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TOPIC:

**A BUSINESS PLAN (EVANGEL FITNESS
CENTRE) WRITTEN IN PARTIAL FULFILLMENT
OF THE REQUIREMENT OF THE COURSE
:CED342(BUSINESS MANAGEMENT AND
DEVELOPMENT)**

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EVANGEL FITNESSS CENTRE (GYM)

PART I

1.0 EXECUTIVE SUMMARY

The EVANGEL Fitness Center is a thriving business-person's club but is also one of the only family-focused clubs in the Nsukka area. Fifty percent of our members are under the age of 45 and have young children. Currently, the center has 900 members. A center membership is 800 a year. The EVANGEL Fitness Center wants to add an additional 300 members with families over the next three years.

One of the keys to success of the EVANGEL Fitness Center is the ability to offer reasonably priced childcare in a safe environment while a parent works out in the fitness center. The club has increased the size of its fitness center and added more equipment, but many members would be unable to use the center if they didn't have a service to watch their children while they exercised. In fact, the service has become so popular that the clubhouse has outgrown its existing childcare facilities. Offering childcare has kept many members coming to the club. The lack of current space for a larger childcare area has even kept some prospective members from joining.

EVANGEL Fitness Center will expand and create a larger childcare facility. In addition, new equipment will be purchased for the childcare center. The childcare center can currently care for 30 children but only five infants. The new facility will be able to handle up to 60 children including 15 infants. The childcare facility expansion will be funded with a short-term loan.

A start-up capital of N6150000, made up of N4550000 for fixed assets and N1600000 for working capital are the would-be requirements of the project.

From the above analyzed findings, the proposed project is found to be technically feasible, financially viable and economically desirable. Hence, the project offers good investment benefits and is highly recommended for implementation.

PART 2

2.0 INTRODUCTION

The EVANGEL Fitness Center is one of the only family-focused clubs in the Nsukka area. The center has grown steadily over the past four years. Our clubhouse is 50,000 square feet and our new fitness center is 12,000 square feet. The EVANGEL Fitness Center is located at 34 Main Street in Nsukka.

The focus of EVANGEL Fitness Center is to keep the whole family involved in the club by exposing everyone to the variety of activities and services the club offers. In addition, there is a childcare center that will keep members' children happy and entertained while members take part in any of the center's activities and services.

2.1 Objectives

Maintain and grow our position as one of the only clubs in the Nsukka area that caters to families.

2.2 Mission

Our mission is to run a profitable business by providing high-end therapeutic massage, fitness and aesthetician services in a caring, upscale, professional environment.

2.3 Difficulties and Risks

EVANGEL gym is a start-up and as such has less experience and begins with no market share at all. Assertive, effective initial marketing efforts will be necessary to gain a customer base. If existing competitors see us as a major threat and they resort to overtly aggressive and debilitating actions it will be very difficult for us to become an established player in the marketplace. Risks caused by competitors are possible, therefore the business has to monitor and evaluate its performance frequently, and collect customer evaluations and suggestions in order to continually improve.

Worst Case Risks

The worst case scenario would be that the business cannot support itself on an ongoing basis. The costs of doing business may be under-estimated, or sales and profit may be less than expected, making the business difficult in finance. Moreover, in case of social economic

recession, political changes, or inflation, the business may perform even worse than has been forecasted.

2.4 Ownership Structure

The proposed legal form of business is a limited liability company, wholly owned by its founder Miss Erike Evangel Ozy. This is a small business and need not publicly disclose its finances. The registration procedures are quite simple and the business can start operations as soon as possible. The owner/founder will be the director and will initially handle the bookkeeping responsibilities.

2.5 Available Market

As the population within the market area being targeted increases, the demand figure is expected to increase. Result has shown that not more than 50% of existing demands for fitness services is being met by existing gym centres within Enugu state; hence about 50% of demand-supply gap is left. This is why there are a lot of unsatisfied fitness customers in the zone. The implication follows that there is a huge market available for the service in the zone and the State.

PART 3

SERVICE INFORMATION

3.0 SERVICES

The EVANGEL Fitness Center has the following activities and services:

- Swimming
- Tennis
- Fitness center with cardiovascular and weight training equipment
- Court sports
- Massage
- Physical therapy

- Childcare

The club is a 24-hours facility, seven days a week.

3.1 Service Description: There are two ways for customers to take part in the service. Customers can sign contracts with EVANGEL gym to get regularly scheduled service, or, if it is more convenient, they can order over the telephone or via e-mail.

