

UNIVERSITY OF NIGERIA, NSUKKA
FACULTY OF ARTS
DEPARTMENT OF MASS COMMUNICATION

SOAP MAKING

A BUSINESS PLAN
PRESENTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE COURSE CEDR 342
(BUSINESS GROWTH AND DEVELOPMENT)

BY

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TABLE OF CONTENTS

CHAPTER ONE

1.0 Executive Summary-	-	-	-	-	-	-	-	1
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CHAPTER TWO

2.0 BACKGROUND

2.1 Introduction	-	-	-	-	-	-	-	2
2.2 Vision	-	-	-	-	-	-	-	2
2.2 Mission	-	-	-	-	-	-	-	2
2.3 Ownership	-	-	-	-	-	-	-	2
2.4 Location	-	-	-	-	-	-	-	2
2.5 legal status	-	-	-	-	-	-	-	3
2.6 product/service	-	-	-	-	-	-	-	3
2.7 business strategy	-	-	-	-	--	-	-	3
2.8 key success factor	-	-	-	-	-	-	-	4
2.9 revenue base	-	-	-	-	-	-	-	

CHAPTER THREE

3.0 MARKETING AND CLIENTS

3.1 Nature and size	-	-	-	-	-	-	-	5
3.2 Target clients-	-	-	-	-	-	-	-	5
3.3 Key competitors	-	-	-	-	-	-	-	
3.4 Production process	-	-	-	-	-	-	-	6
3.5 Service delivery-	-	-	-	-	-	-	-	7
3.6 Quality assurance	-	-	-	-	-	-	-	
3.7 Demand/ supply analysis	-	-	-	-	-	-	-	
3.8 Technology	-	-	-	-	-	-	-	
3.9 Competitive edge	-	-	-	-	-	-	-	

CHAPTER FOUR: MARKETING PLAN

4.1 Promotion and distribution strategy

4.2 Alliances

4.3 Market positioning

4.4 service delivery strategy

4.5 SWOT analysis

CHAPTER FIVE

ORGANISATION AND MANAGEMENT

5.1 Organizational structure

5.2 Share holders and directors

5.3 Management team

5.4 External support

5.5 Personal plans

5.6 Value and norms of the company

CHAPTER SIX

LEGAL, REGULATORY, SOCIAL AND ENVIRONMENTAL ISSUES

6.1 Legal issues

6.2 Regulatory issues

6.3 Social issues

6.4 environmental issues

CHAPTER SEVEN

FINANCIAL PLAN

7.1 project cost

7.2 funding plan and statement

7.3 funding requirement

7.4 projected income statement

7.5 projected cash flows statement

7.6 profitability analysis

7.7 Break-even analysis

CHAPTER EIGHT

RISK ANALYSIS, CONTINGENCY PLAN AND EXIT PLAN

8.1 Risk Analysis and Mitigants

8.2 Contingency Plan

8.3 exit strategy

CHAPTER NINE

OTHER CONSIDERATIONS, CONCLUSION, AND RECOMMENDATION

9.1 Economic justification

9.2 Commercial viability

9.3 conclusion/ recommendation

CHAPTER ONE

1.0 Executive summary

- 1.1 The following report and recommendation relate to the proposal by The Chosen LTD to establish a soap production industry.
- 1.2 The proposed project is to be fully implemented with an investment of ₦1,000,000, made up of ₦600,000 fixed capital and ₦ 400, 000 working capital.
- 1.3 The vision of the enterprise is “to be an outstanding and distinguish figure in soaps production that provide quality oil to the potential customers”.
- 1.4 The location of the project will be at Ikpa area of Nsukka in Enugu State.
- 1.5 A huge market is made available and opened for the business based on our survey.
- 1.6 The financial projection shows that the project would be financially stable, viable and will be highly profitable by the time it matures. The projected turnover for 2016, 2017 and 2018 respectively is 1.6million, 1,920,000, and 2,304000. Also the profits after taxation are 200,000 in 2016, increasing to 779,000 in 2017.
- 1.7 The funding requirement is ₦1,000,000, as the promoter is committing ₦200,000 to the project.
- 1.8 The competitive edge of the enterprise lies in its strong technical skills in managing the machines, and knowledge of the industry.
- 1.9 The profitability indicators as extracted from the projections embodied in this plan are shown below

Indicators	2011	2012	2013
Turnover	1,600000	1,920000	2,304000
Gross margin	900,000	1160000	1484000
Net operating profit	200,000	450,000	779000
Return on equity or owners contribution	100%	225%	389.5%
Return on total investment	20%	45%	77.9%
Cost of sales	700,000	760000	820000
Total operating expenses	700,000	710,000	705,000

1.10 Conclusion and recommendation

From the view of the analysis of our findings, the proposed project is found to be technically feasible, financially viable and economically desirable. Thus the project offers good investment benefits and is therefore highly recommended for implementation.

