

PIIRRE’S BAG MAKING ENTERPRISE

CHAPTER ONE

1.0 EXECUTIVE SUMMARY

1.1 Here is the proposal of PIIRRE’S BAG MAKING ENTERPRISE, establishing a bag making and distribution outlet at the Ojo area of Lagos

State.

1.2 The project requires a total amount of Eleven million, four hundred and fifty-three thousand naira (N 11, 453, 000), as the start-up capital.

1.3 The vision is to “To Reach Nigerian Ladies With The Most Fashionable Bags”

1.4 The organization’s project will be located in the Western region of Nigeria; Alaba international market, Lagos.

1.5 The fashion market is available for the business to serve

1.6 Its financial projection reveals a good level of stability. Its sales figure includes: N40, 000 for 2018, 2019 and 2020.

Also, the net profit for 2018, 2019 and 2020 are 12,000, 20,000 and 32, 000 respectively. The cash flow is good and highly encouraging.

1.7 The competitive edge of this business is in getting more hands to produce more quantity, higher fashionable quality bags with a lower sale rate.

1.8 Profitability measures for the projected business

	2018	2019	2020
Turnover	17,556,02	21,418344.4	26,772930
	0		
Operating	10,556,02	13,418,344.	15,772,93
gross	0	4	0

profit			
Net Profit	6,141,020	9,068,574	4,576,880
Return on equity (%)	68.23	100.76	124.4
Return on investment (%)	68.23	79.2	97.8

1.9 CONCLUSION AND RECOMMENDATION

The finding of our analysis has shown that the business, as proposed is commercially viable, technically feasible and economically desirable. Therefore, it is recommended for funding and implementation.

CHAPTER 2

2.0 INTRODUCTION

The processed sale and distribution of spare parts conceived as a result of the survey carried out in three areas of Lagos state; Alaba int. market, Vespa and Alaba suru, which revealed that Lagocians are in a high taste for Fashionable bags, especially the university students.

So, we have the plans to establish this bag production business, so as to distribute in all spheres of the areas in Lagos and also for the aim of making profit.

2.1 VISION STATEMENT

To be a trusted source of producing fashionable and high quality bags in 2022

2.2 MISSION STATEMENT

Reaching Nigerian ladies with the most fashionable bags

2.3 BUSINESS OWNERSHIP

PIIRRE'S BAG MAKING ENTERPRISE shall start up a business as a partnership owned by three (3) partners.

2.4 BUSINESS NAME

The bag making and distribution enterprise will go by the name: PIIRRE'S BAG MAKING ENTERPRISE. The business is already registered with the corporate affairs commission (CAC), Abuja.

2.5 LOCATION

The business shall be sited in the Alaba international area of Lagos state, Ojo L.G.A.

The following factors led to the choice of the above location:

- Proximity
- Nearness to university students, fashion lovers and other potential customers
- Low transportation cost
- Availability of cheap labour
- Cluster of related businesses around the area

2.6 FACILITIES

The facilities of the business are:

- A Production/ warehouse, segmented into three compartments

- Office furniture and fittings
- Sewing machines
- A distribution van

2.7 PRODUCTS/ SERVICES

The service and products of the business shall be to genuine unused bags

2.8 BUSINESS STRATEGY

Being entrepreneurs, trained by the Center for Entrepreneurial and Development Research (CEDR), University of Nigeria, Nsukka, we have to adopt the following business strategy for the business to thrive and remain perpetual.

- Adopt a good customer care principle
- Adopt a price and market penetration strategy to attain a good market share
- Maintain a consistent quality supply
- Maintenance of correspondence with agents across the country, to

ensure accessibility of product

2.9 KEY SUCCESS FACTORS

The key success factors of PIIIRRE'S BAG MAKING ENTERPRISE are as follows among others:

- We shall be committed to the day to day administration of the business
- We shall maintain cordial links among manufacturers to ensure consistency in the flow of supply
- Genuine quality will be our mark at all time
- Choice of motivational tools for the employees for them to put in their best

- We shall seek advice from specialists in the business

2.10 REVENUE BASE

The source shall be:

- Sale of bags to individuals (University ladies, working class ladies)
- Supply of bags to corporate bodies
- Supply of bags to middle men (distributors)
- Supply of bags to boutiques and other fashion shops

CHAPTER THREE

3.0 MARKETING AND CLIENT

3.1 NATURE AND SIZE

The nature and size of the bag making enterprise in the market area under study is very large that it can even accommodate other potential entrepreneurs. The study revealed that the demand for genuine bag supply is higher than its supply.

