

**FACULTY OF THE SOCIAL SCIENCES
DEPARTMENT OF PUBLIC ADMINISTRATION AND
LOCAL GOVERNMENT**

**TOPIC:
SOAP MAKING**

**A BUSINESS PLAN
PRESENTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE COURSE: CEDR 342
(BUSINESS MANAGEMENT AND DEVELOPMENT)**

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TOPIC:**A BUSINESS PLAN FOR THE ESTABLISHMENT OF SOAP
MAKING AT UKALA, OSHIMILI NORTH LOCAL GOVERNMENT
AREA, DELTA STATE****TABLE OF CONTENTS**

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PART 1

1.0 Executive Summary

The following proposals are made by Ukemenam soap making limited located at Ukala, Oshimili north Local Government Area Delta State.

- The industry's vision is to produce good quality soaps to meet the buyer's choice and satisfaction.
- It is a partnership business that is registered with NAFDAC, patented, and has both trade mark and industrial design.
- Its target market is both the young, old etc and those in rural and urban areas (both the rich and the poor).
- It will use awareness campaign using media, company web, free sample give away as its promotion strategy.
- It will create job opportunities for the masses and will need support to run this industry.
- Ukemenam limited will be environmental friendly, it will not pose any environmental pollution.
- The financial projections of the industry shows that it will borrow 300,000 from the bank loan) to add the equity contribution. Thereby making total amount required to start up the business 365,000.

- The business will be financially stable by the time it matures. The establishment of Ukemenam soap making industry is commercially viable and highly recommended.

PART II

2.0 Introduction

The planned Ukemenam soap making industry is as a result of lack of quality soap in the eastern part of Nigeria. It has come to my knowledge that the demand for good quality soap is becoming high while there are few soap producing industries that see to this demand despite the number of soap industries in the eastern states of Nigeria especially Delta State. It is on this background that my idea was built to serve the public more than they expected.

2.1 Vision

To be the most outstanding soap producer in the Eastern state of Nigeria especially Delta State.

2.2 Mission

To produce better quality soaps of any kind (toilet, bar, medicated etc) using quality raw materials to meet the buyers choice.

2.3 Ownership and Legal Status

The business is a partnership, owned and managed by Ukemenam friends Association.

It will be registered with NAFDAC. The business will be patented. It will have a trade mark and industrial design and be equally governed with trade secrets.

2.4 Location

The Ukemenam soap making industry will be located at Ukala, Delta State where many business people from different states in Nigeria come to purchase their goods.

2.5 Products and Services

The industry will produce better quality medicated, toilet, bar, liquid soaps for the public's satisfaction. Its branding and packaging will be done with good quality material that will attract the buyers just like the product itself. This is to give it an edge above its competitors and hence the trade mark and industrial design. The price of the product will be made affordable to buyers.

2.6 Industry Trend

Soap producing industries face the challenges of creating awareness and retailing problems (distribution). Ukemenam soap making industry will use medium (advertisement etc) to overcome such challenges.

2.7 Key Success factors

This includes:

- The use of high and better quality raw materials
- The use of media to advertise the products (soaps)
- The industry's nearness to market and source of raw materials in urban area.
- Steady power supply in the industry.

PART III

3.0 Market, Customers and Competitors

Available Market

Information from survey reveal that the demand for quality soap is on the increase in eastern state (about 62%). Even with this, those previously engaged in the business produce and supply less than the quantity demanded (about 38%). This leaves a greater market and chances of new entrants into the business especially in Delta (Ukala) where the population is higher.

3.1 Location and Target Market

The location will be near ukala main market where most business men come to purchase their goods. Ukemenam target market will be both the rich and poor, young and old, those in rural and urban areas, singles and married.

3.2 Customers, Motivating and Purchasing Patterns

People from different walks of life (wholesales, retails, consumers) buy quality soap. Some but in large quantity and even pay in advance.

They are not particularly price sensitive but also sensitive to the quality an quantity produced.

Ukemenam industry will make price affordable for her customers to serve them well at any time and place and will sell on credit to registered wholesalers that are her regular customers.

3.3 Quality Assurance

My better quality soap production will be maintained. I will make sure that those that supply materials to me will never change the quality I have required.

3.4 Marketing Plan

There is a competition in soap production in eastern states but the competition will not be a very big task. This is because Ukemenam soap making industry will improve on her competitors weak points like low quality, low foaming agents, and unpleasant fragrance of soap. This will make it to be a market leader in a short time.

3.5 Promotion Strategy

Ukemenam soap making limited will engage in an awareness campaign using the media, magazines and newspapers. Offering free samples giveaways and preparing company web sites.

3.6 Marketing Strategy

The schedule of Ukemenam soap making limited would ensure that the industry maintain its reputation among their customers. No matter the cost of raw materials, the production must continue.

Ukemenam will also give trade discounts to drive the market faster. They will also give special items to their customers on occasions like Christmas,

Sallah, Easter, independence and also give calendars to any customers or wholesalers that buys in large quantity to keep in their respective shops.