Customers can choose payment either at the time of each delivery, or by monthly credit card billing. We will send statements to each contract customer, itemizing service fees and the charge for the service to their credit cards for payment, at the end of each month.

The whole operation process will be controlled and monitored by a fitness instructor, and generally managed by the business owner.

3.2 Costing: Startup expenses, funded through a combination of owner's equity capital and a commercial loan, are summarized in the table below.

Leasing equipment: Buying new machines costs approximately higher as opposed to leasing which costs lower per year including maintenance. Evaluating the leasing solution shows NPV higher than that of buying machines. Moreover, the business is new and has less experience in maintenance and repair of machine breakdown, therefore the optimal solution is leasing machines.

Capital plan: The owner will invest in the business. Additional capital for the business in the amount of will be borrowed from a bank. Buying a rider, and office/facilities equipment (computer, printer, fax, telephone instrument, tables, chairs, shelving, work tables, racks, etc.) and initial leasing of fitness machines.

Loan: Lending plan has to be completed and submitted to the bank 6 months before starting the business. Loan will be needed two months in advance. Annual interest of 10% has to be paid on the long-term loans secured with fixed assets.

PART 4

MARKET, CUSTOMERS AND COMPETITORS

4.0 Market Analysis: Summary

Nsukka is a city on the move. The population has grown by 15% each year for the past three years. The current population of Nsukka is about 600,000. Most importantly, the growth has been

fueled by the university’s population and the increased employment in the city's high-tech companies. This has attracted a type of professional that is the target customer for the EVANGEL Fitness Center.

4.1 Market Segmentation

The EVANGEL Fitness Center will focus on the young urban professionals as its primary customer base.

Table: Market Analysis

<i>Market Analysis</i>		2012	2013	2014	2015	2016	CAGR
Potential Customers	Growth						
Young Professionals	10%	100,000	110,000	121,000	133,100	146,410	10.00%
Other	0%	0	0	0	0	0	0.00%
Total	10.00%	100,000	110,000	121,000	133,100	146,410	10.00%

PART 5

5.0 MARKETING PLAN

There is absence of large companies that can put up commendable competition in Enugu State. Hence, if EVANGEL gym begins the project as planned, it will assume a market leader in no distant time.

5.1 Promotion Strategy:

EVANGEL gym will embark on radical awareness creation through various means such as fliers, radio and television adverts, and posters. Others include outreach sensitization programs especially in hotels, banks, hospitals and offices; and giving bonanzas to the first customers. The essence of this is to make people aware of the new service and appreciate it.

5.2 Strategy and Implementation Summary

EVANGEL Fitness Center will expand and create a larger childcare facility. In addition, new equipment will be purchased for the childcare center. The new facility will be able to entertain up to 75 children including 25 infants.

5.3 Competitive Edge

The competitive edge of the EVANGEL Fitness Center is our focus on the family. We offer our members childcare services that are second to none.

5.4 Sales Strategy

The sales strategy is to highlight the childcare service to prospective center members. The focus will be marketing the center to young active families. Every Saturday morning will be open house for the childcare center. Families will be able to visit the facility for the entire morning.

5.4.1 Sales Forecast

The following is the sales forecast for the next three years.

Table: Sales Forecast

<i>Sales Forecast</i>	2018	2019	2020
Sales			
Memberships	364,000	480,000	620,000
Childcare	314,000	325,000	341,000
Massage	120,000	125,000	130,000
Physical Therapy	156,000	165,000	174,000
Fruit Bar Drinks	144,000	154,000	160,000
Total Sales	1,098,000	1,249,000	1,425,000
Direct Cost of Sales	2018	2019	2020
Memberships	0	0	0
Childcare	0	0	0
Massage	60,000	62,500	65,000
Physical Therapy	84,000	92,000	98,000
Fruit Bar Drinks	24,000	27,000	30,000
Subtotal Direct Cost of Sales	168,000	181,500	193,000

Promotion:

- Advertise our new service in the local press, the Internet, public areas such as buses and train stations, shopping centers and supermarkets etc., and drop advertising material into families' mailboxes.
- Offer 10% discount as an incentive for customers who sign one-year contracts.
- Issue coupons with lower price for loyal customers.

5.5 Market Needs

Research shows that one of the key factors in choosing a personal service, such as gym and fitness service, is not price but the convenience of the service. As stated above, with the growth of discretionary income, people tend to choose services based on how much time and effort the service will save them. Although there are several conventional fitness providers in the area, Evangel gym will primarily market its convenient fitness service to those busy individuals who are willing to appreciate such service, as it saves them time for other endeavors.

