

# A GUIDE TO WRITING A BUSINESS PLAN

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<https://www.yedis.org>

First Edition

Published 2019

Reprinted 2020

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ISBN: 978-978-974-072-7

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# **CHAPTER ONE**

## **PLANNING**

### **DEFINITION OF PLANNING**

Planning is the most fundamental of all the managerial functions. Plan implies choosing missions and objectives, then determine the actions to achieve them. It requires decision making that is, choosing a course of action from among alternatives. Plans thus provide a rational approach to achieving preselected objectives. Planning also strongly implies managerial innovation. Planning bridges the gap from where we are to where we want to go. It is also important to point out that planning and controlling are inseparable – the Siamese twin of management.

### **TYPES OF PLANS**

Plan can be classified as (i) mission or purposes, (ii) objectives or goals (iii) strategies.

(iv) policies (v) procedures (vi) rules, (vii) programs, and (viii) budgets.

### **Missions or Purposes**

The mission, or purpose (the term often used interchangeably), identifies the basic purpose or function or tasks of an enterprise or agency or any part of it. In every social system, enterprises have a basic function or task assigned to them by society. For example, the

purpose of a business generally is the production and distribution of goods and services.

### **Objectives or Goals**

Objectives or goals (the term used interchangeably) are the ends towards which activities proposed. They represent not only the endpoint of planning but also the end toward which organizing, staffing, leading, and controlling aimed.

### **Strategies**

Strategy defines as the determination of the primary long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

### **Policies**

Policies are plans in that they are general statements or understandings that guide or channel thinking in decision making. Not all policies are “statements”; they are often merely implied from the actions of managers. Policies define an area within which a decision is to be made and ensure that the decision will be consistent with, and contribute to an objective. Policy helps decide issues before they become problems, make it unnecessary to analyse the same situation every time it comes up. It unifies other plans, thus permitting managers to delegate authority and still maintain control over what their subordinates do.

## **Procedures**

Procedures are plans that establish a required method of handling future activities. They are chronological sequences of required actions. They are guides to action, rather than to thinking, and they detail the exact manner in which certain activities must accomplish.

A few examples illustrate the relationship between procedures and policies. Company policy may grant employees vacations. The procedures established to implement this policy will provide for scheduling vacations to avoid disruption of work, setting rates of vacation pay, and methods for calculating them. It also maintains records to ensure each employee has a holiday and spelling out the means for applying for leave.

## **Programs**

Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action; budgets ordinarily support them.

## **Budget**

A budget is a statement of expected results expressed in numerical terms. It may be called a “quantified” plan. The financial operating budget is often called *a profit plan*. A budget may express in financial terms, in terms of labour hours, units of product, or machine hours, or in any other numerically measurable terms.

## **Planning as Part of the Business Operation**

Planning is a process that never ends for a business. It is crucial in the early stages of any new venture when the entrepreneur will need to prepare a preliminary business plan. The plan will become finalized as the entrepreneur gains a better sense of the market, the product or services to be marketed, the management team, and the financial needs of the venture. As the enterprise evolves from an early start-up to a mature business, planning will continue as management seeks to meet its short-term or long-term business goals.

For any given organization, it is possible to find financial plans, marketing plans, human resource plans, production plans, and sales plans, to name a few. Plans may be short-term or long-term, or they may be strategic or operational. Plans will also differ in scope depending on the type of business or the anticipated size of the start-up operation. Even though they may serve different functions, all these plans have a critical purpose of providing guidance and structure to management in a rapidly changing market environment.

Many new businesses fail not because the entrepreneur did not work hard, but because there was no real opportunity at the beginning. Developing a successful business idea includes opportunity recognition, feasibility analysis, writing a business plan, industry analysis, and the development of a useful business model.

## **CHAPTER TWO**

### **THE BUSINESS PLAN**

#### **Definition of a Business Plan**

The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture (Histrich, Peters, Shepherd 2013). It addresses the integration and coordination of effective business objectives and strategies when the venture contains a variety of products and services. A business plan depicts all the aspects of a business venture concisely. It is usually necessary to have a written business plan to raise money and attract high-quality business partners. Some entrepreneurs are impatient and do not want to spend the required time to write a business plan. This approach is usually a mistake. Writing a business plan forces an entrepreneur to think carefully through all the aspects of a business venture. It also helps a new venture establish a set of milestones that can use to guide the early phases of the business rollout.

It is a mistake to write a business plan too early. The business plan must be substantive enough and have sufficient details about the merits of the new venture to convince the reader that the new business is exciting and should receive support. A business plan should disclose all resource limitations that the company must meet before it is ready to start earning revenues.



A business plan is a written narrative that describes what a new business intends to accomplish and how it wants to achieve it. For most new ventures, the business plan is a dual-purpose document used both inside and outside the firm. Inside the firm, the business plan helps the company develop a 'road map' to follow to execute its strategies and plans. Outside the firm, it introduces potential investors and other stakeholders to the business opportunity the firm is pursuing and how it plans to continue it.

Scarborough (2013) defines a business plan as a written summary of an entrepreneur's proposed business venture, its operational and financial details, its marketing opportunities and strategy, and its managers' skills and abilities. The plan is a written proof that an entrepreneur has performed the necessary research, studied the business opportunity adequately, and is prepared to capitalize on it with a sound business model.

A business plan is a document that every successful business owner must suffer to develop to attract outside investors and to build internal growth (Applegate, 2003). A good business plan explains the concept of a new venture to investors, or, just as important, keeps an existing business on track. While forward-looking, its credibility derives from its grasp of present conditions. It accurately describes the market, the management team, the need today for products under development, the realities of manufacturing and delivering products, the strengths of the competition, including their ability to

counter a new competitor like yourself, and reasonable projections of growth.

### **Importance of a Business Plan**

- It helps determine the viability of the venture in a designated market.
- It guides the entrepreneur in organising his or her planning activities.
- It serves as an essential tool in helping to obtain financing.

### **Business Planning Timetable**

-Johnson (1990)

- Decide why you want the plan
- Become familiar with the looks of your projects.
- Decide who will help you draw up the plan
- Describe the kind of business you want to run
- Gather information about the market and the environment
- Gather information about the cost
- Make some forecast and do your sums

- Revise your business ideas
- Check for viability.
- Revise monitoring procedures
- Work out your “critical path.”
- Pull it together and go for it.

## **The Basics of the Business Plan**

Although there is no standard format, but you will need to cover these areas:

- **Executive summary** – Overview of your business and your primary goals and objectives.
- **Market** - A detailed and informed look at the market you serve, including a sense of whether it is growing or shrinking
- **Competition** – What your closest competitors are doing to serve customers and clients. How can you do a better job?
- **Management Team** – Who will you employ to help you run the company? Who is working with you now?
- **Financial Projection** – What are the sources of your money? Are your sales going up, down, or sideways? If you are looking for external investment, this is a critical section.

## **Why do a Business Plan?**

Writing a business plan forces a firm's founders to think through each aspect of their new venture systematically. The development is not a trivial effort, it usually takes several days or weeks to complete a well-developed business plan, and the founders will often meet regularly to work on it during this period.

One of the best ways to lower the probability that your business will fail is to create a business plan. Doing so forces you to ask and then answer some tough questions about your proposed venture – Scarborough (2013).

To embark on a perilous start-up journey without some essential planning defies good sense. Creating a business plan is an excellent way for you and your current or prospective partners to learn about the business and to gain critical insights into each other's style, strengths and weaknesses, and how you will work together. A plan does the following;

- It will document key issues such as the opportunity, the buyer and user, the market and competition, the economics and financial characteristics of the business, and the likely entry strategy.
- It communicates to and helps persuade stakeholders, financial backers, team members,

key new hires, directors, brain trust prospects, and strategic partners.

- It will provide a roadmap for accountability around company performance.

### **Developing the Business Plan**

Developing a successful business idea includes opportunity recognition, feasibility analysis, writing a business plan, industry analysis, and the development of a useful business model.

The business plan itself is the culmination of a usually lengthy, arduous, creative, and iterative process. The plan will carefully articulate the merits, requirements, risks, and potential rewards of the opportunity and how it will seize. The business plan for a high-potential venture reveals the business's ability to:

- Create or add significant value to a customer or end-user.
- Solve a significant problem, or meet a significant want or need for which someone will pay a premium.
- Have a robust market, margin, and moneymaking characteristics.

- Fit well with the founder(s) and management team at the time, in the marketplace, and with the risk-reward balance.
- Scale with an eye toward sustainability.

The plan becomes the point of departure for prospective investors to begin their due diligence to ascertain various potential risks of the venture: technology risks, market risks, and management risks, competitive and strategic risks, and financial risks. Even if you do not intend to raise outside capital, this homework is vital. The collision between founders and investors that occur during meetings, discussions, and investigations reveal a great deal to all parties and begin to set the mood for their relationship and negotiations. Getting to know each other much more closely is a crucial part of the evaluation process.

## **Do' and Don'ts for Preparing a Business Plan**

### **Do**

Involve all of the management team in the preparation of the business plan.

Make the plan logical, comprehensive, readable, and as short as possible.

Demonstrate commitment to the venture by investing a significant amount of time and some money in preparing the plan.'

Articulate what the critical risks and assumptions are, and how and why these are tolerable.

