

# **BUSINESS PLAN**

## **FRESH CEREALS STORES**



**P. O BOX 994-00100, Nairobi**

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**PRESENTED BY : GEOFFREY KASINGA**

**REG NO : 19/00862**

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**DATE OF PRESENTATION : 28th FEB, 2020**

## CHAPTER ONE

### 1. EXECUTIVE SUMMARY

#### 1.1. