

**UNIVERSITY OF NIGERIA, NSUKKA.
FACULTY OF AGRICULTURE
DEPARTMENT OF HOME SCIENCE, NUTRITION AND
DIETETICS**

TOPIC:

FAVOURITE BREAD BAKERY BUSINESS

**A BUSINESS PLAN
PREPARED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS OF THE COURSE CEDR 342
(BUSINESS DEVELOPMENT)**

BY

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EXECUTIVE SUMMARY

Today's consumer has less time to create wholesome, handmade bread, but increasingly appreciates the nutritional and sensory benefits it provides. Good bread provides fibre and carbohydrates in a convenient, low fat form that is portable and delicious. Good bread never goes out of style. Favourite's bread will produce and sell high quality, handmade breads to the residents living in Aba and Abia state in general.

Favourite bread baking industry is located at Aba, Abia State .The following report and recommendations relate to the proposal of Favourite bread baking business to establish a bread baking industry

- 1.1 The proposed project is to be fully implemented with an investment of ₦700,000 made up of ₦400,000 fixed capital and ₦ 300,000 working capital.
- 1.2 The company's vision is to be a renowned baking industry that will provide quality and nutritious bread in a hygienic and safe environment.
- 1.3 The proposed project will be located at Aba, Abia State.
- 1.4 A ready market exists for the planned business based on our market survey.
- 1.5 The financial projections reveal a good level of liquidity and stability. The projection turnover for Year 1, Year 2 and Year 3 respectively is ₦1.2 million ₦1.5million and ₦2 million
- 1.6 The funding requirement is ₦500,000 as the promoters are committing ₦200,000 to the project.
- 1.7 The company's competitive edge is the ability to provide quality, nutritious and well packaged bread will be delightful both in appearance and taste.

1.8 The profitability indicators as extracted from the projection embodied in this plan are as follows:

	YEAR 1	YEAR 2	YEAR 3
Turnover (₦)	1,200,000	1,440,000	1,728,000
Operating Profit (₦)	757,450	894,697	1,026,902
Return on Equity (%)	3787.2	447,348.5	513,451
Return on Investment (%)	108.20	127.81	1146.70

BACKGROUND

Introduction

The bread baking business is a very lucrative business in Nigeria .The product is widely needed, and there is virtually no household that does not consume bread. A bread baking industry is expected to produce quality, nutritious, attractive and affordable loaves of bread. The bread should have attractive packaging and the baking environment should be sparkling clean. Many bread producing industry add some additives which are harmful to human health like saccharine and bromated. Favorite's bread baking industry will bake breads which are free from saccharine and bromate and which will health to improve the health of both young and old. The planned project is as a result of increase in demand of quality and nutritious bread which is free from bromated and saccharine in my locality.

Vision and Mission

Vision: To be a renowned bread baking industry which will produce delicious, nutritious and well packaged loaves of bread and employ numerous staffs which are skilled in the production of bread.

Mission: To offer high quality loaves of bread ,this can easily captivate the interest of customers and provide maximum satisfaction to the consumers.

Ownership of the Enterprise

Favorite's bread baking industry belongs to onyedinefu favour ogechi.

Legal Status

Favorite's bread baking industry which belongs to onyedinefu favour ogechi is located at Azikiwe road, Aba, Abia state. This business is being registered with Corporate Affairs Commission (CAC).

Location and Facilities

The location of this business is such that it is easily accessible for motorists and pedestrians. In fact it is on one of the major roads in Abia state. Due to the nearness of this business to the market place (cemetery market, Ahia ohuru market and Ariaria) there is availability of raw materials. All facilities and materials needed for this business including man power is easily attainable and affordable at minimal prices. There is availability of power, water and other social and economic amenities for the business because it is located at the heart of the city. Also there will be high patronage as it is located in a busy area.

Products/ Services

FAVOURITE bread baking industry will be offering the following products and services:

- Production of quality loaves of bread
- Different sizes of loaves which have the same quality to be affordable to all.
- A variety of bread with different colours and flavours.