Disclose and discuss any current or potential problems in the venture.

Identify several alternative sources of financing.

Spell out the proposed deal-how much for what ownership share-and how investors will win

Be creative in gaining the attention and interest of potential investors.

Remember that the plan is not the business and that an ounce of can-do implementation is worth two pounds of planning.

Accept orders and customers that will generate a positive cash flow, even if it means you have to postpone writing the plan.



Know your targeted investor groups (e.g., venture capitalist, angel investor, bank, or leasing company) and what they really want and what they dislike, and tailor your plan accordingly.

Let realistic market and sales projections drive the assumptions underlying the financial spreadsheets, rather than the reverse.

### **Don't**

Have unnamed and mysterious people on the management team (e.g., a “Mr. G” who is currently a financial vice president with another firm and who will join you later).

Make ambiguous, vague, or unsubstantiated statements, such as estimating sales based on what the team would like to produce.

Describe technical products or manufacturing processes using jargon or in a way that only an expert can understand, because this limits the usefulness of the plan.

Spend money on developing fancy brochures, elaborate PowerPoint and Flash presentations, etc.

Waste time writing an idea when you could be chasing sales and collecting cash.

Assume you have a done deal when you have a handshake or verbal commitment but no money in the bank. (The deal done when the bank check clears).

## **Who develops the Business Plan?**

Consideration often is given to hiring an outside professional to prepare the business plan so the management team can use its time to obtain financing and start the business.

There are two reasons it is not a good idea to hire outside professionals. First, writing the business plan allows the founders to understand and consider their venture on a more intimate and concise level, while providing opportunities to pinpoint and discuss what they are genuinely trying to do, and for whom. Second, by planning and writing out a list of required resources, both financial and involved parties, the founders can get a realistic sense of how the venture is proposed to work and can better anticipate where problems may occur.

## **Who Reads the Business Plan?**

A firm must validate the feasibility of its business idea and have a good understanding of its competitive environment before presenting its business plan to others. Among those that read the business plans are;

1. A Firm's Employees: A clearly written business plan, which articulates the vision and future plans of a firm, is important for both the management team and the rank-and-file employees.

2. Investors and Other External Stakeholders:  
External stakeholders who recruited to join a firm such as investors, potential business partners, financial institutions, and key employees are the second audience for a business plan.

## CHAPTER THREE

### BUSINESS LOAN PROPOSAL

Preparing an effective, well-documented commercial loan proposal is the first step toward getting the money your business needs from a bank.

Your small business loan proposal will often be the first contact a banker has with your company. So you need to craft a document that presents your business in the best possible light.

The goal is to persuade the banker that you're ready and able to make a success of your business and repay the loan.

#### **Types of a Business Plan**

According to Applegate, (2003), there are two types of business plans: focusing plans and financing plans.

The focusing plan is the one you write when your business is in its infancy or needs a new direction. Writing it forces you to do a round of homework: market research, a review of your competition, and detailed projections of the skills and resources you'll need to get started. A focusing plan also helps to revive and clarify the direction for an existing business, no matter how small it may be.

A financing plan prepares for outside investors. In addition to the basics, it will include comprehensive

financial spreadsheets and details on how you would spend the money you raise. You also need to specify how long that money will last and how you intend to raise future funds.

### Pre-Plan Planning

Before you sit down to write either type of business plan, here are some important questions to answer:

- What is my core product or service?
- What sets my products or services apart from our competitions?
- What are my mechanisms for reaching that market, and how much will these mechanisms cost?
- How big is the market for my product?
- Is our market growing or shrinking?
- What are my competitors doing to capture market share?
- How can I reach more clients?
- What are my strengths and weaknesses as a business owner?
- What kind of people should I need to keep my business going before we see any profits?

- What are my plans for expansion and growth?
- What are my sources of capital? Personal savings? Company profits? Bank loan? Credit line?
- Do I have money saved for emergencies?

### Your business plan is the key

The major part of proposals for small business loans is the business plan. Take the necessary time to do a thorough job of preparing it, ensuring it covers the following sections.

- **Executive summary**

This section provides a concise overview of your business. It briefly describes your company, its industry, and its competitive advantage. It should also detail the business need or project that requires financing, as well as the amount of money needed.

- **Description of the company**

In the main part of your business plan, you should fully describe the history, current operations and strategy of your business.

- **Management team experience**

Show the skills, knowledge, and qualifications of each member of the management team. Your banker needs to know they have what it takes to make your project work.

- **Key financial data**

This section shows the financial strength of your business. Provide financial statements as well as forecasts for the next 2 to 3 years. Your banker will scrutinize this information to understand your track record and capacity to repay the loan. As in every part of your small business loan proposal, make sure you are sincere and transparent.

### **Marketing plan**

Provide a marketing plan to answer these key questions: Is there a proven market for your product or service? Who are your competitors, and what are their strengths and weaknesses? What is your client profile? What is your key competitive advantage?

- **Production plan**

Your banker will want to know if you have the operational capacity to handle your projected sales.

- **Human resources management**

Demonstrate that your business can recruit, develop and retain the right people to move your business project further.

Include supporting documents

You should bolster your commercial loan proposal by including documents that support, explain, and boost the credibility of your plan, including:

- market studies or other research supporting your conclusions and forecasts;
- documents to support financial data (e.g., copies of leases, subcontractor estimates, letters of credit);
- client testimonials; and
- media reports about your company.

The purpose of the supporting documents is to show your proposal based on facts.

### **Tips for writing an effective commercial loan proposal**

- Use simple, plain language. Avoid technical terms and acronyms. Your proposal should be clear, well-structured and easy to read.
- Don't forget that your proposal's purpose is to show your company at its best. Sell yourself!
- Throughout the proposal, focus on showing why your venture will succeed. Demonstrate that you've thought of multiple possible scenarios and that you have contingency plans.
- Image counts. Consider working with a professional to help you to layout the document. If writing is not your strength, ask for the help of a professional copywriter or editor.



## CHAPTER FOUR

### **Contents of the Business Plan**

The business plan should give clear and concise information on all the essential aspects of the proposed new venture. It must be long enough to provide sufficient information, yet short enough to maintain reader interest.

Some entrepreneurs recognize that every business plan is unique and must be tailor-made for specific operations. The contents of a business plan may be standard, but the way entrepreneurs tell their stories should be unique and reflect their enthusiasm for the new venture. If this is a first attempt at writing a business plan, it may be beneficial to seek the advice of individuals with experience in the process.

Most people starting a new business will need to develop a formal business plan to access finance. Actually, it is a perfect discipline in itself to have an up-to-date business plan; whether you are starting a business or have been trading a while. If you use a good template, it will force you to go through the whole rationale for your business, look at every aspect of it, and examine or re-examine it in terms of likely profitability - which for most people is the objective.

Once you have a plan, it is relatively simple, and a good discipline, to review each year and check you are still on track. Your management team can review short-

medium- and long-term objectives. You will also ask to submit a business plan regularly if you have successfully accessed funding from a bank or investors.

When banks and other financial institutions are considering a loan application, they will be looking for businesses that have good cash flow management, including a strong balance sheet, a sound business plan, a well-balanced management team, a good business record, and ability to develop and grow. A business plan is a key first step.

Also, if you make an application for a grant or any other State Aid, they will inevitably ask to see your business plan. It is always easier to update an existing plan than to start from scratch.

As always, there are several different formats, none of which is right or wrong. A good small business plan defines specifically what you want to achieve and how you plan to achieve it.

At least, your small business plan should clearly state:

- What your business will do
- The products or services it will provide
- How customers will access your products or services (e.g., online, by phone, in a high street shop)
- Your approach to pricing

You may also consider including the mission and objectives of a business, development plan, market strategies, competitive analysis, operations and management structure, employee need, and financial details.

Many banks will have a template you can use, and there are free templates available on the Internet.

### **Example of a Simple Business Plan**

Taking each of these in turn;

#### Executive summary

Although this will be the first section in your plan, it is easiest to write it last, as with all summaries.

- Introduce the company, its geographical location, provide an overview of product and market, legal status, and sector.
- Clarify your vision, objectives and aims.
- Mention planned launch date.

Then, depending on the reason for writing the plan, you will probably mention the rationale for the funding you are seeking –whether it is start-up funding, working capital, or for an expansion plan.

#### Summary of Background

Provide some background. Explain why business established, its history to date, what the goals are and how

you plan to get there? Are you looking for steady growth or fast expansion? Why do you need to expand or secure more capital?

- Description of your products and services
- Target customer
- Outline of the business aims (SMART)
- Mention any patent, copyright, design registration
- Accreditations
- Clients
- Legal obligations, licenses, insurance

### Business Environment

Start by describing your business — what does it do, and what makes it different from rivals?

- Review your market and competitors -ideally backed up by research
- Profile of your target market and analysis of demand
- Size of a target market, market potential, market trends
- Potential clients, or customers –target demographic
- Proposed Pricing –again ideally backed up by research

### Business background

- Analysis of your sector.
- Who are your key competitors?
- Assessments of your competitors
- SWOT analysis – showing the strengths, weaknesses, opportunities, and threats in your industry and facing your business.

### Operations

- Information about your management team and resources
- Give details of key personnel and their roles.
- Describe important assets such as premises and equipment.
- Staffing policy –will you hire or outsource?