3.2 TARGET CUSTOMERS

The target of the business is to sell and distribute genuine fashionable bags within and across Nigeria, with Lagos state acting as a base point.

3.3KEY COMPETITORS AND PLAYERS

There are so much competition in the production and distribution of bags, but only a few organizations have ventured into the distribution and production of unused quality bags. Such as Coscharis Nigeria limited, Ibeto and Sisters, but in spite of the competition, we intend to become the key player in the business by the year, 2020. This we shall do by adopting the strategies listed in chapter two.

3.4PROPOSED SUPPLY PLAN FOR PIIRRE’S BAG MAKING ENTERPRISE

QUALITY OF BAGS	DURATION	PRICE PER PRODUCT	TOTAL TURNOVE R
30	Daily	Varies per specification	9,000
180	Weekly	Varies per specification	54,000
720	Monthly	Varies per specification	216,000
8640	Annually	Varies per specification	2,592,000

The business can supply seven different fashionable brands of bags presently.

N.B: in the following year the annual turnover is expected to increase by 22%

3.5 DISTRIBUTION PROCESS

- Receiving supply from abroad
- Stocking the warehouse with fashionable bags
- Distributing supplies to agents across the federation
- After sales service

3.6 SERVICE DELIVERY

We shall engage ourselves in consultancy services to intending bag producers. We shall also engage in after sales services and maintenance.

3.7 QUALITY ASSURANCE

Our motive is to make profit by supplying customers with high quality products always. Therefore we shall make sure our source of supply remains the manufacturers.

3.8 DEMAND AND SUPPLY ANALYSIS

- During the market survey and feasibility study, it was gathered that there are about N200,000 bags in Nigeria
- There are only two other major competitors with an assumed market share of N17.33m
- For the new entrants, the new market share is reduced by 10% which gives N15.59m. this means a first year turnover of N17,556,020 and a

second year turnover will increase by 22% which gives:

$$17,556,020 \times 22$$

$$100 = 3862324.4$$

$$17,556,020 + 3862324.4 = \text{N}21,418,344.4$$

Third year turnover will increase by 25% which gives:

$$\frac{21,418,344.4 \times 25}{100} = 5,354,586.1$$

$$100$$

$$21,418,344.4 + 5,354,586.1 = \text{N}26,772,930.5$$

3.9 TECHNOLOGY

The main technology that is required is care in the handling of fashion bags so as not to inflict damages on it and this would be affected by the training of members of staff.

3.10 COMPETITIVE EDGE

A good coverage of the country using business agents and competitive advertising.

CHAPTER FOUR

4.0 MARKET PLAN

We shall adopt direct selling initially. As time goes on, we shall adopt aggressive marketing and advertising. Since there is already high demand for our product we shall not need test marketing before the actual commencement of production. We shall get in contact with agents throughout the country.

4.1 PROMOTION AND DISTRIBUTION

We shall use posters, magazines, market exhibition and handbills to create awareness. For delivery we shall start by delivering the bags to customers and distributors free of dispatch charges.

4.2 ALLIANCES

We shall form an ally with our suppliers as well as our agents

4.3 MARKET POSITIONING

We shall monitor what our competitors are doing to and improve on their weakness in the market

4.4 SERVICE DELIVERY STRATEGY

We shall ensure that at all times our customers are guaranteed of genuine and high quality bags. We shall compensate for and replace any one sold and discovered to be faulty. This will help us to maintain our business goodwill.

