

**UNIVERSITY OF NIGERIA,
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EZEUGWU NNEOMA

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NNEOMA CLEANERS

PART I

1.0 EXECUTIVE SUMMARY

Nneoma Cleaners is a start-up enterprise to be established in Nsukka, Enugu State as a limited liability company owned by Ezeugwu Nneoma. The company will provide dry cleaning, laundry, and garment alterations, offered with regular home pick-up and delivery services. The company will have a production facility, but will not need retail shop because of our pick-up and delivery service. However, we will need delivery vans, and customer service trained drivers.

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

The business provides a new door-to-door dry cleaning, laundry, and alteration service in Nsukka and surrounding neighborhoods that will surely attract customer attention. Working customers may find this service is convenient for them and want to try it. If they are satisfied with the service quality they will likely become repeat customers. When the patronage happens continuously, they become loyal customers of the service. These customers will recommend Nneoma Cleaners to their friends and coworkers. As more and more customers use this service, Nneoma Cleaners' image is enhanced and we will gain more and more market share.

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

Nneoma Cleaners is a start-up enterprise to be established as a limited liability company in Nsukka, Enugu State. The company will provide dry cleaning, laundry, and garment alterations, offered with regular home pick-up and delivery services. The company will have a production facility, but will not need a retail store front because of our pick-up and delivery service. However, we will need delivery vans and customer service trained drivers. Initially, the production facility will be rented. Cleaning equipment will be leased with accompanying maintenance contracts.

Start-up financing will be through owner investment and bank loans, with a line of credit established for operations eventualities.

2.1 Objectives

In providing laundry and garment alteration services for customers in the Nsukka area, Nneoma Cleaners aims to:

- Establish sustainable business by the end of the first year
- Have first year total sales in excess
- Producing net profits

2.2 Mission

We will offer dry cleaning, laundry, and clothing alteration services with free home pickup and delivery. Our high quality and convenience will save time for working customers.

2.3 Difficulties and Risks

Nneoma Cleaners 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 Ezeugwu Nneoma. 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 laundry services is being met by existing suppliers within Enugu state; hence about 50% of demand-supply gap is left. This is why there are a lot of unsatisfied laundry 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: Nneoma Cleaners is going to provide the following services for customers with free home pick-up and delivery in the Nsukka area:

- Dry cleaning
- Laundry for personal clothes and large items such as blankets, duvets, curtains, etc.
- Alteration service

3.1 Service Description: There are two ways for customers to take part in the service. Customers can sign contracts with Nneoma Cleaners 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.

No retail shop will be rented in order to reduce the operation cost. An operations facility for installing machines and equipment, washing and cleaning activities, and storing not yet cleaned and cleaned garments and items is needed. The operations facility will require about 2,000 square feet divided into four main sections as following:

1. Machine installation and cleaning activities
2. Sorting and storage of dirty garments received
3. Storing cleaned garments after finishing prior to delivery
4. Garment alteration workroom

The whole operation process will be controlled and monitored by a laundry expert employee, 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. The following machines will be leased:

- 1 Washer - 38 lb capacity, high spin, microprocessor control, electric heat
- 1 Tumble dryer - 40 lb capacity, stainless steel drum and gas heated
- 1 Dry cleaning machine - 25 lb
- 1 Roller Iron 40 x 12 inch, variable speed and vacuum exhauster
- 1 Ironing table with steaming vacuum board, integral 2 gallon boiler, iron, water pump and light

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 van, and office/facilities equipment (computer, printer, fax, telephone instrument, tables, chairs, shelving, work tables, racks, etc.) and initial leasing of laundry 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: It is necessary to establish the reasons for choosing the dry cleaning, laundry, and alteration service before doing the market research and marketing plan. "Laundries and Dry Cleaners rated in the top ten enterprises with the lowest failure rate."

Total	1.92%	250,000	254,800	259,696	264,690	269,784	1.92%
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PART 5

5.0 MARKETING PLAN

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

5.1 Promotion Strategy:

Nneoma Cleaners 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 Marketing Strategy:

Place: Dealing directly with customers, conveniently in the customers' houses in Nsukka. We are choosing to not rent a shop in the town center, thereby reducing costs. Nneoma Cleaners will receive clothes from and return them to customers' houses. Requests for urgent situation pickups and deliveries will be accommodated, and a nominal fee charged.

Product: Free home pickup and delivery service, coming to customers' houses between 6 pm - 9 pm three times per week. We provide convenience and high quality dry cleaning, laundry, and alteration services.

Price: Normally, new businesses set their initial prices lower than their competitors. In our situation however, the business has higher costs for our delivery service and promotions to increase customers' awareness and establish our brand name. We will set our prices to match those of our competitors. The pricing scheme is based on a per service price. Moreover, the business targets working and professional customers who often pay less attention to price than the quality and convenience of service. Kelvin Clancy (in Kotler, 2003) shows that only between 15 and 35 percent of buyers are price sensitive. People with higher incomes are willing to pay more for features, customer service, quality, and convenience.

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.