### Go to Market Plan

- Outline your sales and marketing strategy.
- Include information on pricing
- Cost of product
- Market price
- Margin

- Route to market –internet, store, and phone?
- mention product launch dates, seasonality

### Investment

- Include details of any start-up investment, made by Directors
- Any bank loans or overdrafts
- Set up costs
- Equipment
- Premises
- Materials
- Transport
- Stock
- Data on your current financial situation
- How new funding sought will use

### Cash Flow forecast

It should be a spreadsheet, covering at least a year, Month by Month.

It should show; -

- Projected sales (different income streams with their line of information)
- Cost of sale, Rent, rates, utilities, insurances, fuel, loan repayments, salaries, any other overheads. These should total monthly.

## BUSINESS PLAN TABLE OF CONTENTS

<p><b>1. EXECUTIVE SUMMARY</b>                  Description of the business concept and the business                  Opportunity and strategy                  Target market and projections                  Competitive advantages                  The team                  The offering</p> <p><b>2. THE INDUSTRY AND THE COMPANY AND ITS PRODUCT(S) OR SERVICES(S)</b>                  The industry                  The company and the concept                  The product(s) or service(s)                  Entry and growth strategy</p> <p><b>3. MARKET RESEARCH AND ANALYSIS</b>                  Customers                  Market size and trends                  Competition and competitive edges                  Estimated market share and sales                  Ongoing market evaluation</p> <p><b>4. THE ECONOMICS OF THE BUSINESS</b>                  Gross and operating margins                  Profit potentials and durability                  Fixed, variable, and semi variable costs.                  Months to breakeven                  Months to reach positive cash flow</p> <p><b>5. MARKETING PLAN</b>                  Overall marketing strategy                  Pricing                  Sales Tactics                  Service and warranty policies                  Advertising and promotion                  Distribution.</p> <p><b>6. DESIGN AND DEVELOPMENT PLANS</b>                  Developing status and tasks                  Difficulties and risks</p>	<p><b>Product improvement and new products</b>  <b>Costs</b>  <b>Proprietary issues</b></p> <p><b>7. MANUFACTURING AND OPERATIONS PLAN</b>                  Operating cycle                  Geographical location                  Facilities and improvements                  Strategy and plans                  Regulatory and legal issues</p> <p><b>8. MANAGEMENT TEAM</b>                  Organization                  Key management personnel                  Management compensation and ownership                  Other investors                  Employment and other agreements and stock options and bonus plans.                  Board of directors                  Other shareholders, rights, and restrictions                  Supporting professional advisors and services</p> <p><b>9. SUSTAINABILITY AND IMPACT</b>                  Issues of sustainability of the venture                  Impact on the environment                  Impact on the community and nation.</p> <p><b>10. OVERALL SCHEDULE</b></p> <p><b>11. CRITICAL RISKS, PROBLEMS, AND ASSUMPTIONS</b></p> <p><b>12. THE FINANCIAL PLAN</b>                  Actual income statement and balance sheets                  Pro forma income statement                  Pro forms balance sheet                  Pro forma cash flow analysis                  Break-even chart and calculations</p> <p><b>13. APPENDIXES</b></p>
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Source: Spinelli S., & Adams R. (2012), New Venture Creation, Entrepreneurship for the 21<sup>st</sup> Century, Ninth Edition, New York: McGraw-Hill

**CHAPTER FIVE**

**Samples of Business Plan for Soap Making**

**(COVER PAGE)**

**BUSINESS PLAN**

**FOR**

**WUMI SOAP MANUFACTURING INDUSTRY**

**BY**

**R. A. OLAORE**

**JANUARY 2018**



## **PART I**

### **SECTION 1: EXECUTIVE SUMMARY**

This business plan based on the forecast and research carried out between January 2011 and June 2011. The idea is necessary at the period of starting the business to give details of the overall direction of my proposed newly established soap manufacturing company. The plan developed with a focus on the financial, marketing, organization structure, operational plan, and strategic aspects of the business plan inclusive of idea generation.

The company is to embark on the production of distinctive medicated soap that includes curative components aim at healing any of the skin problems like acne, body itching, pimples, dogged pores, bacterial or fungal inspections.

Moreover, it is going to be managed by a five-member working team at the beginning. At the same time, the firm will also finance through owners' equity of almost 2.1 million naira, and with assistance from family and friends. Base on the target market, the firm will locate at the center of seven rural communities of Osun State, Nigeria has an

approximate population of 3.5 million people. The company hours of operation will be from 7 am to 6.30 pm.

## **SECTION II: GENERAL COMPANY DESCRIPTION**

The proposed company name is WUMI Soap Manufacturing firm to be located in a family building at No. 21, Ota Efun, Osogbo, Osun State, Nigeria. The goal of this company is to have a healthy, successful company that is going to be a leader in consumer service. According to the research conducted, the goal is specific, measurable, achievable, realistic, and timely.

The product is medicated soap, which is unique in the market in comparison with competitors existing products. It observed that our firm would have a competitive advantage in the market over the rivals because most of the available products made without any form of technological input. The company plant, which is on three plots of inherited land from family, is situated in the center of seven rural communities, which will make it accessible to customers and suppliers as well. The environment

characterizes by many infrastructural facilities that are going to facilitate our company production. Quality is our target with the specific measures of customer satisfaction and objective of annual sales target of 3.6 million naira subject to competitive analysis. With the present situation of competition and market structures, the company is going to have rapid growth based on higher demands for this product and its significant effect on the consumers.

Furthermore, The Company will manage by the owner's family and also proposes to employ skilled personnel, especially in the production and sales field, to have efficiency, effectiveness, and smooth running of the firm. Advantageously, the location of the plant is closer to the communities; therefore, the firm will be able to sell conveniently and at affordable prices. Additionally, the manufacturing equipment to be used is a standard machine made in Germany, designed for the 'saponification' process of soap production. Raw materials are available locally, especially Palm Kernel Oil (PKO), which takes a more significant percentage of the output while other materials mostly imported. As part of the

government regulation for the establishment of soap manufacturing, the firm is in the process of registering its name with Nigeria Corporate Affairs Commission, and National Food and Drug Administration and Control (NAFDAC), Nigeria. The firm is projecting a market share of 45% for the first year and planning to extend its sales outlets beyond the seven communities within one to two years of operation. Ideally, soap is absolutely among the convenience and necessity goods; thus, the demand is indispensable. Concerning this, the firm will embark on mass marketing to capture the market in the long run. The company's strength and core competencies are on aspect of the professionalism of the owners in soap production and marketing, the factory location, financial capability, technological advantage, nearness to the consumers, and additional features in the product (medication). Besides, the proprietor is familiar with the environment. He is a graduate of business management and has worked in the production unit of the soap manufacturing industry for five years. His wife has her discipline in marketing management with two years of practical experience in a reputable company, therefore, enabling her capabilities to

operate as a marketing officer of the firm. On the whole, the owner wishes to utilize the strength and opportunity surrounding him to develop the business profitably.

### **The Product**

The product of the company, that is, 'soap,' is a tangible product which is perceptible by the senses, especially the sense of touch, feel, value, and measures. Additional medicinal features added to this soap make it unique among the competing brands. Because the residents of the communities are mostly farmers, the majority of the women are into palm kernel oil businesses, which extracts from palm trees seeds. Palm kernel oil forms a primary ingredient of making soap, at least seventy-five percent. Hence, the firm decides to be embarking on bulk buying of PKO locally and other raw materials directly from manufacturers in Lagos, an industrial center in Nigeria, to get price discounts and quantity discounts. The medicated soap, unlike any other products, cannot just be manufacture in Nigeria without the inspection of the

factory, environmental effect, location, equipment, and the composition of ingredients, health, safety, and prior permission of the Environmental Protection Agency and National Foods and Drug Administration Control. All these processes are to be carried out by the company; immediately, every requirement is in place. Soap is a consumable product, daily use item, which has higher demand; hence, the firm has prepared to have a smooth-running operation and ready to avert anything that will stand as a bottleneck to the production schedules. As a new medicated soap to the market, the purpose will be of benefit to the consumers and the company, respectively. Apart from bathing, the soap is antibacterial, anti-itching, anti-pimples, and curable to all sorts of skin problems. It is going to be of different sizes and colours, to create individual choices.

## **SECTION III: Marketing**

### **Market Research and Analysis:**

The company embarks on marketing research to find means of connecting consumers, retailers, and the populace to the product in the making. The firm sees Market research to be necessary, especially at the onset of business and as a continuous process to identify market opportunities and problems, assessment of marketing challenges, and enhance understanding of marketing as a process. The primary research data collection method used to scan the environment while Careful and systematic research conducted to know the details about the intended market. The information was collected through a personal interview, recorded, and analyzed to provide a relevant appraisal of marketing variables, environment, and customers. The survey was carried out tactically by visiting school children, tertiary institutions, market women, trade associations, farmers, and individuals to learn about their choices and improvement. More so, raw data was collected from hospitals to know

the causes of skin problems and the percentage of people in the communities that have any skin infections.

According to the analysis, the target market consists of 7 communities of not less than three million, five hundred residents, hence, soap is for everybody, young and old, male and female and so on. The percentage ratio of the market target for the firm is calculated to be 45 percent, having considered our competitors position in the market. The research was conducted to get precise data that will manifest an actual situation of our business environment.