4.5 SWOT ANALYSIS

4.6 We carried our SWOT analysis as follows:

- **STRENGTH:** The organization PIIRRE'S BAG MAKING

ENTERPRISE has the following strengths:

- I. Nigeria institute of management certificate
- II. CEDR, UNN entrepreneurship training
- III. Experience in business
- IV. Skilled personnel
- V. Cheap labour
- VI. Good road and transportation system

- **WEAKNESS:** we have businesses like:

- I. We are new in the fashion business
- II. We lack expertise in the business

- **OPPORTUNITY:** there are a lot of opportunities in the industry.

There are no giants in the industry and therefore competition is not

so severe. In the long run, we can move into other related

businesses such as consultancy services.

- **THREATS:** there are a lot of treats challenging PIIRRE'S BAG

MAKING ENTERPRISE, such as:

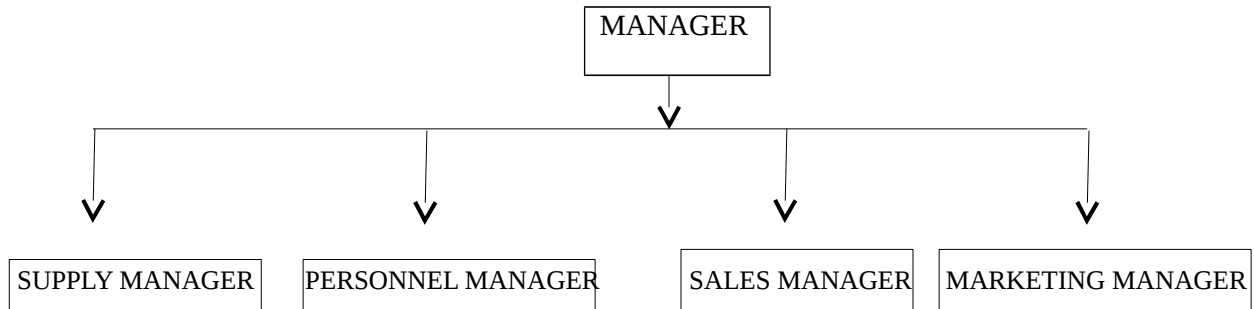
- I. Competition from the existing firms in the industry who seek to compete
- II. Initial low demands as new entrants in the industry
- III. The presence of producers and distribution of old fashion bags
- IV. Labor migration may occur of which we need to use appropriate motivational tools used to keep the employees.

CHAPTER FIVE

5.0 ORGANISATIONAL STRUCTURE AND MANAGEMENT

5.1 ORGANISATIONAL STRUCTURE

PIIRRE’S BAG MAKING ENTERPRISE is a partnership and shall have an organizational structure that is structured thus:



5.2 SHAREHOLDERS/DIRECTORS

The shareholders are the three of us who pooled resources together, so as to embark on this fashion venture. The three of us are the directors as well as the managers in the various departments of the production organization.

Note: each director has a venture capital of 720,000, with an equity contribution of 3, 2, 1, which will increase by 25% every year.

5.3 VALUES AND NORMS OF PIIRRE'S BAG MAKING

ENTERPRISE

The values and norms of our company is the following:

- I. To do our business within the ambit of government regulations
(legal requirement)
- II. To take care of our customers
- III. To see our employees as our most valued assets
- IV. To carry out our social responsibility to the community
- V. To produce quality products.

CHAPTER SIX

6.0 LEGAL REGULATORY, SOCIAL AND ENVIRONMENTAL ISSUES AND

ENVIRONMENTAL ISSUES

6.1 REGISTRATION

The company is registered with the Corporate Affairs Commission (CAC), Abuja. This conferred a legal status on the company. When it is finally established, it will be referred to as PIIRRE'S BAG MAKING ENTERPRISE.

6.2 REGULATORY ISSUES

We shall observe every rule and regulation governing the fashion bags business in Nigeria as stipulated by the Company and Allied Matters Act (CAMA) 1990.