CHAPTER TWO

2.0 Background

2.1 Introduction:

The planned production of soap is the result of strong industry needs assessment studies undertaken in Eastern part of Nigeria, by the promoters of this project, and the fact that people from different parts of Eastern Nigeria come to Nsukka to buy soap and its products.

Our research unveils that the demand for production of soap varieties is very high while there are few producers and distributors to satisfy the demand of people, also the factors that has hindered the production has gradually waned over the years, owing to our decision to venture into its production right now, individuals today, demand, use soaps oil in many occasion and this has brought about great and wax demand for this project. This business commences production in October 2017.

2.2 Vision

To be the most outstanding producer of this product in Eastern part of the country.

2.3 Mission

To produce soap of good quality and always adopting unique and latest methods.

2.4 Ownership

The business is a partnership owned and managed by Umeremadu Chetachukwu and Nwike Bridget.

2.5 Location

The business is located at Nsukka. The choice of this location is to have adequate access transport route for the import from the site and also my marketers.

2.6 legal Status it is a legally accepted business in Nigeria. Soap is not a contraband product or what is considered harmful or dangerous to health, it has been duly registered and certificate of registration attached.

2.7 Business strategy

One of the ways to enhance the production is by improved seeds large storage of raw materials, employing competent workers to help in monitoring its growth so as to detect disease infestation and moulding and using the machines for soaps production, and creating awareness on the availability of the product through the mass media. To ensure all year production, we can import from neighbouring countries.

2.8 key success factors

With good strategy, location and quality, our product will be qualitative at a moderate price. Other success factors include making the product available always even if it means buying palm fruits from other farms across the country when we run short of palm fruits.

2.9 Revenue base

Our revenue will be generated through our quality product.

CHAPTER THREE

Marketing and clients

3.1 Nature and size

My product customers are the general public. The market size is big since it covers the eastern part of the country, thus, profit will be maximized.

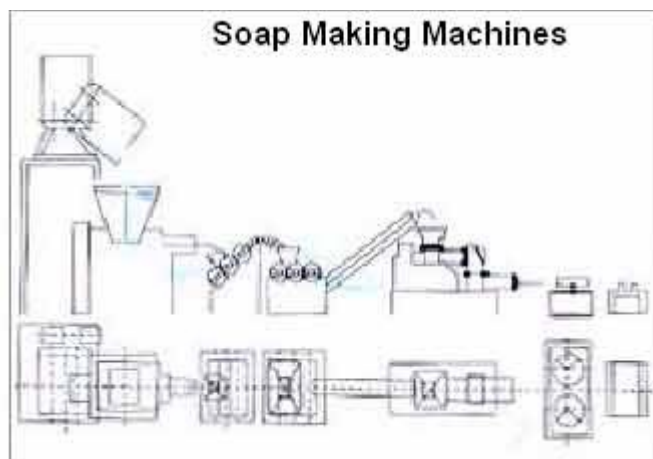
3.2 Target clients: we shall be interested in the following groups: resellers, eating houses, cosmetic shops wholesalers and retailers, consumers, etc. these groups are chosen for the product, owing to its early stage of growth, and how important soap and its products will be to them (groups).

3.3 key competitors and players

Any product without competitors will most times lack quality. The key competitors are local producers, and industries in the south and North, and Adapam, government owned outfit in the East, that market their products in the east.

3.4 production process

A wide range of soap making machines is available in industry that performs different functions and operations. Generally the soap making machines can be of two types - Laundry soap making machines (used in laundry) and Toilet soap making machinery (used for bathing).



The most important soap manufacturing machines that are used now days are -

- [Mixer Machine](#)
- [Soap Cutting Machine](#)
- [Duplex Vacuum Plodder](#)
- [Soap Saponification Section](#)

These machines come in different capacities for production in different volumes and are available with various features.