The market research has given the company hope of much potential for growth as the idea of producing and selling medicated soaps is widely welcome by people when interviewing with them. More so, with the accessible location for retailers and consumers, it is a privilege for the company to get their patronage. The barrier suspected to be facing, in the beginning, is consumer's behavioural attitude towards a new product. Consumer acceptance and recognition of our brand happen to bring challenges as most of the rural communal not educated. Another



demanding situation for the firm is the acquisition of unique technology and necessary procedures of getting approval from the National Food and Drug Administration Control, Nigeria (NAFDAC), and Environmental agency. No cluster of the firm in the environment that can supply the company materials as promptly as possible and getting package materials and raw materials will take time occasionally and costly by transportation due to long distance. The research has also shown that the palm kernel oil (PKO), which forms a significant part of the ingredients, is a seasonal product. Therefore, there is a likelihood of scarcity during the raining season, which the firm must carefully plan to avoid a stoppage or delay in manufacturing schedules. As part of a remedy to the shortage of materials, the firm has worked out a plan to engage in bulk buying. So, during the scarcity, the production will not be affected. Enough space was design for warehousing of materials to curb any unnoticed irregularities in supply.

## **COMPETITIVE STRATEGY**

This company was able to generate findings on how competitive is the environment it wants to serve. There are two competing companies in the market presently, but the kinds of soap they are producing are ordinary toilet soap while our proposed product is "medicated toilet soap". These companies' locations are almost 30 miles and 42 miles, respectively, to the environment in which we plan to locate our plant, but we are focusing on the same market. According to the research reports, they are unable to meet up the demand of ordinary toilet soap they are making due to technological, financial and many other constraints. Other competing products are imported soap which can strategically compete with these rival companies. Strength, Weakness, Opportunity and Threat of our firm people find a little bit difficult to purchase as it is very costly. The name of the first rival company product is "Agbity soap" while the second one is "Benbot soap." The firm used SWOT Analysis to examine and compare other companies in the environment; that were appraised strategically to develop a position in which the

company will likely find itself now and in the future. 'Wumi soap company' tries to anticipate industry competitive future structural change and plan to position the firm to exploit this transformation before other competing companies perceive it. Our company has financial capability, competent and professional staff, land and building are already available for the use of the company, it is located beside the roads linking the communities together and very easy to reach; also, infrastructural facilities are available. The company has the opportunity of the family building situated in a perfect location and enough space for future expansion than other competitors. Our product has unique features built-in it, which others do not have. It is a medicated soap, it has a sort of innovation, and its performance characteristic is quite better than other competing products. Other firms have more employees than our proposed number of employees, and their products are already in circulation. We need a lot of effort to convince people that our brand is better than others. They already have the structure on the ground, but we are in the process of organizing our company structure. More so, they have registered their

companies, and we are still going through the rudimentary process. All these are critically reviewed in the competitive research before a position can form.

Market Share Ratio: AY soap: 25%, BT soap: 30%. Wumi soap: 45%

## **MARKETING STRATEGY**

Careful research carried out to scan the environment thoroughly to understand our consumers and customers. The markets itself, government regulation, and competition there in it found necessary to develop a marketing strategy that will be suitable for the accomplishment of the plan to satisfy our customers and having reasonable competitive advantages. The firm adopts 7 Ps of the marketing mix to examine the marketing strategy. They are the product, promotion, place, price, people, package, and positioning.

**Product strategy:** Branding of the product through its name bring a unique difference to it. The brand name "wumi" soap is straightforward and will be easy to call by everyone in the community, and it can remember quickly.

Even uneducated people in the society will easily pronounce the name. Thus, it negates the competitors' long names that are difficult to call or read according to the research conducted. More so, some features such as anti-bacteria chemical, colourant, and the scent will incorporate in the soap, which will make it distinctive and unequal to any other soap in the environment. The size and shape will be a handful and attractive.

**Promotional strategy:** there is a saying that marketing does not just about knowing the consumers but lets the consumer knows you. The firm plan to embark on a promotional strategy to accept a new product and sales increase through advertising, use of billboards, handbills, networking through a trade union, club and anniversary, market women, weekly market, teachers, and students at primary, secondary and one tertiary institution in the community. Personal selling via door-to-door contact is also a tactical means our firm wishes to communicate with consumers. This method of direct sale will provide quick feedback on any complaints they may have, which will be a source of improvement to the product and company in

the present and nearer future. Relatively, all necessary documents and artistic designs that are within the resources of the firm, which will promote the image of the company and serve as a means of advertising the company product will be made available. Among these items are firm logo, complimentary cards, letterheads papers, signage and interior design, vest, cap, writing pads, and so on.

**Placement (Distribution):** the firm proposes to distribute the product to the consumer through personal selling and retailers. To reach as many people as possible, and in association with personal selling, the firm plans to sell to retailers. Specifically, the retailers that are close to consumers for the convenience of getting the product as at when due. The distribution channel will be,

1: Manufacturer ----Retailer----Consumer

2: Manufacturer-----Consumer

**Pricing:** In developing a price strategy, the firm considers various factors examined in the marketing plan and competitive analysis. Economic factors, legal, cost of

production, distribution, and promotional expenses also found. Therefore, the company arrives at introducing a penetration pricing by selling at penetrating price, which is below market price without compromising the quality, to capture the market, sales increase, and competitive advantage.

**People:** collective responsibilities and sense of belongings in an organization bring the successful accomplishment of the set goals. It stated in this proposal that all staff would be involved in the day to day operation of the business, and they are going to work as a winning team. The idea will be welcomed by anyone, however unorthodox it is, while the progress of the company will effectively communicate to everybody. Retailers and suppliers will also incorporate as partners in development.

**Positioning:** Through the provision of quality products, a good unique brand name, and promotional activities, the company will create an ideal impression of its image in the minds of consumers. So, when asks any consumer in the communities to name brand in a soap product family, 'wumi' soap will be the answer.

**Packaging:** The soap will provide an excellent and attractive package that will bear the name and logo of the firm. In most cases, people admire package in product purchases.

#### **SECTION IV: OPERATIONAL PLAN**

The company production plant is going to situate at Osogbo, the state capital of Osun State, Nigeria. The center of the location has infrastructural facilities that will aid the efficient production of soaps. Apart from the building on the land, which has enough space for offices, warehouse, and production room, There is still sufficient space on the land for parking, loading and offloading, stockyard, and for future expansion. Electricity, water supply, telecommunication services, good linkage roads are at the center of firm operations. Transportation services to and from the location are affordable to the people. Therefore, it will be easier for customers to patronize the firm, and even the cost of selling will also reduce despite their markup. More so, the link of the



company to the supplier by road will too convenient and affordable based on good road network. The business hours will be from 7.00 am to 6.30 pm, Monday to Saturday.

**Production method:** The raw materials proposed for the production are selected based on cost, human and environmental safety, compatibility with other ingredients, performance characteristics, and appearance of the final product. For an effective production operation, the saponification method will use to make the medicated soap, and it's going to be a cold process. Raw materials are Palm Kernel Oil, Animal Fats, Triglyceride, Caustic Soda Solution, Soda Ash Solution, Sodium Sulphate (optional), Sodium Silicate, Scent, and Colourant.

<b>Ingredients</b>	<b>Formation</b>
PKO/ Glycerine	12 units
Caustic Soda Solution (it will undergo fermentation)	6 units
Soda Ash Solution	3 units
Triglyceride	2 units
Sodium Sulphate	1 unit
Sodium Silicate	½ unit
Scent	to taste

**Fermenting Method:**

-Measurement of 2 units of Caustic soda to be dissolved with six units of water and soak for at least 48 hours. The hydrometer will use to measure the concentration at 1250/1275 before use.

Apparatus: Advance saponification machine that will do the process of mixing, molding, stamping, and cutting of soap into sizes.

After production, the soaps will transfer to the packaging units of the firm for compacting, then to the warehouse for proper record keeping, inventory control, and accountability to avoid waste, pilferage, breakages, and all sort of minus to the quality of the soap.

**Legal and Economic factors:** Soap production firm shall establish in Nigeria only by registration with ‘Corporate Affairs Commission, Abuja’, ‘Environmental Protection Agency’, and ‘National Food and Drug Administration Control (NAFDAC)’. There are laid down rules and regulations to strictly follow in launching this kind of business to protect people’s health against fake products and environmental cleanliness.

Furthermore, to encourage local soap makers in their production and to be able to compete with foreign industries, the Nigerian government has shown his readiness to review the payment of excise duty favorably. And arranging with the Bank of Industry to assist the association of soap manufacturers on the importation of raw materials and purchase of production machines from Overseas at reduce rate. Based on the government

concerns for economic growth and development of the country, the tax incentive gives to encourage any small firm startup.

## **ORGANIZATIONAL STRUCTURE**

The firm is a startup and under sole proprietorship. The working team will comprise the owner who is going to be a general manager/production controller, one production officer in charge of the operation, one marketing officer, and two sales representatives.

Salary structures.

General Manager -

Production Officer -

Marketing Officer -

Two Sales Rep. -

**TOTAL**

## **Roles and Responsibilities**

General Manager Administration/Production is the head of the organization; he will oversee the general operation of the operations of the business, supervise the production process, organize, control, the source for finance, direct, motivate and lead the firm to goal accomplishment.