6.3 SOCIAL AND ECONOMIC ISSUES

On the implementation of the project, it will bring and economic benefits in the ways:

- I. it will create employment
- II. it will enhance wealth creation
- III. it will facilitate poverty alleviation

6.4 ENVIRONMENTAL ISSUES

Bag production and distribution is environmentally unfriendly. It does not generate any health or environmental threat, though the company will keep a very clean environment.

CHAPTER SEVEN

7.0 FINANCIAL PLAN

7.1 PROJECT COST

For the project to be fully established, it will cost the amount of seven million, three hundred and fifty thousand naira (N11, 453, 000). This is broken into fixed capital of N7, 000 000 and a working capital of 4, 453,000.

BREAK DOWN OF FIXED CAPITAL (FC)

ITEMS	AMOUNT
Administrative block	3, 000 000
Delivery van	1, 500, 000
Warehouse	1, 035,000
Sewing Machines	1, 415, 000
Furniture and fittings	50,000
Total	7,000 000

BREAK DOWN OF WORKING CAPITAL

ITEMS	AMOUNTS
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Import duties	2,000 000
Commission to agents	1, 600 000
Fuel	853, 000
Total	4, 453, 000
Total project cost	11, 453, 000

7.2 The funding plan for the bag production and distribution venture is scheduled as follows:

I. OWNERSHIP CONTRIBUTION

The ownership contribution will be N9, 000 000 (N3,000 000 each). This is equity funding finance.

II. DEBT FUNDING

We shall borrow the sum of two million, four hundred and fifty three thousand naira (N2, 453,000) from the National Industrial Bank (NIDB), Lagos branch.

7.3 FUNDING REQUIREMENT

The funding requirement for the company is N2, 453, 000 since the owner had contributed N3, 000 000 each.

7.4 PROJECTED INCOME STATEMENT OF PIIRRE'S BAG MAKING ENTERPRISE

	2018	2019	2020
	N	N	N
Turnover	17, 556, 020	21,418, 344	26, 772 930
Cost of sales	(7,000 000)	(8, 000 000)	(11, 000, 000)
Gross profit	(10, 556, 020	13, 418, 344	15, 772, 930

OPERATING EXPENSES
EXPENSES

Sales and allowances	2, 410, 000	2, 892, 000	3, 470,400
Electricity bill	75, 000	76, 500	78, 200
Transport	123, 000	123, 000	133, 000
Fuel	168, 000	80, 470	184, 600
Interest on loan	1413, 000	847, 800	508, 680
Depreciation	102, 000	102, 000	102, 000
Advert	54, 000	50, 000	40, 000
Telephone	70, 000	71, 000	60, 000
Total	4, 415, 000	4, 349, 770	4, 576, 880
Net profit	6, 141, 020	9, 068, 574	11, 196050

7.5 DEPRECIATION SCHEDULE

ITEM	COST	DEPRECIAT ED VALUE	SCRAP VALUE	TIME	ANNUAL DEPRETIATIO N
Admin block	3, 000, 000	150, 000	2, 850, 000	5 years	30, 000
Delivery van	1, 500, 000	170, 000	1, 330, 000	5 years	35, 000
Warehous e	1, 035, 000	200, 000	835, 000	5 years	40,000
Sewing machine	1, 415, 000	800, 000	615, 000	5 years	160, 000
Furniture and fittings	50, 000	10, 000	40, 000	5 years	2, 000

7.6 PROFITABILITY ANALYSIS

1. Return on owners' equity

For 1st year:

$$\text{Net profit} = \frac{6,141,020}{9,000,000} \times 100$$

Owners' equity = 68.23%

Return on owners' equity:

$$\frac{\text{Net profit}}{76\%} \times 100 = \frac{9,068,574}{9,000,000} \times 100 = 100.$$

Owners' equity 9,000,000

2. Return on total investment:

$$\frac{\text{Net profit}}{79.2\%} \times 100 = \frac{9,068,574}{11,453,000} \times 100 =$$