5.6 Projected Sales

Total Sales	
Year 1	2690000
Year 2	6854000
Year 3	8245000

PART 6

TECHNICAL ANALYSIS, MANAGEMENT AND ORGANIZATION

6.0 Technical Analysis: The personal service industry is very fragmented overall. The Nsukka area is no exception to that, with numerous small providers servicing the community's needs for fitness and well being. In the city of Enugu there are about half-dozen fitness instructors, some of which also provide nutritional services. However, almost none of them provide the

convenience of the door-to-door service. However, EVANGEL gym has planned its operations to cover these challenges.

6.1 Management Summary

The owner of the business will be director and accountant, working full time. A fitness instruct will be in charge of the operation and the quality of services rendered.

6.1 Personnel Plan

The personnel for the EVANGEL Fitness Center are as follows:

- Manager
- Assistant manager
- Childcare manager
- Tennis manager
- Pool manager
- Center staff (16)
- Childcare staff (8)

Table: Personnel

<i>Personnel Plan</i>	2017	2018	2019
Center Manager	48,000	50,000	52,000
Assistant Manager	36,000	38,000	40,000
Center Staff	240,000	270,000	300,000
Childcare Manager	30,000	32,000	34,000
Childcare Staff	147,000	170,000	200,000
Pool Manager	30,000	32,000	34,000
Tennis Manager	30,000	32,000	34,000
Total People	23	28	32
Total Payroll	561,000	624,000	694,000

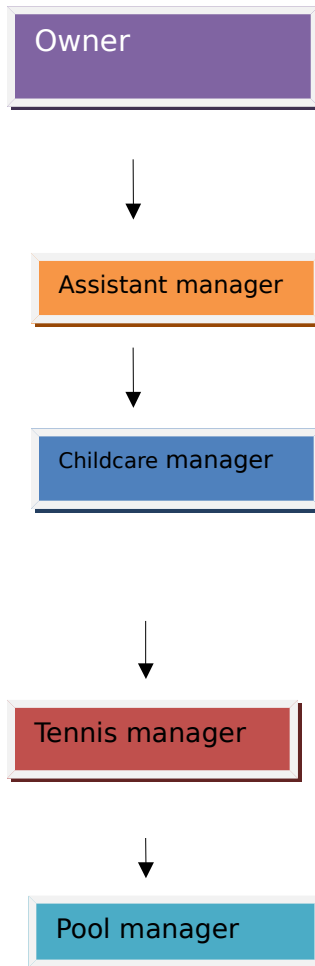
6.2 Management and Organization

Owner/Manager: EVANGEL gym is a private business and will be managed by Miss Erike Evangel Ozy, who has acquired skills on financial management which will enable her to run the firm. She also has three years of industry experience and networked relationships to accelerate market penetration of the service line. To help in the daily running of the firm, Miss Erike will hire good and skilled hands to assist in the operations of the company. Apart from her normal share in the profit from the business, the company will pay her for managing the company. Table 5 shows the staff and management compliments of the cleaning services.

Table 5: Management and Labour Compliments

Description	-	No of people	Working hours/week	Annual Salary per worker	Total
Owner	Full-time	1	40	410000	12300000
Assistant manager	Full-time	1	40	20500	20500
Childcare manager	Part-time	2	48	125000	1750000
Tennis manager	Part-time	2	24	140000	140000
Pool manager	Full-time-	2	20	71000	213000
Total		8	152		3353500

Organizational-Structure



6.3 Value and Norms of the Company

EVANGEL gym has a plan to adopt the following norms and values:

- a) To make a best offer for their customers' benefits.
- b) To uphold her integrity always.
- c) To see her employees as her most valuable assets.
- d) To be available to her customers always.
- e) To comply with the federal, state and local government laws in doing her business.

LEGAL, ENVIRONMENT, SOCIAL AND REGULATORY ISSUES

7.0 Legal Issues: EVANGEL gym plans to obtain the necessary licenses for the establishment of the business and to register the business name with corporate affairs commission (CAC).

7.1 Environment: If certain precautions are not taken especially in respect to waste disposal, the firm could pose an environmental challenge. Since there are efficient waste disposal in the state, the firm will just pay her dues and the waste disposal department will do the rest.

7.2 Social: The implementation of this project will yield social and economic benefits to the society in the following ways.

- i) Creation of new jobs.
- ii) Creation of wealth and reduction of poverty
- iii) Promotion of cleanliness
- iv) Prevention of diseases
- v) Keeping fit

7.3 Regulatory: The firm will obey all environment regulations and all relevant industrial safety regulatory requirements.