Production officer will oversee the production of soap in alliance with the general manager. He will also give an additional job to do within the firm as the owner deems fit.

Marketing officer functions is to provide the marketing plan for the assessment of the working team, the cost implication, how realistic it is, and for final approval by the general manager.

Sales representatives are subordinates to the marketing officer, and they are to sell to customers. Sales Representative must provide direct support to the Marketing officer in the development of existing and prospective customers to ensure that the firm can survive and meet its growth targets.

## **SECTION V: FINANCIAL STATEMENT**

This specific section of the financial statement based on a prediction made by extrapolating from a market survey, competitor's record, marketing plan, and other aspects of the business plan. Therefore, its reality depends on the market and environment condition at the period of the commencement of business operation. Most importantly, only the income and cash flow statement projected, as a balance sheet, is not yet feasible for this kind of startup business because the process is in waiting.

**PROJECTED FINANCIAL STATEMENT**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR**  
**ENDED DEC. 31<sup>ST</sup>, 20...**

Sales Revenue  
Less: Sales returns and Allowances  
Net Sales  
**Cost of Goods Sold**  
Beginning Inventory, Jan, 20\_  
Purchases  
Goods available for Sale  
Less: Ending Inventory, Dec., 20\_\_  
Cost of goods sold  
Gross Margin  
Operating Expenses  
Selling Expenses  
Administrative expenses  
Salary  
Depreciation  
Miscellaneous  
Total Operating Expenses  
Income before Tax  
Estimated Income Tax  
Net Profit

### CASH FLOW STATEMENT

MONTH	1	2	3	4	5	6	7	8	9	10	11	12
SALES												
CASH FLOW												
Expenses												
Balance												



## CHAPTER SIX

### BUSINESS PLAN SAMPLE 11

#### SACHET WATER PRODUCTION

##### EXECUTIVE SUMMARY

The name of the company is.....registered with Corporate Affairs Commission of Nigeria. The company located at.....

The product of the firm is sachet water and bottled water. The target market is..... and its environment, which has a population of almost ..... people. The firm is currently having eighty-five retail customers based on production rate while the potential consumers widely spread across the business environment. The company is yet to meet the customers demand on the inadequate facilities and limited financial resources.

The owner's equity capital is....., and it requires additional ..... to cater for the equipment and operation capital. The owner's equity is through the personal savings, family and friends, and reinvestment of the business profit. The firm expected to have more sales due to competitive advantage in the environment and demand/daily consumption of the water.

Although, the sachet water business always has low sales in the raining season, despite that consumers are used to the product, the operation is sustained and fruitful. More so, there are competitors, but based on the quality and goodwill of the firm's product, the company has the edge over them. The firm provides better customer service and plan to embark on regular advertising and promotion strategy in the nearest future.

**Business Overview:**

The name of the business is  
.....

**Location:**

The company located at  
.....  
.....

**Business sector:**

The firm is into the production of sachet and table water.

**The vision of the business:**

To establish a hygienic standard water production company whose product will be sold not only in ..... the environment alone but throughout Nigeria.

**Mission**

To provide a hygienic quality sachet and table water at an affordable and competitive price for adequate customer service.

**Marketing plan**

Every human being consumes water; therefore, it assumed that our product will be acceptable to the populace.

The customers located in ..... and neighbouring towns, and communities, such as .....  
 ..... water is unique, hygienic, registered with NAFDAC, accessible, and affordable. Therefore, we are confident that people will continually demand for our product.

Besides, effective distribution strategy, pricing techniques, regular promotion activities, and adequate customer service will utilise to attract customers without compromising the quality.

**PRODUCT COST AND PRICE**

S/N	PRODUCT/SERVICE DESCRIPTION (IN UNIT)	COST	PROPOSED PRICE
1	Sachet water		
2	Bottled water		
3			

## **PRODUCTION/OPERATIONAL PLAN**

Water production is basically purified through the machine, pour into sachet in required quantity and bottled for consumption. The packaged materials either nylon or bottled are properly labelled for sales.

### **RAW MATERIALS/OPENING STOCK AND CONSUMABLES NEEDED AND COST**

S/ N	ITEM DESCRIPTIO N	QUANTIT Y REQUIRE D	UNI T COS T	AMOUN T
1	Water			
2	Nylon materials			
3	Plastic Bottle			
4	chemical			
5	Disposables			
<b>TOTAL AMOUNT</b>				

### Equipment needed for the operation and cost

S/ N	EQUIPM ENT DESCRI PTION	UNIT REQUI RED	UNI T COS T	VAL UE	LIFE SPAN (IN MON TH)	MONTHL Y DEPRECI ATION
1						
2						
3						
4						
TOTAL						

### OTHERS

NUMBER OF PEOPLE REQUIRED FOR  
SUCCESSFUL OPERATION OF THE BUSINESS  
AND PROPOSED SALARY

STAFF REQUIREMENT (FULL TIME)    NUMBER  
SALARY

MANAGER (ADMINISTRATION)

*PRODUCTION OFFICERS*

MARKETING OFFICERS

DRIVERS

## **CHALLENGES AND APPROACH TO SOLUTION**

(a) Funding: lack of adequate funds limits the development of the business. It is highly essential to seek funds from banks and other financial institutions.

(b) Inadequate electricity supply: an alternative to an insufficient electricity supply has a standard generator to power the equipment.

(c) Seasonal impact: proactiveness enables the firm to sustain during the rainy season when their business is low.

Competition: Healthy competition is very imperative to firm survival.

**PRE-OPERATING OR EXPANSION ACTIVITIES  
AND EXPENSES**

S/ N	ITEM	DESCRIPTION	TOTAL
1	Rent/lease/purchase of space	Rent of an apartment	
2	Renovations		
3	Total value of equipment		
4	Capital expense		
5	Fixtures/fitting/installations	Fan, chairs, tables, air-conditionals	
6	Legal Requirement	business registration	
7	Advertising	Promotional activities	
8	Recruitment and logistics	Recruitment of new workers	
9	Insurance		
Total Pre-Operating Expenses			

## FINANCIAL PLAN

### MONEY REQUIRED FOR THE BUSINESS

Activity	Description/details	Amount
Pre-operating expenses	Expenses required	
Opening stock	Items needed for production	
Initial operating expenses		
Total start-up estimated capital.		



**OWNER'S EQUITY CAPITAL:**

The owner's equity is  
.....

**LOAN REQUIRED AND PURPOSE:**

The sum of  
.....

is required to purchase the underlisted for the business operation/expansion.

- (i) Automatic double cavity pet blowing machine
- (ii) Generator (MIKANO)
- (iii) Motor truck vehicle
- (iv) Operating capital
- (v) Others:

**LOAN REPAYMENT PLAN**

Month	Outstanding debt (principal)	Monthly principal repayable	Monthly interest repayable	Monthly interest + Monthly principal (P+I)	Cumulative Repayment
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					

## OPERATING ACTIVITIES AND EXPENSES

FACTORS	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12
Salary												
Repairs and maintenance	-	-	-	--	-		-	-	-		-	-
Electrical bill												
Water rates	-	-	-	-	-	-	-	-	-	-	-	-
Transport and delivery												
Advert and promo			-	-			-	-	-	-		-
Telephone												
Purchase of consumables												
Total operating expenses												

**TABLE: SALES FORECAST (SACHET WATER)**

Sales	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12	Total
Quantity													
Price													
Amount													
Quantity													
Price													
Amount													
Quantity													
Price													
Amount													
Quantity													
Price													
Amount													
Quantity													
Price													
Amount													
Sales Turnover													

**TABLE: PROFIT AND LOSS PLAN**

Assumption (s):

1 The business has the tendency of making high profit throughout the business period.

COMPONENTS	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12
Total Sales												
Total Cost												
Gross Profit												
Expenses												
Operating Expenses												
Interest												
Depreciation												
Rent												
Insurance												
Amortisation												
Total expenses												
Net profit before tax												
Income tax												
Net profit after tax												

**TABLE: CASH FLOW PLAN**

Components	Pre - Start- up	Period 1	Period 2	Period 3	Period 4	Period 5	Period 6	Period 7	Period 8	Period 9	Period 10	Period 11	Period 12
Cash Inflow													
Cash at hand													
Cash sales													
Equity													
Loan proceed													
Total cash inflow													

## **CHAPTER SEVEN**

### **PROJECT PROPOSAL**

#### **SOAP BUSINESS**

##### **1. Executive Summary**

The proposed product of the company, that is, 'soap,' is a tangible product which is perceptible by the senses, especially the sense of touch, feel, value and measures. Additional medicinal features added to this soap make it unique among the competing brands. The business proposal based on the forecast and research carried out between the 1st of January 20\_\_ to 30th of January 20\_\_. The project is necessary at this period of starting the business to give details of the overall direction of my proposed newly established soap manufacturing company. The strategic plan is to focus on the financial, marketing, organization structure, and operational plan.