5.3 Sales Strategy

We will start off by matching our main competitor's prices and we will be closely monitoring our financials to make sure that we develop a sustainable business without heavily discounting our services to win customers. All sales inquiries will be initially handled by the business owner. We will also train all our employees, especially those facing the customers, in customer service to make sure that our customers are fully satisfied, as such customers will not only stay longer with us but will also refer other customers to us. We will offer limited discounts to our customers with large recurring orders and also provide incentives for new customer referrals.

5.4 Market Needs

Research shows that one of the key factors in choosing a personal service, such as laundry and dry cleaning, 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 drop-off dry cleaning/laundry service providers in the area, Nneoma Cleaners will primarily market its convenient pickup/delivery service to those busy individuals who are willing to appreciate such service, as it saves them time for other endeavors.

5.5 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 laundry and dry cleaning. In the city of Enugu there are about half-gross dry cleaners, some of which also provide laundry and garment alteration services. However, almost none of them, provide the convenience of the door-to-door service. However, Nneoma cleaners have 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 laundry expert will be employed and will be in charge of the operation and the quality of garment cleaning. Workers will report the laundry expert who reports to the owner.

6.1 Personnel Plan

Through consultations with a dry cleaning consultant, the term of reference of a laundry expert and workers are prepared. Employment information will be advertised in local newspapers. The laundry expert and two part-time workers who have experience in laundry work will be employed.

The laundry expert will be in charge of the operation and the quality of garment cleaning. Workers will be responsible for cleaning and classifying work and have duty to report daily work to the laundry expert. The expert has to report their working results and problems to the director.

Two part-time drivers for picking up and delivering clothes work from 5:30 pm - 9:30 pm three times a week.

The staff should be able to carry out working conditions and requirements:

- Understand and apply dry cleaning and washing processes
- Meet set standards by following instructions
- Work in hot, humid surroundings
- Perform the same work continuously
- Overtime may be required during peak seasons such as spring and autumn.

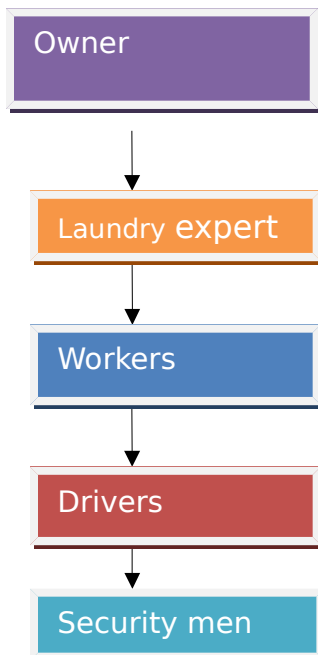
6.2 Management and Organization

Owner/Manager: Nneoma cleaners is a private business and will be managed by Miss Ezeugwu Nneoma, who has acquired skills on financial management which will enable her to run the firm. She also has four 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 Ezeugwu 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 1: Management and Labour Compliments

Descripti on	-	No of people	Working hours/week	Annual Salary per worker	Total
Owner	Full-time	1	40	410000	12300000
Laundry expert	Full-time	1	40	20500	20500
Workers	Part-time	2	48	125000	1750000
Drivers	Part-time	2	24	140000	140000
Security men	Full-time-	2	20	71000	213000
Total		8	152		3353500

Organizational-Structure



6.2 External Support: Nneoma cleaners will employ the help of Mr Kayode, who has had 15 years experience in the laundry services to offer advisory and management support. In addition, the firm will obtain support from Courtesy ventures on technical training of the workers especially on handling modern machinery.

6.3 Value and Norms of the Company: Nneoma cleaners have 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.

PART 7

LEGAL, ENVIRONMENT, SOCIAL AND REGULATORY ISSUES

7.0 Legal Issues: Nneoma cleaners 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

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 supply of raw materials	A big ware-house to buy raw materials in bulk and keep

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 service for dry cleaning, and laundry, providing another choice 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 clothing is increasing, including expensive clothes; therefore the demand for taking care of clothes also increases.
- There are more and more women – who traditionally have done the laundry and cleaning work in the family – going to work outside the home. The target market of this business is working class and professional class customers, both men and women.
- Average income of Nsukka citizens is increasing.
- People tend to spend more time on leisure activities rather than doing the house work.
- Participation within a steadily growing service. The forecast of the dry cleaning and laundry service goes steadily up through 2010.
- 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 family washing machines for dry cleaning.

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	Qty	Unit Price	Total
1	Factory building		3000000	3000000
2	Water tank	1	60000	60000
3	Raw materials		2100000	2100000
4	Equipment		1120000	1120000
5	Delivery van	2	1425000	2850000
	Total			6890000

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

Table 3: 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 4: Other Operating Expenses

Type of Expense	Year 1(N)	Year 2(N)	Year 3(N)
Public relations/advert	85000	88500	90000
Vehicle 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 5: Working Capital Forecast

Working capital items	Year 0(N)	Year 1(N)	Year 2(N)	Year 3(N)
Stock of materials for production/packaging.	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 materials.	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	Delivery van	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
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485000	867000
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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.