PART 8

8.0 Risk Analysis: Some inherent risks were identified in the course of risk analysis and appropriate mitigates have been employed to protect the business from disruption. See table 8.

Table 8: Identified Risks and their Mitigants

Identified Risks	Mitigants
Inadequate start-up demands	Aggressive promotion and advertising campaigns.
Irregular rendering of services	One-on-one training services to curb off whenever the tutors are incapacitated

8.1 SWOT Analysis: The following reveals a SWOT analysis carried out on the project:

8.1.1 Strengths:

- We offer a relatively new door-to-door fitness service for customers.
- We provide quick and convenient service in order to save customer's time.

8.1.2 Weaknesses:

- Competition from already established competitors in Nsukka.
- Starting at no market share at all.
- Less experience than competitors.

8.1.3 Opportunities:

- Expenditures on fitness items is increasing, including expensive machines; therefore the demand for taking care of machines also increases.
- Average income of Nsukka citizens is increasing.
- People tend to spend more time on fitness activities rather than doing the exercises at home.
- There is a high likelihood of repeat business.
- The ability to decrease the fixed costs as the sales volume increases.

8.1.4 Threats:

- If the business is successful, there will be new competitors who supply the same kind of service.

- New technology changes may bring out new gym machines for fitness strategies.

8.2 Exit Strategy

No exit is planned, rather diversification will be pursued.

PART 9

COMPANY'S FINANCIAL ANALYSIS

9.1 Summary of Project Cost: The total cost of the project is N6150000, which is made up of N4550000 in fixed capital and N1600000 in working capital.

9.2 Fixed Capital Investments:

S/ N	Detail	Qt y	Unit Price	Total
1	Factory building		3000000	3000000
2	Water tank	1	60000	60000
3	Raw materials		2100000	2100000
4	Equipment		1120000	1120000
5	Machines	10	285000	2850000
	Total			6890000

9.3 Utilities: The firm spends money on water and electricity bills. (See table 10)

Table 10: Expenses on Utilities Projected

Utilities	Year 1(N)	Year 2(N)	Year 3(N)
Electricity	10000	10200	10400
Water	50000	51100	52500
Total	60000	61300	62900

9.4 Other Expenses: Table 11 shows other expenses incurred in the course of running the business.

Table 11: Other Operating Expenses

Type of Expense	Year 1(N)	Year 2(N)	Year 3(N)
Public relations/advert	85000	88500	90000
Machine maintenance	100000	110000	120000
Business travels	40000	41000	43000
Miscellaneous	60000	61500	62800
Total	285000	301000	305800

9.5 Working Capital Forecast

The following assumptions are made in order to arrive at the working capital needed for the business:

- a) Cost prices of items increase annually by 25% except for items mentioned under other operating expenses which grow by 5%.
- b) Selling prices of stocks increase annually by 10%.
- c) Trade credits are given and taken to and from deserving customers.
- d) It is expected that goods are disposed off at the market as scheduled.

Table 12: Working Capital Forecast

Working capital items	Year 0(N)	Year 1(N)	Year 2(N)	Year 3(N)
Stock of equipment for fitness services	420000	420000	830000	857000
Provision for utilities and other expenses (4 months needed).	125000	125000	140000	141000
Salaries/Wages	550000	550000	584000	600000
Debtors: 14 days value of annual sales.		72000	192000	225000
Less creditor: 30 days need of stock of equipment.	120000	120000	215000	230000

Working capital	750000	895000	950000	1800000
Increase/decrease in working capital.		59000	197000	225000

Table 6: Total Start-up Capital Required

S/N	Capital items	Amount(#)
1	Machinery	4550000
2	Working capital requirement	1600000
	Total	6150000

9.6 Financial Plan: The manager plans to raise an equity capital of N1500000, while N4650000 will be borrowed from the bank (See table 14)

Table 7: Financial Plan

Source	Amount (#)
Equity contribution	1500000
Bank loan	4650000
Total	6150000

9.7 Loan Repayment Schedule and Interest Paid: The expectation is that the loan will attract 10% interest and that funds are available to pay monthly interest as well scheduled repayments of the principal amount. (See table 15)

Table 8: Interest and Repayment Schedule

Year	Loan(#)	Repayments(#)	Interest(#)	Loan balance(#)
1	4650000	Nil	142000	4650000
2	4650000	2325000	264000	2325000
3	2325000	2325000	125000	Nil