## **2. Introduction**

The proposed company name is "JJ" Soap production firm (as an example) to locate in ..... The goal of this company is to have a healthy, successful company that is going to be a leader in consumer service. According to the research conducted, the goal is specific, measurable, achievable, realistic, and timely. The product is medicated soap, which is unique in the market in comparison with competitors existing products. Our firm will have a competitive advantage in the market over its rivals because most of the available products made without any form of technological input. The company plant, which is on three plots of inherited land from family, is situated in the center of ....., which will make it accessible to customers and suppliers as well. The environment characterised by many infrastructural facilities that are going to facilitate our company production. Quality is our target with the specific measures of customer satisfaction and objective of annual sales target of ..... subject to competitive analysis. With the present situation of competition and market structures, the company is going to have rapid growth based on higher demands for this product and its significant effect on the consumers.



### **3. Statement of the problem**

All households use soap daily, but not every soap is good for health. Research shows that chemical harms the human body and some of the local products in the market do not take into consideration the impact of their soap on the users and the environment, respectively. Based on these observations, the proposed..... medicated soap will have a significant impact on the customers' health. It is going to remove rashes, pimples, soften the skin and provide a healthy environment. It will enable the customer to be free of physical or psychological disease, illness, or malfunction. The slogan for our firm soap is “\_\_\_\_\_.”

### **4. Objectives**

The company is to embark on the production of distinctive medicated soap that includes a curative component aim at healing any of the skin problems like acne, body itching, pimples, dogged pores, bacterial or fungal inspections.

Moreover, it is going to manage by five working teams at the beginning while the firm will also finance through owners' equity of ..... naira and assistance from family and friends. Base on the target market, the firm will locate in ..... having an

approximate population of ..... people. The company hours of operation will be from 7 am to 6 pm while it will open from Monday to Saturday.

## **5. Method/Activities**

### **Market Research and Analysis:**

The company will embark on marketing research to find means of connecting consumers, retailers, and the populace to the product in the making. The firm finds Market research to be necessary, especially at the onset of business and as a continuous process to identify market opportunities and problems, assessment of marketing challenges, and improve understanding of marketing as a process. The primary research data collection method will use to scan the environment while careful and systematic research was conducted to know the details about the intended market. The information collected through personal interviews, recorded and analysed to provide relevant appraisal of marketing variables, environment, and customers. The survey was carried out tactically by visiting school children, tertiary institutions, market women, trade associations, farmers, and individuals to learn about their choices and improvement. However, some raw data collected from hospitals to know the causes of skin

problems and the percentage of people in the communities that have any skin infections.

According to the analysis, the target market consists of 7 communities of not less than three million, five hundred residents. Hence, soap is for everybody, young and old, male and female, and so on. The percentage ratio of the market target for the firm calculated to be 45 percent, having considered our competitors positions in the market. The research conducted with the objectivity of getting precise data to manifest an accurate picture of the business environment.

## **6. Resources**

The firm is a start-up and under sole proprietorship. The working team will comprise the owner who is going to be a general manager/production controller, one production officer in charge of operation, one marketing officer, and two sales representatives. General Manager Administration/Production is the head of the organization; he will oversee the general operation of the operations of the business, supervise the production process, organize, control, source for finance, direct, motivate, and leading the firm to goal accomplishment.

Production officer will oversee the production of soap in alliance with the general manager. Sales representatives are subordinates to the marketing officer, and they are to sell to customers.

Electricity, water supply, telecommunication services, good linkage road are crucial to the success of the firm.

The equipment includes soap mixer, cutting machine, molder, and packaged materials.

Funding of the business will be through the owner's equity, family and friends, cooperative society, and bank loans.

## **7. Schedules**

The project is continuous and its aim to commence from the Month of..... 20..... The raw materials proposed for the production are selected based on cost, human and environmental safety, compatibility with other ingredients, performance characteristics, and appearance of the final product. For an effective production operation, the saponification method will use to make the medicated soap, and it is going to be a cold process.

Raw materials are Palm Kernel Oil, Animal Fats, Triglyceride, Caustic Soda Solution, Soda Ash Solution, Sodium Sulphate (optional), Sodium Silicate, Scent, and Colourant.

## **Ingredients**

## **Formation**

PKO/ Glycerine

12 units

Caustic Soda Solution 6 units

(it will undergo fermentation)

Soda Ash Solution 3 units

Triglyceride 2 units

Sodium Sulphate 1 unit

Sodium Silicate

½ unit

Scent

to taste

Fermenting Method:

-Measurement of 2 units of Caustic soda to be dissolved with 6 units of water and soak for at least 48 hours. Hydrometer will use to measure the concentration at 1250/1275 before use.

Apparatus: Advance saponification machine that will do the process of mixing, molding, stamping and cutting of soap into sizes.

## 8. Budget

### PROJECTED FINANCIAL STATEMENT

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

DEC. 31<sup>st</sup> 20\_\_\_\_

	N	K	N
K			
Sales Revenue	xxxxxxx		
Less: Sales returns and Allowances	<u>xxxxxx</u>		
Net Sales			xxxxxxx
<b>Cost of Goods Sold</b>			
Beginning Inventory, Jan 20__	xxxxxx		
Purchases	<u>xxxxxxx</u>		
Goods available for Sale	xxxxxxx		
Less: Ending Inventory, Dec 20__	<u>xxxxxx</u>		
Cost of Goods Sold			<u>xxxxxxx</u>
Gross Margin			xxxxxxx

Operating Expenses

Selling Expenses	XXXXXX
Administrative expenses	XXXXXX
Salary	XXXXXXXX
Depreciation	XXXXXX
Miscellaneous	<u>XXXXXX</u>
Total Operating Expenses	<u>XXXXXXXX</u>
Income before Tax	XXXXXX
Estimated Income Tax	<u>XXXXXX</u>
Net Profit	<b>XXXXXX</b>

## **CHAPTER EIGHT**

### **BUSINESS PLAN ON BABY-FOOD POUCHES**

#### **D) EXECUTIVE SUMMARY**

Ulker, whose history goes back to 1944, is a subsidiary of Yildiz Company, one of the oldest and biggest companies in Turkey. Ulker is one of the most popular brand names in Turkey. It engages in the manufacture and marketing of Ulker branded food products. The categories included are chocolates, bars, biscuits, wafers, confectionaries, chewing gums, and personal care.

The Turkish baby food market has been growing consistently over the years. Turkish baby food industry is expected to reach 1 Billion TL by the end of 2015, becoming the fastest-growing segment in Turkey. The baby food market in Turkey is highly fragmented. There are a very high number of multinational players in the baby food market in Turkey.

A combination of market segmentation, product differentiation and low cost strategy will be applied to enter and get a strong presence in the sector.



However, the high price and the monopoly of big players remain a major challenge for the baby food industry in Turkey. It is still seen as a luxury for a high proportion of the population. Only a tiny proportion of the population can afford the baby-foods. Currently, the brands in the baby-food industry have been targeting the upper-middle and upper level of income market segment of the population.

The main objective is to enter strongly into the baby-food market and particularly reach the population with lower-middle and middle level of income in order to sustain a market share for Ulker in the baby-food industry

It is decided to produce the most well-known traditional Turkish homemade baby food- rice pudding- as a pouched baby-food. It will be enriched with the necessary minerals and vitamins. Pouches are selected as a packaging system since they are a more modern, convenient, and healthy baby food packaging system.

A new factory for baby-food with the capacity of 10 Million pouches will be established totally with internal financial resources and will be formally opened within 6 months. It is expected that at the end of the first

year, 10 Million pouches of baby food will be sold. And 880.000 TL profit will be made. The expected net profit margin is %15. A dynamic and determined Project Team has been established.

## **II) BUSINESS DESCRIPTION**

### **A) STATEMENT OF PURPOSE**

Introducing solid foods rich in protein, carbohydrate, and other nutrients to supplement breast-milk until the age of two is a very important step in the infant's development and wellbeing. While it is easy to make nutritious baby foods at home, the changing patterns of live commercially prepared foods become more convenient for busy parents who want to provide the best possible healthful and cheap foods to their infants.

To this end: over the years, millions of parents have entrusted baby food manufacturers to provide their babies with much of the solid food they will eat during their first year of life in Turkey. However, because of the high prices and limited distribution channels, only a tiny proportion of the population can afford the baby-foods. Currently, the brands in the baby-food industry have been

targeting the upper-middle and upper level of income market segment of the population.

The main objective is to enter strongly into the baby-food market and particularly reach the population with lower-middle and middle level of income, which is covering the %85 of the whole population to sustain a market share for Ulker in the baby-food industry. And it is aiming to be the leader baby-food producer in Turkey by the year of 2020. The project will do this by *developing and presenting affordable super-premium baby food for lower-middle and income level populations, which based on traditional Turkish homemade recipes rich with minerals, vitamin, iron, and other necessary nutrients.*

## **B) ORGANIZATION HISTORY**

Ulker, whose history goes back to 1944, is a subsidiary of Yildiz Company, one of the oldest and biggest companies in Turkey. Ulker is one of the most popular brand names in Turkey. It engages in the manufacture and marketing of Ulker branded food products. The categories included are chocolates, bars, biscuits, wafers, confectionaries, chewing gums, and personal care. Today, Ulker has more than 300 sub-brands that serve its consumers, and every one of these brands holds a strong presence in the marketplace. In addition, it engages in the distribution of food products, as well as provides raw materials to manufacturing companies.