- Non- bromate and saccharine free bread

Business Strategy

The wholesale retail chain, direct chain to final consumer and pricing system will be adopted.

Key Success Factors

Keys to success in the bread baking business include:

- Managing and exceeding client expectations
- Balancing expert opinions and advice with care for the client's preferences and vision
- Protecting the client's interests and liability even when it requires unpopular decisions

MARKETING AND CLIENTS

Nature and Size

The bread baking industry serves virtually everyone and every household especially when the loaves are of high quality. Indeed this business is very lucrative especially if the bread is of high quality and the packaging is unique and spectacular.

Since it is a start-up business the industry is only in small scale but the production is high and consistent in order to serve the never end needs of the consumers

Target Clients

The target clients are mostly wholesalers that purchase in large quantity in order to sell to other retailers and households. Households and retailers are also allowed to purchase directly to reduce added cost if needed.

Since almost every household consumes bread, it makes the business quite lucrative and the returns are fast and rewarding.

Key Competitors and Players

Key competitors of the favorite's bakery industry include:

- **Baker's choice:** this is a high class baking industry which produces attractive looking loaves of bread located at Aba Abia State.
- **Apple, s special loaf:** this is a popular eatery at Aba which captivates the interest of all and also has a bakery section.
- **Chisco special loaf:** this is also a bread baking industry around my area which produces different quality and sizes of bread.

FAVOURITE, S bread baking industry offers differing quality and sizes of bread and an affordable price. It also has a moving van which conveys the goods to the purchasers thereby reducing cost of transportation for them.

PRODUCTION PROCESS

The production process involves the use of equipments like the mixers, ovens, baking table, rolling pins, gas cylinders, baking pans. Other things needed for the production to be effective are the refrigerators and the ingredients like flour, sugar, butter, yeast, milk and milk flavor.

FLOW CHART FOR THE PRODUCTION PROCESS

Mixing of the ingredients with water (flour, butter, sugar, yeast, flavors etc).

Kneading of the dough using rolling pin on a clean dry table

Allow to rise for an hour

Knead again and allow staying for 30minutes on the baking pan

Place in the oven to bake

Service Delivery

The service delivery will be mainly to shops and shopping malls and is also available to consumers who want to purchase directly.

Quality Assurance

Quality is determined through reviews and sensory evaluations by the consumers. The quality must be of high standard so that the sales will be high and it will appeal to the consumers.

Demand / Supply Analysis

There is virtually no household and grocery shop that does not purchase or sale bread and other bakery products. This industry will produce bread of different sizes which will serve the need of many people despite their economic status. Although there are many bread baking industry around the location of mine, but the quality and packing will make it stand out and look appealing to the purchasers. The production is going to be done in a high sanitary condition which will make the appearance look unique and spectacular.

Technology

As this is a new business the technology will be reduced for now due to financial constraint. We will acquire mixers, cylinders, lister generator and so on, to enhance production and offer effective services to our customers.

Competitive Edge

FAVOURITE Bread baking industry will create a competitive edge in a Abia State and the eastern region by becoming an industry which is always reliable in terms of quality and supply. It will have a cordial relationship with the customers giving them the opportunity to make suggestions which will help enhance the quality of the product.

MARKETING PLAN

Marketing Plan

Direct chain to final consumer and the wholesale retail chain is going to be used in distribution.

Promotion and Distribution Strategy

Since it is a new business, we will create awareness of our products in grocery shops, school and shopping malls. Fliers will be used in passing information to the public.

Alliances

The business will be registered in all beneficiary unions like trade union and so on, so as to guide against external forces.

Market Positioning

This business is going to offer the widest range of products with quality guaranteed. We are going to offer all kinds of bread with different sizes, texture, colour and flavor.

Service Delivery Strategy

We are going to render honest, friendly and efficient services to make our customers comfortable and happy all the time.