3.5 Service delivery

Production is not complete until the product is in the hands of target customers and finally rests in the hands of consumers. Customers will be adequately attended to, so they will keep coming, moderate price that will be profitable, will be charged for the products, our trucks will be used in bringing out the produce for the customers after purchasing.

3.6 Quality assurance

Quality is the standard of something when compared to another. We will ensure quality by producing fresh varieties of soaps, not neutralized nor mixed with any additive. Thus our product will be of maximum utility and standard.

3.7 Demand/supply Analysis

Owing to the fact that the product is on high demand, because suppliers are not consistent in supply, so as to meet demand, with steady supply of quality products, service delivery, and moderate price, we shall fill the demand gap.

3.8 Technology

The business will use machines – mills, generators, mixers and others.

3.9 Competitive edge

The industries competitive edge is the management's strong technical knowhow owing to its employees, reasonable and moderate price fixation, service delivery, regular supply and customized products.

CHAPTER FOUR

4.0 Marketing Plan

4.1 promotion and distribution strategy

1 Good pricing system

2 Legible and attractively designed signpost

3 Appointment of distributors at strategic locations

4 using local radio stations to create awareness

5 giving free gifts like key holders to customers and small discounts for regular customers etc

4.2 Alliances

We do not intend any partnership with another firm. We believe we can achieve our goals with our quality product service and use of competent workers.

4.3 Market positioning

Positioning means renting the mind space in the customers mind by creating a good image for your product. With the application of our strategies and its regular evaluation, we will rent a mind space in the wide range of Eastern population amidst competing firms and industries.

4.4 Service delivery strategy

Our supply truck will always be ready to convey customer's goods to the designated sites and if necessary, take the product to their (customers) destinations.

4.5 SWOT analysis

The project has been subjected to risk analysis and some inherent risks identified and appropriate mitigants proffer to avoid the business being disrupted.

SWOT Analysis

A SWOT analysis carried out revealed the following

Strengths

The location of this project makes it to have easy access to its targeted customers. The products would be sold at a profit. The residues from the soap making bring additional profit which is quite huge; while the remains would go for native soap making which will bring further revenue. So the major strengths of this business are that it has good varieties of product, will sale at moderate price, has vast customer base as derived from our research, high quality products, availability of experts as workers to see to the palm fruits, in case there be abnormalities in its development.

Weaknesses

Raw materials are not always seen all year round. So we deal with imported ones or products and this brings about the scarcity especially during rainy season. There is a particular season when the raw materials (sodium hydroxide) are relatively scarce. During the rainy season, many Specialists tour the farm for very little result. This may slow down the pace of production/supply and as well reduce the quantity to a large extent. Consequently a lot more will go into production in terms of finance, with very little yield.

Opportunities

Although there are some challenges that follows rainy season ,but it will on the other hand create some opportunities; for middlemen who import in small scale, may resort to selling due to the fact that they won't be able to gather enough product for production of soaps.

The business also has opportunities of expansion, like having opportunity to supply directly to the factory thereby earning much from it.

Therefore it is a possibility that the business might grow in future to process into derivatives that could be exported into overseas.

Threats

- Increase in competition due to more people entering into the business because they see more profit in it
- Low initial demand
- High competition enhances fall in price of product.

Chapter five

5.0 Management and Organisation

5.1 Organizational structure—personal plan.

Chosen Soaps is a partnership business owned by peace et al. we are students of Mass Communication in UNN.

Other hands particularly both unskilled and semi-skilled are to be engaged to compliment our roles. Some will be placed on salary basis while others shall be paid according to their supply by placing an agreed price on each size of soaps. We are also considering some part time labour when the need arise.

The figure below shows the organizational structure of the business.