3.7 Market Positioning

The industry will create peculiar leading edge profile for itself. It will be seen by its customers, general public and competitors as:

- Reliable industry
- A provider of the best quality soaps in eastern states
- A trust worthy industry that knows what the public wants and serves them well.

PART IV

4.0 Management and Organization

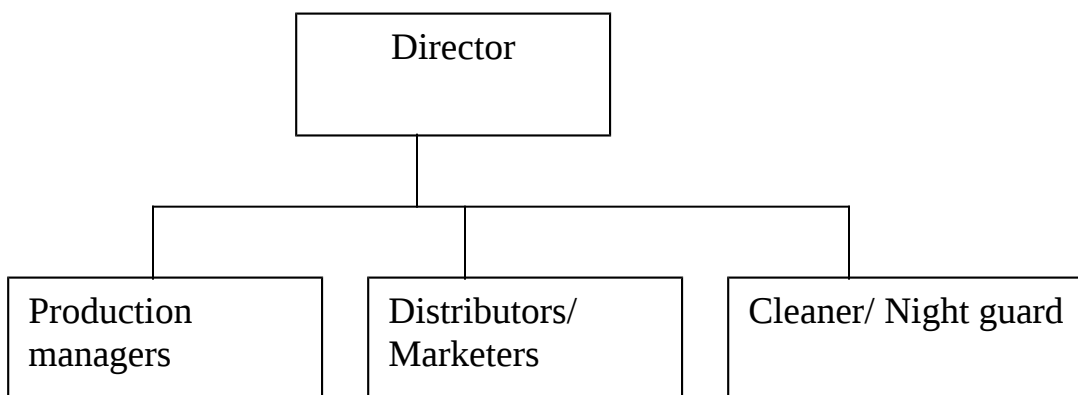
4.1 Ownership

Ukemenam soap making is a privately held owned in majority by its founder and president Ukemenam, Ifechukwude Victor.

Table 1: Management and labour compliment

S/N	Positions	No of staff	Annual	Total
1	Director	1	350,000	350,000
2	Production managers	5	120,000	600,000
3	Distributors/ Marketers	5	80,000	400,000
4	Cleaner/night guard	5	40,000	200,000
	Grand total			1,550,000

Fig 1: Organizational Structure of the Industry



4.2 External Support

The industry will access support from the entrepreneurship development centre from which the proprietors received training that gave birth to the

idea of establishing this industry. Also the mechanics will be needed for servicing distribution vehicles.

4.3 Values and Norms of the Company

Ukemenam soap making limited would adapt the following norms and values:

- To be available to her customers at all times
- To see her employees as her valuable assets
- To offer the best for the benefit of her customers

PART V

5.0 Legal, Environmental, Social and Regulatory Issues

5.1 Legal Issues

The industry will commence operations as a partnership. It will be registered with NAFDAC. It will be patented, have a trade mark industrial design and also be governed with trade secrets.

5.2 Environmental

The chemicals used in soap production will pose environmental problems. With this, industry plans to build a treatment plant in the industry where these harmful wastes will be pretreated before it is pumped into the public treatment plants. This will reduce environmental hazards and pollutions.

5.3 Social

The establishment of this industry will bring about wealth creation and poverty reduction, creation of job opportunities thereby enhancing social and economic benefits to the society.

5.4 Regulatory Issues

The industry will occupy with all relevant industrial safety requirement.

PART VI

6.0 Risk Analysis, Exit Strategy and Company Financial Analysis

6.1 Risk Analysis

This project is subjected to some risks identified and have appropriate mitigant to avoid the business being disrupted.

Table 2: Identified risks mitigants

S/N	Identified Risks	Mitigants
1	Chemical waste pollution	Building of a treatment plant in the industry
2	Irregular raw material supply	A well recognized and reliable company will be registered with for the supply of raw materials when needed
3	Distributed problem like care failure	The service of mechanics will be employed

6.2 SWOT Analysis

This reveals the following:

6.2.1 Strengthens

- The location of this industry makes it accessible to its targeted market.
- It has plan to expand with time and patronage.
- The industry will build on the above strengthens

6.2.2 Weakness

Ukemenam soap making limited hopes to improve and address the following weaknesses:

- Initial problems of raising capital for the project.
- The industry will depend on some external services like supply for raw materials.

6.2.3 Opportunity

The industry will exploit the opportunity of producing a better quality soap that has edge above her competitors since it is established on this basis.

6.2.4 Threats

- low initial demand
- Increase competition due to entry of more soap industries.

These threats has to be checkmated by aggressive awareness campaign

6.3 Exit Strategy

Ukemenam limited will never plan for exit no matter the situation rather diversification will be contemplated.

PART VII

7.0 COMPANY FINANCIALS

Summary of project cost: The total cost of the project is 3,650,000.

7.1 Fixed Capital Investment

Ukemenam is located a motorable area in Ukala, Delta State on a 3 plots land area.