9.8 Depreciation

Table 9: Schedule of Annual Depreciation

S/N	Capital Items	LS	IV	SV	Depreciation
1	Factory building	20	3000000	1000000	100000
2	Water tanks	20	60000	55000	5500
3	Machines	10	2850000	1250000	50000
4	Equipment	20	1120000	590000	55000
	Total				210500

9.9 Forecast of Profit and Loss

Particulars	Year (#)	Year(#)	Year(#)
Expected sales	3550000	8748000	9950000
Less 1% discount	35000	85000	94000
Net sales	3515000	8663000	9856000
Expenses			
Cost of production	1220000	1545000	1990000
Utilities	60000	61300	62900
Other expenses	285000	301000	305800
Salaries and wages	2513000	2535000	2577000
Total expenses	4078000	4442300	4935700
Profit before interest & tax	1129000	2553000	3010000
Less interest	105000	192000	102000
Profit before tax	1140000	2424000	301000
Less 10% tax	Nil	241000	301000
Profit after tax	1140000	2535000	2970000
Less depreciation	107000	107000	
Net profit	1540000	2650000	2940000

Retained earnings	1540000	2650000	2940000
Dividend	Nil	Nil	940000

9.10: Cash Flow Projection

Cash in:	Year 0 (N)	Year 1(N)	Year 2(N)	Year 3 (N)
Equity	1500000			
Bank loan	4650000			
Net profits		1540000	2650000	2940000
Depreciation		107000	107000	107000
Total cash in	6150000	1433000	2543000	2833000
Cash out				
Equipment & others	4550000			
Working capital	1600000			
Increase/decrease in cash		79000	125000	287000
Loan repayment			2325000	2325000
Dividend			1990000	940000
Increase/decrease				997000
Total cash out	6150000	1433000	3543000	2833000
Opening balance	Nil	Nil	1045000	454000
Increase/decrease in cash	Nil	1045000	1950000	556000
Closing balance	Nil	1045000	485000	867000

9.11 Balance Sheet Projection

	Year 0 (N)	Year 1(N)	Year 2 (N)	Year 3(N)
Fixed Assets:				
Machinery, Equipment & Others	4550000	4550000	4550000	4550000
Less com. Dep.		107000	214000	321000
Net fixed assets	4550000	4443000	4336000	4229000
Current assets			830000	857000
Stock of material	420000	420000	1045000	485000

Operating bal B/F:				
Debtors		72000	192000	225000
Cash in hand/ bank	560000	530000	3980000	2876000
Total of current assets	980000	25000	4990000	3100000
Total assets	5530000	4468000	9326000	7329000
Long term liabilities				
Capital(equity)	1500000	1500000	1500000	1500000
Retained earnings		1045000	2650000	2000000
Bank loan	4650000	4650000	2325000	Nil
Total of long term liabilities	6150000	2545000	6475000	3500000
Current liabilities				
Loan repayment			2325000	2325000
Creditors	120000	120000	215000	230000
Dividend				940000
Total of current liabilities	120000	120000	254000	3495000
Total liabilities	6270000	2665000	90150000	6995000

9.12 Financial Analysis: By the end of the first year, of which there was only seven months of delivery activities, the sales were N3550000 and this is expected to grow to N8748000 and N9950000 respectively for the second and the third years.

9.13 Profitability Analysis: The profitability ratios of the first three years are shown below.

	Year 1 (7 months)	Year 2	Year 3
Profit after tax.	1140000	2424000	3010000
% Return on turnover	N/A	40.8	43.50
% Return on equity	N/A	126.46	110.45
% Return on investment	N/A	83.7	91.5

PART 10

10.0 Cash Flow Projection

By the second year of operation, when the business has fully matured, the cash flow position is as shown below.

Year 2	Year 3
485000	867000

The implication is that the business can generate enough funds to meet maturing obligation from second year operation.

10.1 Projected Balance Sheet

For the three years period, it was shown that shareholders fund grew on the average. (See table below.

Years of operation	Year 1 (N)	Year 2 (N)	Year (N)
Shareholders fund	379000	2850000	2848000

PART 11

11.0 OTHER CONSIDERATION AND CONCLUSION

11.1 Economic Justification:

From the study and analysis of findings made, the project makes a good offer of benefits to the initiator and the economy. It will create jobs and wealth.

11.2 Commercial Viability:

This project is commercially viable in as much as its sales, profits and cash flow positions are impressive.

11.3 Conclusion

Therefore, the project deserves recommendation, both in funding and implementation.