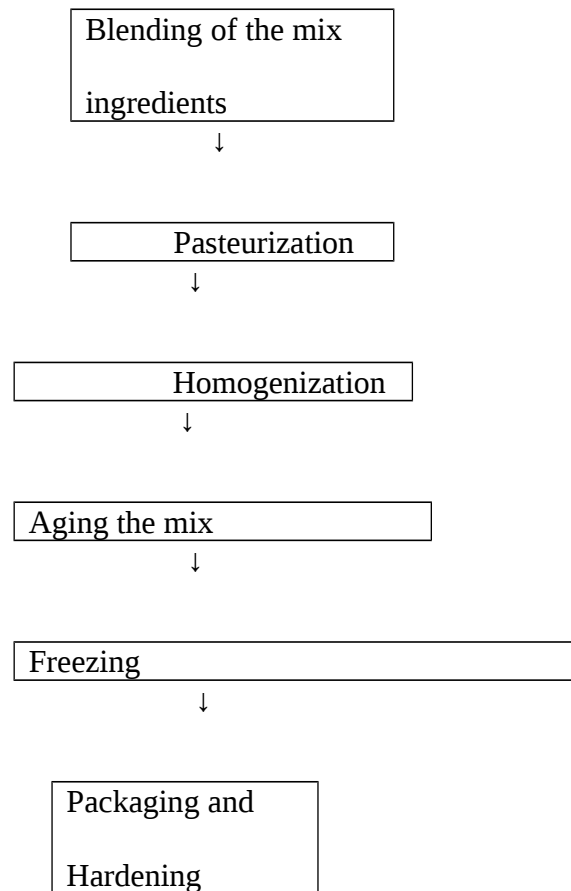
- School graduation ceremonies
- Amusement parks
- Party people or individuals or groups having one festivity or celebration or the other;
- Shopping malls
- Restaurant and fast food vendors;
- Cafeteria (what some popularly call “bukka”);
- Hawkers who sell ice cream products during traffic.

3.3 Key Competitors and Players

There are many key competitors will shall list some of them;

- FAN ICE CREAM PLC
- SUPREME ICE CREAM PLC
- CLEAR CONCEPT LIMITED
- PEOPLES CHOICE NIGERIA PLC

3.4 Production process



3.5 Service delivery

The way we are going to handle our client so as not to lose them. They include; having courtesy, being frank, being sincere, smiling, always respecting the integrity, accepting that they are kings.

3.6 Quality assurance

This business belongs to mesh ventures and family. Our business is going to observe all quality control measures necessary and approved by NAFDAC

3.7 Demand/Supply Analysis

The global warming is making the day hotter in the temperate region by the year increasing the demand for cool products. The issue of poor power supply this increases the demand for cool product increase.

3.8 Technology

As a beginner we are going to employ manual technology but as the business grows, we will gradually mechanize the production process.

3.9 Competitive edge

The factor that favours your business include; available of raw material, cheap labour etc.

4.0 MARKETING PLAN

4.1 Marketing plan

The marketing plan we are going to use is the enterprising use of the middle men or agents, reducing the price below the market price, migratory (selling on the way), and free transport services for 5km radius from the place of business and so on.

4.2 Promotion and distribution

The promotion strategy we will employ to promote the business include; the use of handbill, personal contact and posters

4.3 Alliance

We do not plan any form of alliance until our business is firmly established.

4.4 Market positioning

Since we want to go into food and drug industry as a one stop shop. For now we will specialize in selling of ice cream so as to minimize our resources.

4.5 Service delivery strategy

4.6 Swot analysis

S- Strength of our business: the strength of our business is the creative mindsets we employ.

W-Weakness: the weakness is the epileptic power supply of the PHCN and inexperience in the business, but we improve above it by the use of a standby generator and our mentor who has over 20 years experience in the business.

O-opportunity: the increasing demand for cold things during a hot weather is an opportunity to explore.

T-Threats: The major threat to this business is the government policy and we need to keep appraise to government policy.