Table 3: Fixed Capital investment

S/N	Details	Qty	Unit price (N)	Total amount
1	Moulds	20	500	10,000
2	Soap cutter	5	700	3,500
3	Drums	20	600	12,000
4	Washing basins	3	300	900
5	Tables	10	2800	28,000
6	Soap mixer	7	400	2,800
7	Delivery van	5	600,000	3,000,000
8	Soap stamps	3	800	2400
				3,059,600

7.2 Utilities

The industry is located in a place where there is scarcity of water. As such water will be supplied to it by commercial water supply tankers. Also since there is fluctuation in light, generators will be used.

Utilities	Year 1	Year 2	Year 3
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Water	28000	28200	28400
Fuel	10000	11000	12000
Total	29,000	29,200	29,600

7.3 Other Expenses

Other expenses that could be incurred in the running of the industry includes:

Table 5: Other expenses projected

Types of expenses	Year 1	Year 2	Year 3
Vehicle maintenance	50,000	55,000	60,000
Business travels	25,000	30,000	35,000
Advert	40,000	41,000	42,000
Machine maintenance	30,000	30,500	31,000
Miscellaneous	10,000	10,500	11,000
Total	155,000	167,000	174,500

7.4 Working Capital

The forecast for the needed working capital for the project are as follows:

Table 6: Working Capital

Working capital items	Year 1	Year 2	Year	
Packaging	13,000	13,000	17,000	20,000
Provision of utilities and other expenses	70,000	70,000	75,000	80,000
Salaries/wages	200,000	200,000	207,000	214,000
Debtors		48,000	100,000	115,000
Less creditor	39,500	39,500	600,000	72,000
Working capital	406,600	41,500	520,000	650,000

Total required investment outlay (required start-up capital)

Table 7: Total start-up capital required

S/N	Capital items	Amount (N)
1	Machinery, , equipment and others	3,059,600

2	Working capital requirement	406,000
3	Total	3,465,600

7.5 Financial Plan

To financial the required investment, outlay, the proprietor plans to raise equity of 800000 while 3000000 will be borrowed from the bank.

Table 8: Financial Plan

Source	Amount (N)
Equity contribution	650,000
Bank loan	3,000,000
Total	3,650,000

7.6 Loan Repayment Schedule and Interest Paid

The loan will attract 10% which should be available to pay monthly interest as scheduled repayments of the principal amount.

Table 9: Interest and repayment schedule

Year	Loan	Repayment	Interest	Loan balance
1	2,000,000		72,000	2,000,000
2	2,000,000	980,000	163,000	1,020,000
3	100,000	100,000	30,000	

7.7 Depreciation

This is calculated using the straight line method.

Table 10: Schedule of annual depreciation

S/N	Capital items	LS	IV	SV	Depreciation
1	Delivery van	5	650,000	450,000	40,000
2	Drums	10	10,000		1,000
3	Moulds	20	18,000	7,000	550
4	Soap cutter	3	12,000	2,000	2,000
5	Tables	5	25,000	6,000	3,800
6	Soap mixers	4	17,000	10,000	1,750
					49,100

7.8 Forecast of Profit and Loss

The loss of the first year of business was because sales was not done for up to 12 months.

Particular	Year 1	Year 2	Year 3
Expected sales	1,780,000	5,874,000	6,461,000
Less 1% discount	19,000	59,000	65,000
Net sales	176,100	5,815,000	6,396,000
Expenses			
Cost of farm	928,000	1,120,000	1,311,000
Operations	29,000	29,200	29,600
Utilities	155,000	167,000	174,500
Others expenses	862,000	870,000	900,000
Salaries and wages			
Total expenses	1,974,000	2,186,200	2,415,100
Profit before int an Tax	48,900	1,833,000	2,140,000
Less interest	47,000	98,000	3000
Profit before Tax	520,000	1,723,000	2,080,000
Less 10% tax	Nil	172,000	210,000
Profit after tax	520,000	1,703,000	2,000,000
Less depreciation	49,000	49,000	

Net profit	569,000	1,654,000	999,000
Retained earning	500,000	1,623,000	1,620,000
Dividend	Nil	Nil	43,000

7.9 Financial Analysis

At the first year in business which was less than 12 months, the sales was N120,000,000 and it is expected to grow to N487,400,000 for the second year and N563,200,000 in the third year.

7.10 Profitability

The following represent the relevant key probability ratios for the first three years in business.

	Year 1 3 months	Year 2	Year 3
Profit after tax	520,000	1,703,000	2,000,000
% return on equity	N/A	35.99	39.43
% return on investment	N/A	70.68	89.01

8.0 Economic Projection

From the viewpoint of our study and analysis of the findings made, the project offers good benefits to the promoters, and the economy at large.

Wealth will be created even as jobs are also created. These are consistent with the federal and states government policy on entrepreneurship, wealth and job creation.

8.1 Commercial Viability

The commercial viability of Ukemenam soap making industry is very clear. The industry has been found to be commercially viable, having shown through projections, impressive sales, profits and cash flow projections.

8.2 CONCLUSION

Based on the findings of this proposal, the business is viable and therefore qualifies for implementation and it is worthy to be invested upon.