With its roots in tradition but reaching toward the future, Ulker is a name that continues to focus on the sociological and economic wellbeing of the community. Ulker products exported to more than 85 countries, and the company has manufacturing facilities in 6 foreign countries. Today, the company's exports of biscuits and chocolate increased and became more varied, as new categories were added. Soft drinks exported along with traditional products such as biscuits, chocolate, and candy. At the beginning of the 21st century, Ulker started to build

manufacturing facilities in foreign countries to keep up with local and international demand. Currently, Ulker products are manufactured in 6 factories in 6 foreign countries. Total turnover in 2010 was 3 Billion US Dollars; the total export was 250 Million US Dollars; the total number of employees is 14.500. ([www.ulker.com.tr](http://www.ulker.com.tr))

### **C) STRATEGY**

The main objective is to produce high-quality locally-produced products at affordable prices for lower-middle and lower-level income people. For proper management, the costs of production should reduce, and distribution channels should establish to reach the target group.

A combination of product differentiation, market segmentation, and low-cost strategies will be applied. First of all, we are going to present our product and its superior features. Since we are going to enter into the market at a competitive price, the low-cost strategy is also being a component of product design.

## **Product Differentiation**

A group was established to discuss the most appropriate baby food in the social and cultural aspects of the country. The design team brings a variety of different perspectives to the program. The team's collective experience includes work at a variety of baby food and packaging firms within Turkey as well as abroad, nutrition experts, business managers, agriculture engineers and food engineers. The group is headed by the General Director of the program.

As a working method, the hybrid working group system adopted. Every member was asked to consider an improved system on the basis of their experiences. They asked to make visual researches, observation, and interviews with the target group to generate and articulate new ideas, to gather feedback, and to iterate on these ideas and improve the solutions. A feedback system established where the individuals can get some feedback for their ideas from the general director of the project team. Moreover, to design the new product a need-based user design approach has been adopted. At the end of the research, three observations revealed. First of all, there is a consensus that the baby foods in the market

are not very convenient with the traditional Turkish tastes. Therefore new traditional flavors should be included in the new baby- foods. Based on the interviews with target customers, we planned to produce rice pudding, the most well-known Turkish baby food as an ingredient. It will enrich with the necessary minerals and vitamins. Secondly, it observed that baby foods are generally not distributed to local supermarkets or small shops, which lower-middle and low-income people can easily access. Thirdly the existing baby food jars are not very convenient and easy to use. One important point is to design an innovative, convenient, and healthy baby food packaging system. The members of the group are asked to think individually on the solutions about the packaging. And at the end, two alternatives- a plastic pouch to packaging and traditional jars were taken into consideration.

The method of concept screening method used to select the best choice. Four variables are determined to make benchmarking with the baby food market experience. The alternatives evaluated according to these variables.

	Plastic Pouch	Jars	Existing Baby Food
Convenience (Flavour; Functionality; Ease of Use; Safety )	+	+	x
Cost	+	0	x
Healthy	+	0	x
Environmentally friendly	-	0	x
Total (+)	3	1	0
Total (-)	1	0	0
Net Score	2	1	0
Rank	First (Continue)	Second	Third

A plastic pouch has some clear advantages over glass jars or rigid plastic packaging for several reasons; convenience, cost, safety while environmentally it has some disadvantages since it is not recycled.



Convenience: Pouches are a small wallet size and they are lightweight. A comparable glass jar for baby food makes up 70 percent of the weight of the product while, pouch makes up six percent of the weight of the product. This is providing a tremendous improvement in the product-to-package ratio. Moreover pouches make it possible to feed the babies directly from the pouch with a tube that the baby sucks the food out from.

This is eliminating the need for dishes or bowls and the subsequent energy required to wash them. After the feeding, they can be reclosed and stored in the refrigerator since there is a resalable zipper on the header of the pouch. Consumers access the zipper by removing a tear strip. The strip comes off cleanly, eliminating the problem of a torn, raggedy looking header.

Cost: Pouches leads to less transportation in freight and lower costs. The cost is 2 times lower than the jars. Pouch is 10 times lighter than the traditional glass jar and cap, and requires less time & energy to produce.

Healthy: Pouches ensure a natural way to preserve the ingredients, and allows people to gently cook the baby food at a much lower temperature than the traditional jarred food—further preserving the nutrients in each meal. Cooking time is 25 to 40 percent less with the pouch than with the other packaging formats. Even consumers can heat the product by placing the pouch in hot water, ensuring that the food retains its flavor and nutritional value.

Safety: Compared with a glass jar, the pouches don't break when dropped. The pouch will not shatter or break into dangerous shards during distribution or use.

Environment: Plastic is modern but it is a hideously environmentally unfriendly petrochemical based material and it is hard to recycle. However both the metal lids and the glass jars themselves can be recycled. According to these results, it is decided to produce baby-food pouches rather than jars.

		Plastic Pouch		Jars		Existing Food	Baby
Convenience	%15	0.75	5	0.45	3	0.45	3
Cost	%40	2	5	1.6	4	1.6	4
Healthy	%40	2	5	1.6	4	1.6	4
Environmentally friendly	%5	0.15	3	0.25	5	0.25	5
Total	%100	4.9		3.9		3.9	

### **III) MARKETING**

#### **A) INDUSTRY ANALYSIS**

The Turkish baby food market has been growing consistently over the years since there is a growing demand for baby food. Statistics of the State Planning Organization reflect an industry growth rate of approximately 2.3 % over 2004-2008. In 2009 Baby food market increased 9% from the aspect of tonnage while from the aspect of revenue, it had grown 20%. Currently baby food is a 316 million TL a year industry in Turkey. (State Planning Organization Sector Report 2010)

This can mainly be attributed to the demographic trends. Overall population growth rates are affecting the industry tremendously. Although birth rates in the country are falling, Turkey still has the highest birth rate in Western Europe. The population growth rate is 1.45% and the statistics show that approximately 1.3 million babies born in Turkey every year. (Turkish Statistics Institute 2010) The population aged 0-2 years reached approximately four million in 2010.

Broader economic and cultural trends are also positively impacting the industry. Increasing health awareness among consumers and changing role of women is taking expenditure on baby food high. Parents especially the time-starved mothers have been looking for better, healthier and more convenient baby food solutions. Other contributory factors include improving product quality, the growing sophistication of Turkish consumers, the increasing marketing activities of companies and generally higher disposable incomes. (State Planning Organization Sector Report 2010) Turkish baby food industry is expected to reach 1 Billion TL by the end of 2015, becoming the fastest growing segment in Turkey. (State Planning Organization Sector Report 2010)

## **Market Segmentation**

Turkish baby food industry is expected to reach 1 Billion TL by the end of 2015, becoming the fastest growing segment in Turkey. However, high price and the monopoly of big players remains a major challenge for the baby food industry in Turkey. It is still seen as a luxury for a high proportion of population. The market generally focuses on the middle- upper and upper segments of the population. However according to the "Income Distribution Study" of Turkish statistics authority, nearly %85 of the population is in the lower middle and low income population segment. So there is a big market for baby food for lower middle and low income level people

### **B) COMPETITORS**

The baby food market in Turkey is highly fragmented. There are a very high number of multinational players in baby food market in Turkey. Therefore the competition in the baby food sector remained very high. Active participants of the Turkish baby food market are large international companies such as Numil Gida and Nestle. The number of national players is very limited and they are not very strong. The Numil Gida with its Milupa and Bebelac brands have been continued to be the leading company in 2009, with a market share

## SWOT ANALYSIS

<p>Growing market,</p> <p>Export Opportunities,</p>	<p>The demise of macroeconomic situation of Turkey.</p> <p>The policy change in the supports and incentives.</p> <p>The rising increase in the number of consumers has led to an</p>
<p>Experience on the food sector.</p> <p>Highly developed Distribution Channels. Highly Skilled labor.</p> <p>R&amp;D facilities.</p> <p>Strong relationships with local supermarkets and shops</p> <p>Excellent product line.</p>	<p>The management structure is very complex, sometimes results in authority clashes.</p>

## **C) MARKETING STRATEGY**

The program has identified mid/low income level of people as its primary target group. This group has been identified as the fastest growing segment of the population where the baby born rates are very high. In order to find out the customers' needs, a research is conducted. The most typical profiles of families interested in this type of program can be described by the following:

- At least one parent/guardian works full-time.
- The average family size is five, with three or four children.

To ensure that the particular needs of different customer groups have been met, elements of the marketing mix, price, product, product and promotion designed.

- **Product:** The baby-food in pouches is a new approach in the Turkish baby-Food Market. We believe that it will dramatically change the market practice. It has many advantages especially for the working mothers. It is easy to use. The taste of the product will be parallel to the Turkish tastes. Rice pudding with different fruit tastes will be provided to the customers. (See Product Differentiation part)
- **Price:** The price of the baby food pouch will be 1 TL for a 200 gr. pouch of baby food. This makes our price very competitive compared with the 125 Gr. Baby-Food



jars. The price cut make it possible for everyone to afford baby food. We will manage this by reducing the costs. In order to reduce costs we will produce our baby-foods in Turkey rather than exporting. This will reduce the costs very much. The pouches will be outsourced. The major drivers to outsource include low upfront costs and simplicity of implementation. The contract was signed with a German Manufacturer. The raw materials are going to be partly provided from Ulker Group.