SWOT Analysis

Strength: The ability to offer friendly and efficient services and combine delicacy and health.

Weakness: Lack of constant power supply may weaken this business as most of the activities of the business will make use of electricity. However, alternative power supply like the use of generator will minimize the problem that will be encountered by lack of constant power supply.

Opportunity: Since bread is a product that people consume at daily basis, it is very lucrative and appealing to people especially if your product is of high quality, neat, well packaged and satisfies the customers taste.

Threat: Most product of this enterprise is perishable. This can be caused by low patronage and when this occurs, it may lead to fall of the business. To avoid our products from perishing, we are going to add preservatives to them.

ORGANISATION AND MANAGEMENT

Organizational structures

Manager \implies Production Assistant \implies Marketing operative

Shareholders and directors

None but as business begins to expand, it will have shareholders and directors.

Management Team

<u>Name</u>	<u>Qualification</u>	<u>Salary(₦)</u>
Onyedinefu favour ogechi	ND	30,000
Ugwu Justin	WASSCE	15,000
Emeru Ugochukwu	WASSCE	7,000

External Support

None

Personal Plan

Name	Position	Qualification	Salary(₦)	Amount(₦) × 3
Onyedinefu favour ogechi	Manager	WASSCE	30,000	90,000

Ugwu Justin	Production Assist	WASSCE	15,000	45,000
Emeru Ugochukwu	Marketing	WASSCE	7,000	21,000

Value and Norms of the Company

There will be standard norms and values. Negative norms will not be allowed. There is going to be organizational principles.

LEGAL, REGULATORY, SOCIAL AND ENVIRONMENTAL ISSUES.

Legal Issue

The name of this business is FAVOURITE Bakery industry. It is located at Azikiwe Road, Aba, Abia State. It is owned by Onyedinefu favour ogechi.

Regulatory Issues

This business is going to be registered with Corporate Affairs Commission (CAC), National Agency for food and Drug Administration Commission (NAFDAC) and other essential regulatory bodies.

Social Issues

This industry will be one of the known industry in Aba and as such will create employment opportunity for the inhabitants. It is not going to cause any form of social vices in the location.

Environmental Issues

This business will not cause any form of environmental hazard in the location. Wastes are going to be disposed properly. There will be good and working drainage system, to avoid pollution of the environment.

FINANCIAL PLAN

Project Cost

The total cost of this business is ₦700,000 broken down into ₦400,000 fixed capital and ₦300,000 working capital.

FIXED CAPITAL COST

S/N	ITEM	AMOUNT(₦)
2.	Oven	30,000
3.	Cylinder	20,000
5.	Mixer	50,000
6.	Generator	100,000
7.	Refrigerator	100,000
10.	Burners	10,000
11.	Baking pans	10,000
12.	ingredients	30,000
13.	flour	50,000
Total		400,000

WORKING CAPITAL

S/N	ITEM	AMOUNT (₦)
6.	Salaries	156,000
9.	Water Bill	12,000
10.	Electricity Bill	12,000
11.	Transportation	30,000
12.	Fuel/Gas	30,000
13.	Repairs/Maintenance	10,000

14.	Administration Expenses	50,000
	Total	300,000

Total Fixed Capital = ₦400,000

Total Working Capital = ₦300,000

Total Project Cost = ₦700,000

Funding Plan and Statement

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

Owner's Contribution(equity) = ₦200,000

Loan Capital = ₦600,000

Total Project Cost = ₦700,000

Funding Requirement

The funding requirement for this project is ₦500,000 since the promoters are committing ₦200,000 into the business.