5.0 ORGANIZATION AND MANAGEMENT

5.1 Organisation of structures (Organogram)

Manager

↓

Technical assistance

↓

Labourer

5.2 Shareholders and directors

We do not have chance for shareholders and directors until our business expand.

5.3 Management team

- Manager
- Technical assistance
- labourers

5.4 External support

We may seek external support in specialist area like accounting, personnel recruitment and so on.

5.5 Personnel Plan

NAME	POSITION	QUALIFICATION	MONTHLY SALARY	YEARLY SALARY	AMOUNT
THOMAS MESHACH	Manager	B. Sc.	25000	300000	900000
	Technical assistance	TECH	15000	180000	540000
	Labourer	SSCE	7500	90000	270000
			TOTAL	570000	1710000

5.6 Values and norms of the company

Some values and norms of the company include;

- We will not falsify receipt
- We will be honest to our customers
- We will not insult our customers even if they do not buy
- Being able to interact with the customers

6.0 LEGAL, REGULATORY, ENVIRONMENTAL ISSUES

6.1 Legal issues

This business AUGUSTA ventures which belongs to EZE and SONS is located at Kano capital, Kano State. It is in the process of being registered with the Co-operate Affairs Commission (CAC)

6.2 Regulatory issues

This business is going to abide by the norms and values of all the regulatory body governing the business that is NAFDAC, SON and so on.

6.3 Social issues

In order to relate with our Neighbours we intend to provide free bore hole and help decrease the demand for water in the area.

6.4 Environment issues

We are going to discharge all efflux properly; we are to make sure all waste is properly disposed not to endanger the environment.

7.0 FINANCIAL PLAN

7.1 Summary of Project Cost

The total cost of the project is estimated at ₦1,200,000 broken into ₦1,000,000 in fixed capital ₦200,000 in working capital.

Fixed Capital Cost

Ice cream machine	₦475,000	
Generator set	₦100,000	
G.P Tank	₦30,000	
Refrigerator	₦8,000	
Distribution Van	₦65,000	
Rent for 3 years	₦144,000	
Total fixed capital		₦822,000
Working capital		
Gas and oil	₦70,000	
Water charges	₦15,000	
Electricity charges	₦10,000	
Maintenance	₦70,000	
Total working capital		₦165,000
Total project plan		₦987,000

7.2 FUNDING PLAN

The total project cost is planned to be funded as follows:

Owners contribution	₦390,000
Loan capital (Bank)	₦597,000
Total project cost	₦987,000

7.3 FUNDING REQUIREMENT

The funding requirement for the project is ₦597,000 since the owner's contribution is ₦390,000 into the business.

7.3.1 INTEREST AND LOAN REPAYMENT SCHEDULE

Interest =10%

Year	Principal	Repayment	Interest	Total repayment	Loan payment
1	597,000	199,000	59,700	258,700	398,000
2	398,000	199,000	39,800	238,800	199,000
3	199,000	199,000	19,900	218,900	-

7.3.2 DEPRECAITIAN SCHEDULE

Serial No	Assets items	Cost (₦)	Scrap value(₦)	Life span	Amount (₦)
1	Ice Cream machine	475,000	150,000	5	65,000
2	Generator set	100,000	40,000	4	13,750
3	G.P .Tank	30,000	5,000	5	5,000
4	Distribution	65,000	10,000	5	9,000

	Van				
5	Refrigerator	8,000	-	-	
		678,000			92,750

Total annual depreciation N92,750

7.4 PROJECT INCOME STATEMENT

MESH VENTURES PROJECTED INCOME STATEMENT

	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Turnover	3,055,200	3,360,720	3,696,792
Less operating expense			
Utility gas oil	70,000	77,000	84,750
Maintenance	70,000	77,000	84,750
Salaries	570,000	627,000	689,700
Rent	48,000	48,000	48,000
Depreciation	92,750	92,750	92,750
Interest on loan	59,700	38,900	19,900
Total operating expenses	(910,450)	(961,550)	(1,019,850)
Net operating profit	2,144,750	2,399,170	2,676,942