#### *Location Strategy*

A new factory for baby-food with the capacity of 10 Million pouches was established and will be formally opened within 3 months. The investment of 10 million TL will enable Ulker to offer to mothers high-quality infant-pouches products at affordable and highly competitive prices. It is predicted that with domestic production taking place, the price of baby food will fall. It was established in one of the least developed regions of Turkey, Erzurum where many incentives and exemptions will be received from regional development agencies and government. The labourers will be exempted from tax and social security payments for three years and there will be an exemption from corporate tax for two years. Since there will be tax exemption for the manufacturing of baby foods costs will be diminished.

- Placement: Distribution of products, especially to the rural poor in Turkey, is very challenging and potentially very costly. It is observed that baby-food in jars are generally distributed to the big supermarket chains. It is hard to find baby-food in the local supermarkets and shops. But Ulker Group has a full-scale distribution network even

delivering its products to villages. The distribution channels of Ulker are going to be used since it is very well developed. The BIM supermarkets and local small shops which are under the Ulker group network are going to be gathered under the program. The contribution of BIM supermarket Chain is very significant. With more than 3000 stores, the company is Turkey's largest supermarket chain. Ulker has 10.5% stake in Turkish supermarket chain BIM Known as "the Turkish ALDI". BIM operates a similar warehouse-style discount store model.

- Promotion: A promotion campaign will be carried out through brochures, TV and newspaper advertisements. Promotional options include print campaigns, television spots and text-based advertising for mobile phones.

#### **IV) FINANCIAL STATEMENT**

It is predicted that at the end of the first year approximately 10 million pouches will be sold. The price will be constant for a year at 1 TL. Total profit expectation is 880 thousand TL at the end of the year. Expected net profit margin is approximately %15.

#### **V) PROJECT TEAM STRUCTURE**

A Project Team is established in order to carry out the program within the foundation. Top level management team consists of a Board of Directors and a General Director. There is Board of Directors at the top level which is going to be the final decision maker and supervisor. This board helps the general manager by listening to new ideas and giving advice, by providing connections to a bigger network of people, and by helping the enterprise manager raise funds. They can also monitor the enterprise's activities as well as account for its use of funds and its legal and regulatory compliance. The Board of Directors of Ulker Company is going to be the Board for baby-food since this is going to be a sub-brand of Ulker.

The General Director of the Program was selected by the Board of Directors. The General Director will have responsibility for setting the strategic direction for the organization and ensuring it is delivering on its mission.

There will be three Director-level department heads that will coordinate activities within each of the following areas: Operations, Marketing, and Finance. Each director will add managers and staff as needed in order to achieve the departments' objectives. Directors will be selected by General Director and approved by Board of Directors. The department heads should all have extensive functional expertise.

## **CHAPTER NINE**

### **SWOT AND PEST ANALYSIS**

High competition level between companies is the main character of today's business environment, so to survive, companies should possess a competitive advantage. The strategies play a significant role in achieving a competitive advantage. The strategy mainly identifies how the business will differentiate from its competitors.

Strategy is about: "deciding where you want your business to go, and deciding how to get there." There have been many academic studies on strategy, but Porter's typology of strategy has dominated the literature for more than 30 years. Porter identified three competitive advantages that can be used singly or in combination that provide a firm with a defensible position and ensure to outperform competitors; (1) overall cost leadership; (2) differentiation; and (3) focus on a particular market niche. (Allen, et.al 2007, Pretorious 2008, Allen, et.al2006, Parnell 2006)

The overall cost leadership strategy focuses on designing, producing and distributing goods or services at a lower cost than the competitors. A successful cost leadership strategy is likely to rest upon some policies such as economies of scale, accurate demand and cost forecasting, a tight cost-control system, and reduction of costs of labor and distribution in order to achieve a sustainable cost advantage. (Allen, et.al 2007, Pretorious 2008, Allen, et.al 2006, Parnell 2006)

The second strategy for gaining competitive advantage is differentiation where the company is required to differentiate its good or service from the industry practice in terms of quality, features, creative advertising and after-sales service etc. and focus on creating value through uniqueness. In other words the main point in differentiation is to persuade customers that a product is superior in some way to that offered by competitors. This strategy may be resulted in reduced price elasticity and higher profit margins since there is a perception that the good or service has some desired features which the competitors has not got. Since customers are persuaded

that the goods or service is unique and superior to existing ones are willing to pay more to it and as a conclusion this makes a firm's products less susceptible to cost pressures from competitors although it does not allow a firm to ignore costs totally. However in order to achieve this customers also must be relatively price-insensitive. (Allen, et.al2007, Pretorious 2008, Allen, et.al2006, Parnell 2006)

The final strategy is the focus strategy or sometimes called as segmentation and niche strategy, which concentrating on at a particular segment of the market rather than the whole market (Allen, et.al 2007, Pretorious 2008, Allen, et.al 2006, Parnell 2006). Market segmentation defines as "the division of a mass-market into identifiable and distinct groups or segments, each of which have common characteristics and display similar responses to

Organizations using this strategy can focus on differentiation or low cost a strategy. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within the market. Firms pursuing focus strategies

have to be able to identify their target market segment, and both assess and meet the needs and desires of buyers in that segment better than any other competitor. Focus strategies are most effective when customers have distinctive preferences, or specialized needs concentrates on meeting the specialized needs of its customers. (Allen, et.al 2007, Pretorius 2008, Allen, et.al 2006, Parnell 2006) Through market segmentation, the firm can provide higher value to customers by developing a market mix that addresses the specific needs and concerns of the selected segment.

Another important aspect of the Business Plan is marketing. Marketing is about how you position the business to satisfy the needs of target customers' needs. In order to get a strong presence in the Baby-Food market which is an established and competitively very fragmented industry, Ulker should focus on the best strategies. According to the literature, a well-defined strategy should include "4 P" s; product, promotion, price, placement.



"Product" refers to goods and services. However, especially the features of the goods and services offered to the customers that differentiate it from market practice are essential for attracting the customers. "Price" refers to how much you charge for the product or service. Price is very important for positioning the goods and services in the market. "Place" refers mainly to the distribution channels used to deliver goods or services to the customers. "Promotion" refers to the advertising and selling part of marketing. The purpose of promotion is to get people to know what your product is, what they can use it for, and why they should want it. You want the customers who are looking for a product to know that your product satisfies their needs. To be effective, your promotional efforts should contain a clear message targeted to a specific audience reached via an appropriate channel.(Armstrong et.al 2009)

It is very important for an organization to understand and assess not only the business environment but also the internal situation before initiating the business idea. There are many tools for these assessments. The PEST and

SWOT analysis are used in the Business Plan for Baby-Food Pouches. The PEST analysis is a primary method used by firms' market research and strategic analysis. It is very useful to understand various macro-environmental factors that could affect the business. Political refers to the ways in which the government can intervene in an economy in terms of environmental and labour laws, tariffs, trade restrictions and tax policies. It also shows how a government can influence education and health and how it will affect the infrastructure of a country. Economic refers to how exchange rates, inflation rates, interest rates and economic growth will impact on a business and how it can grow, develop and make various decisions. Social refer to how a society behaviours culturally, how the population rate will grow, how health-conscious people in a country are, how its range is distributed in a country and the various attitudes that people have towards their careers. When social trends change, it can greatly affect the need for a business's products or services. Technological refers to how technology can change and looks at automation, R&D activity, and technological incentives that are available.

Technology can also have a great impact on efficient production levels and influence decisions on outsourcing. In addition to this, there are some changes in technology that can affect the costs that a business needs to meet and can improve the quality of a product or service that a business offers. (Hooley et. Al 2007)

As a marketing strategy firstly, an analysis of the market profile has been done, and then a PEST analysis has been conducted. Market profile analysis provides information about the size of the market, competitors, and growth trends based on the sector reports released by the State Planning Organization. In the PEST analysis, the political, economic stability of the country is taken as a fact, and basically, the demographic trends are taken into consideration, which has a significant impact on the industry. The rate of population growth, baby born statistics and income distribution of the country examined.

SWOT, which is stands for Strengths, Weaknesses, Opportunities, Threats, is a method for analysing a business, its resources, and its environment. It is an

extremely useful tool for auditing an organization and its environment. It provides a good framework for reviewing strategy, position and direction of a company or business proposition, or any other idea. It is the first stage of planning and helps marketers to focus on key issues. It is also a crucial tool for ascertaining business position, the potential of a business, and the direction of business should be moving in to thrive in the marketplace. Strengths and weaknesses are internal factors. Opportunities and threats are external factors. (Armstrong et al. 2009)A marketing campaign is an important part of the marketing strategy; it is mainly about giving correct messages to correct peoples. Many types of marketing campaigns can be found in the business world, such as direct mail, telemarketing, email, trade shows, newspapers, TVs, etc. All of these components of the campaign are very important for generating sales activity and customer. Distribution channels are very important for gaining or growing market share and presence at the market. It has a direct impact on the pricing strategy. Ulker Company has adopted a wide distribution channel strategy. And of course, the most important part of the

strategy is to set a competitive price for the product. Here many factors become significant, from the design of a product to location strategies. The product designed to cut the many costs, for instance. And a location where there are tax exemptions and incentives is selected for the business premises.

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