Interest and Loan Repayment Schedule

Year	Principle(₦)	Repayment(₦)	Interest(₦)	Total Repayment(₦)	Loan Balance(₦)
1	500,000	166,666	50,000	216,666	333,334
2	333,334	166,666	33,333	199,999	166,668
3	166,668	166,666	16,666	183,332	

PROJECTED INCOME STATEMENT

ITEM	YEAR 1 (₦)	YEAR 2 (₦)	YEAR 3 (₦)
Turnover	1,200,000	1,440,000	1,728,000
Less: Operating Expenses			
Raw Material Input	70,200	80,220	100,142
Utility and Gas Oil	30,000	59,400	65,340
Maintenance	10,000	11,000	12,100
Salaries	156,000	170,000	190,000
Cost of sales	60,000	120,000	240,000
Depreciation	16,350	16,350	16,350

Interest on loan	50,000	33,333	16,666
Admin Expenses	50,000	55,000	60,500
Total Operating Expenses	442,550	545,303	701,098
Net Operating Profit	757,450	894,697	1,026,902

PROJECTED CASHFLOWS STATEMENT

ITEM	YEAR 1 (₱)	YEAR 2 (₱)	YEAR 3 (₱)
CASH-IN FLOWS			
Owner's Contribution	200,000	-	-
Loan from Bank	500,000	-	-
Revenue(sales)	1,200,000	1,440,000	1,728,000
Total Cash Inflows(A)	1,900,000	1,440,000	1,728,000
CASH OUT FLOWS			
Fixed Assets	400,000	-	-
Operating Expenses (less depreciation)	426,200	528,953	684,748
Loan Repayment	216,666	199,999	183,332
Total Cash outflows(B)	1,042,866	728,952	911,247
Net Cash Flows(A-B)	857,134	711,048	816,753
Opening Cash Balance	-	857,134	1,568,182
Closing Cash Balance	857,134	1,568,182	2,384,935

PROJECTED BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3
CAPITAL EMPLOYED			
Fixed Assets	400,000	400,000	400,000
Less: Depreciation	18,350	36,700	55,050
	381,650	363,300	344,950
Current Assets			
Balance at Bank and in Hand	857,134	711,048	816,753
Less: Current liabilities	216,666	199,999	
Net Current Assets	640,468	511,049	816,753
Net Assets	414,634	165,745	115,655

BALANCED BY:			
Owner's Capital	200,000	200,000	200,000
Retained Profit	757,450	894,697	1,026,902
Owner's Fund	957,450	1,094,697	1,226,902

PROFITABILITY ANALYSIS

INDICATORS		YEAR 1 (₦)	YEAR 2 (₦)	YEAR 3 (₦)
Turnover		1,200,000	1,440,000	1,728,000
Net Operating Profit		757,450	894,697	1,026,902
Return on Owner's Capital	%	3787.2	447,348.5	513,451
Return on Total Investment	%	108.20	127.81	1146.70

BREAK EVEN POINT (BEP) ANALYSIS.

	FIXED COST(₦)	VARIABLE COST(₦)
Fixed Assets	400,000	-
Working Capital	-	300,000
Loan interest	50,000	
Depreciation	16,350	
Total	466,350	300,000

$$\text{BEP} = \frac{\text{FC}}{1 - \frac{\text{VC}}{\text{S}}}$$

where FC= Fixed Cost =466,350
VC= Variable Cost =300,000
S= Sales or Turnover =1,200,000

$$\begin{aligned} \text{BEP} &= \frac{466,350}{1 - \frac{300,000}{1,200,000}} \\ &= \frac{466,350}{1 - 0.25} \\ &= \frac{466,350}{0.75} \end{aligned}$$

0.75

BEP= ₦621.8

OTHER CONSIDERATIONS, CONCLUSION/ RECOMMENDATION

ECONOMIC JUSTIFICATION

This business will create employment opportunity as it expands. It will attract economic development to the area of location through the localization of other industries for marketing, distribution or other purposes of economic interest.

COMMERCIAL VIABILITY

The products and services of this business are easily marketable because of the increase in demand of the products and services.

CONCLUSION/ RECOMMENDATION

From the point of view the analysis of our findings, the proposed project is found to be technically feasible, financially viable and economically desirable. The project offers good investment benefit. I therefore highly recommend it for funding and implementation