Figure I

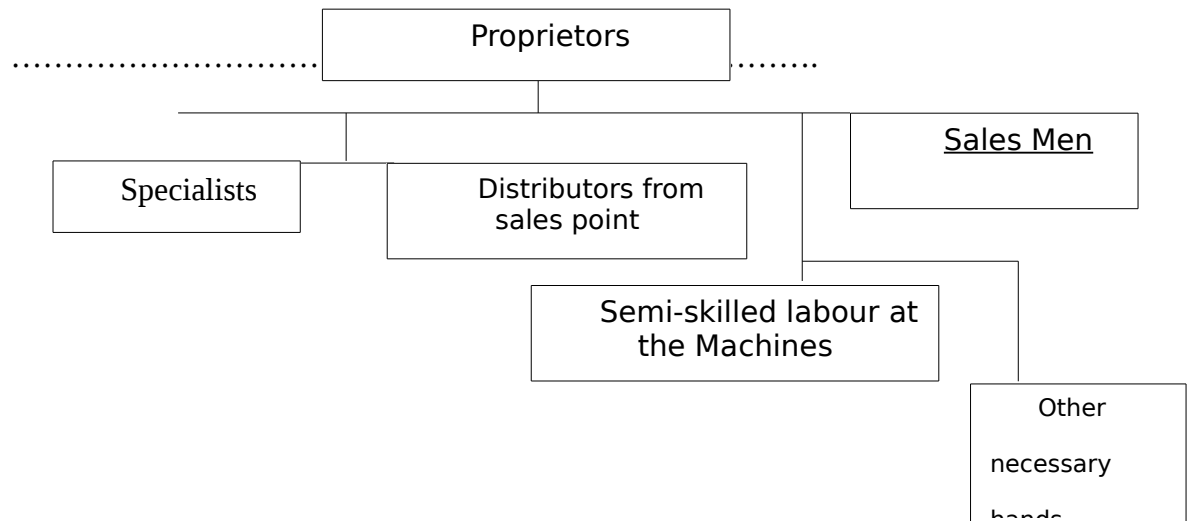


Table 6: Management and Labour Compliments

S/N	Positions	Number of Staff	Annual Salary per Staff (N)	Total
1	Proprietor	3	100, 000	300, 000
2	Specialists	4	50, 000	200,000
3	Distributors	3	80, 000	240, 000
4	Sales men	3	20, 000	60, 000
5	Cashier	1	15, 000	15, 000
	Total			815,000

5.2 Shareholders and directors

Since this is an upcoming business, there will be no shareholders for now, we will man everything.

5.3 Managing team

We are still in charge.

5.4 External Support

As the owners of chosen Soaps, we intend joining yankwura-hadejia Cosmetics cooperative, later, as our business gains a stand.

5.5 Value and Norms of the Company

The following will be watch word of chosen Soaps.

- 1 offer best and unique products
 - 2 always available to her customer
- i) Adequate and prompt supply
 - ii) Honesty and transparency

Chapter six

Legal, Environmental, Social and Regulatory Issues

6.1 Legal Issues

As a commercial operations of partnership, the business name shall be registered with the appropriate authorities—corporate affairs commission. However every attempt will be made to get all necessary permits and licenses.

6.2 Environmental

The process involved in soap production can result in environmental (Land, noise when the machine is faulty) pollution Thus we shall adopt every strategy to avoid or at least limit and prevent such effects like: keeping the environment clean, use of silencers to reduce engine noise etc.

6.3 Social Issues

This business is endowed with economic and social benefits to the society and even our country Nigeria in so many ways to reduce poverty and increase wealth.

- It has a positive impact of creating jobs, thereby reducing crime tendencies for idle or unemployed people. This is a great benefit to the immediate environment.

6.4 Regulatory

Chosen Soaps will comply with all environmental regulations and industrial safety regulatory requirements as well as register with NAFDAC and other agencies deemed fit by the law.

Chapter seven

Financial plan

7.1 Summary of Project Cost.

The total estimate of this project is to cost N1, 000,000, out of which N600, 000 is fixed capital and N400, 000 for working capital.

These are all represented in the below tables:

Table 7: Fixed Capital Investments

S/N	Details	Total amount (₦)
1	Set of Mills	110, 000
2	Drums/barrels	25, 000
3	Mixing Pumpers	7, 900
5	Generator	64, 000
6	Delivery vehicle	9, 100
7	Pumping machine	114, 000
8	Diffuser Pumpers	8, 000
9	Wax Melters	70, 000
10	Tanks	12,000
11	Plot of land	180.000
	Total	600,000

The Working Capital breakdown is as follows: Table 9: Working Capital Forecast

Working Capital Items	
Raw materials	250,000
Miscellaneous	150,000
Total working capital	400,000
The project cost	1,000,000

7.2 Funding plan and statement

The funding requirement for this project is #800,000, as the promoter is committing N200,000 into the project.