7.5 MESH VENTURES PROJECTED CASH FLOWS STATEMENT

	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Cash – inflow			
Owner’s contribution	390,000	-	-
Loan from bank	597,000	-	-
Revenue (sales)	3,055,200	3,360,720	3,696,792
Total cash inflows (A)	4,042,200	3,360,720	3,696,792
Cash outflows			
Equipment & rent(less year 1 rent)	774,000	-	-
Operating expenses (less depreciation& rents year1 and year 2)	817,000	820,800	879,100
Loan repayment	199,000	199,000	199,000

Total cash outflow(B)	1,790,700	1,019,800	1,078,100
Net cash flow (A-B)	2,251,500	2,340,920	2,618,692
Opening cash balance	-	2,251,500	4,592,420
Closing cash balance	2,251,500	4,592,420	7,211,112

7.6 MESH VENTURES PROJECTED BALANCE SHEET

	Year 1 (₱)	Year 2 (₱)	Year 3 (₱)
Capital employed			
Fixed assets	678,000	678,000	678,000
Less depreciation	92,750	102,025	112,227.50
	585,250	575,975	565,772.50
Current assets			
Balance at bank	2,251,500	4,592,420	7,211,112
and in hand			
Prepayment (rent)	96,000	48,000	-
	2,347,500	4,640,420	7,211,112
Less	398,000	199,000	-
creditors(bank loan)			
Net current assets	1,949,500	4,441,420	7,211,112
Net assets	2,534,750	5,017,395	7,776,884.50
Financed by			
Owner's capital	390,000	390,000	390,000
Retained profit	2,144,750	4,627,395	7,386,884.50
Owner's funds	2,534,750	5,017,395	7,776,884.50

7.7 PROFITABILITY ANALYSIS

- Aspect on the owner's investment

$$\frac{\text{Operating profit}}{\text{Owner's investment}} \times 100$$

Owner's

investment

- Aspect on the total investment

$$\frac{\text{Operating profit}}{\text{Sales}} \times 100$$

TOTAL INVESTMENT			
Indicators	Year 1	Year 2	Year 3
Turnover ₦	3,055,200	3,360,720	3,696,792
Gross margin ₦			
Net operating profit ₦	2,144,750	2,399,170	2,676,942
Return on owner's contribution %	550	615	686
Return on total investment %	217	243	271

7.8 BREAK EVEN ANALYSIS

$$\text{Break Even Point (BEP)} = \frac{\text{fixed cost}}{1 - \frac{\text{variable cost}}{\text{Sales}}}$$

Where

Fixed cost = fixed capital cost = ₦822,000

Variable cost = total operating cost = ₦910,450

Total revenue = sales = ₦3,055,200

BEP = $\frac{\text{₦822,000}}{1 - \frac{\text{₦910,450}}{\text{₦3,055,200}}}$

$$\text{BEP} = \frac{\text{₦822,000}}{1 - 0.298} = \text{₦1,170,940.20}$$

8.0 OTHER CONSIDERATION, CONCLUSION AND RECOMMENDATION

8.1 Economic justification

“From the point of view of our study and analysis of the findings embodies in this plan, the project offers good benefit to the economy as it creates job and wealth, is consistent with the spirit of Vision 2020 and the Millennium Development Goals.”

8.2 Commercial Viability

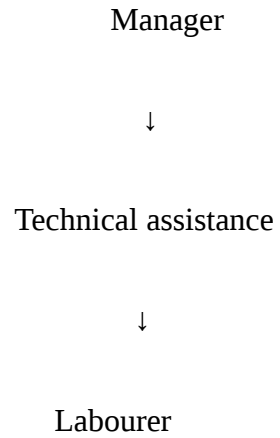
“We have found this project to be commercially viable, having shown through our financial projections, a conservative but impressive turnover, cash flows, profit line and investments appraisal metrics.”

8.3 Conclusion and Recommendation

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

10.0 APPENDIX

10.1 Organogram



10.2 Assumption behind the figures

- Constant government policy
- Constant market price
- Constant interest rate regime