Total investment 11,453,000

In the third year:

$$1. \frac{11,196,050}{9,000,000} \times 100 = 124.4\%$$

2. Return on total investment:

$$\frac{11,196,050}{11,453,000} \times 100 = 97.8\%$$

7.7 CASH FLOW STATEMENT

CASH IN-FLOWS

	2018	2019	2020
Owner's equity	9,000,000	-	-
Bank loan (ADB)	2,453,000	-	-
Total sales (turnover)	17,556,020	21,418,344.4	
	48,191,274.5		
Total cash flows	29,009,020	21,418,344.4	48,191,274.5

CASH OUTFLOWS

	2018	2019	2020
Fixed assets and acquisition	7,000,000	-	-

Cost of sales	7, 000 000	8, 000 000	11, 000 000
Operation expenses			
Less depreciation	(3313000)	(324770)	(3474880)
Total cash outflows:	16, 313, 000	10, 747, 770	13,
474, 880			
Net cash flows	-	641, 999	1, 894,

227.75

7.8BALANCE SHEET

	2018	2019	2020
	N	N	N
Fixed assets	7, 000 000	7, 000 000	7, 000 000
Less depreciation	102, 000	204, 000	306, 000
Net book value	6, 898, 000	6796000	6694000
CURRENT ASSETS			
Bal. bank and at hand	641, 999	1, 894, 227.75	2,794, 346.19
Less current liabilities	(1, 413, 000)	(847, 8000)	(508, 680)
Net current assets	-771001	1, 046, 427.75	2285666.19
Net assets	6, 126, 999	7, 842, 427.75	8, 979,666.19
FINANCED BY:			
Owners' equity	9, 000 000	9, 000 000	9, 000 000
Retained profit	5, 184, 999	7, 650,228.75	9,798.118.44
Owners funds	6, 126, 999	7, 842, 427.75	8, 979, 666.19

7.9BREAK EVEN ANALYSIS

BREAK EVEN POINT (BEP)

TR-TC

PX = TFC+VX

PX-VX = TFC

X(P-V) = TFC

BEP $X = \frac{TFC}{P-V}$ WHERE $X = \text{unit sales}$, TFC = Total Fixed Cost, P = Unit Sale Price,

V = Unit Variable Cost

OR

BEP = $\frac{FC}{1-V}$

1-VC

S

Where S = Total turnover from sales

$$= \frac{7,000,000}{4,453,000} = 0.746$$

4,453,000

= N 9,383,378

This implies that at the turnover of N9,383,378 the business will break even.

CHAPTER EIGHT

8.0 RISK ANALYSIS, CONTINGENCY PLAN AND EXIT STRATEGY

8.1 RISK ANALYSIS

We have done the risk analysis for the venture to identify the imminent risks associated with it. After identifying the risks, we generated measures to reduce the negative effects of risks on the business.

S/ N	IDENTIFIED RISKS	MEASURES
1.	Competition	Use of competitive and persuasive advertising
2.	Initial low demand	Use of price strategy and good customer relations
3.	Risk of bags wearing	Proper care in handling the bags, especially in rainy season
4.	Labor migration	Use of relevant motivational tools and care

		for the employees.
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8.2 CONTINGENCY PLAN

In case of any contingency in the first few months after the business

take-off, we use the following contingencies:

- Price and quality discount
- Aggressive advertising
- Use of strong customer relationship
- Effective customer care and retention

8.3 EXIT STRATEGY

From the cash inflows, the business will be able to set off the bank loan

and its interest thereby. This is to avoid court case or violation of the

business legal requirements.

The business will still be open and pursue expansion and suitable growth.

CHAPTER NINE

9.1 ECONOMIC JUSTIFICATION

The proposed business is justified economically since it will create

employment, wealth, poverty alleviation and people's or youth

empowerment. All these benefits are in consonance with the objectives of

the millennium development goals, vision 20:20 and the national empowerment and development strategy.

9.2 COMMERCIAL VIABILITY

Looking at the portability analysis cash flows, balance sheet and other analysis, one can see that the business is highly commercially viable.

9.3 CONCLUSION AND RECOMMENDATION

Going by analysis and findings, bag production and distribution will be a perpetual venture.

In this case, we recommend it for funding and implementation.