7.3 Projected income statement

	2011	2012	2013
Turnover	1,600,000	1,920,000	2,304,000
Cost of sales	700,000	760,000	820,000
Gross margin	900,000	1,160,000	1,484,000
Less : operating expenses			
Salaries and allowances	473,000	474,000	495,000
Transport			
Electricity	10,000	12,000	21,000
Loan interest	40,000	41,000	35,000
Telephone	80,000	85,000	55,000
Depreciation	40,000	41,000	42,000
Total operating expenses	57,000	57,000	57,000
Net operating profit.	700,000	710,000	705,000
	200,000	510,000	779,000

Projected cash flows statement

	2011 N	2012 N	2013 N
CASH IN FLOWS			
Owner's capital or equity	200,000		
Bank loan	800,000		
Sales revenue	1,600,000	1,920,000	2,304,000
TOTAL CASH INFLOWS (A)	2,500,000	1,920,000	2,304,000
CASH OUTFLOWS			
Fixed assets acquisition	600,000	760,000	820,000
Cost of sales	700,000	653,000	648,000
Operating expenses(less depr.)	643,000		
Loan repayment		400,000	400,000
TOTAL CASH OUTFLOWS(B)	1,943,000	1,813,000	1,868,000
Net cash flow(A-B)=C	557,000	107,000	436,000
Opening cash balance(D)	557,000	557,000	664,000
Closing cash balance(D)		664,000	1,100,000

PROJECTED BALANCE SHEET

Capital employed	N	N	N
Fixed assets(at cost)	600,000	600,000	600,000
Less: depreciation	(57,000)	(114,000)	(171,000)
Net book value A=	543,000	486,000	429,000
Current assets			
Balance at bank and in hand B	557,000	664,000	400,000
Less: current liabilities C	(243,000)	264,000	1,094,000
Net current assets B-C=D	300,000	750,000	1,523,000
Net assets E			
Financed by			
Owners capital F	200,000	200,000	200,000
Retained profit G	100,000	550,000	1,323,000
Owners funds F+G= H	300,000	750,000	1,523,000

PROFITABILITY ANALYSIS

Indicators	2011	2012	2013
Turn over	1,600,000	1,920,000	2,304,000
Gross margin	900,000	1,160,000	1,484,000
Net operating profit	200,000	450,000	779,000
Return on equity or owners contr. %	100	225	389.5
Return on total investment %	20	45	77.9

Formula (a) return on equity or owners contr.=operating profit/owners contribution

BREAK-EVEN POINT (BEP) ANALYSIS

	Fixed costs	Variable costs
	N	N
Salaries & allowances	473,000	
Transport		10,000
Electricity		40,000
Loan interest	80,000	
Telephone		40,000
Depreciation	57,000	
Total	610,000	90,000

BEP=FC

1--VC /S

N610, 000 / 1—90,000 / 1,600,000

90,000 / 1,600,000 =0.05625

1—0.05625 = 0.94375

BEP = 610,000 / 0.94375 = 646357.6159

FC =610,000

VC = 90,000

S = 1,600,000 (TURN OVER)

CHAPTER EIGHT

RISK ANALYSIS, CONTINGENCY PLAN AND EXIT PLAN

8.1 Risk analysis and mitigants

Identified Risks	Mitigants
Irregular or Shortage of water, especially during the dry season	A big water reservoir will be constructed to preserve all the rain during raining season which will be use during drought or dry season.
Scarcity of raw materials and flood especially during raining season.	We will take advantage of this time of slow production to embark on stocking of our raw materials for sale as well as buy from other firms and even import
Over supply	All excess shall be stored for the period of scarcity with sufficient drums.(that is hoarding for future use and their is much gain in it)

8.2 contingency plan

We will opt for PHCN electricity supply to ensure steady supply of energy

8.3 Exit strategy

No plans for exit from the lucrative industry; rather we expand

CHAPTER NINE

Other Considerations Conclusion and Recommendation

9.1 Economic justification

The profit based on our research offers good benefit to the economy, as it create job and wealth, in consonance with vision 20:20:20 and millennium development goals

9.2 Commercial viability

Through the financial projections, it is obvious that this project is financially viable.

9.3 Conclusion/recommendation

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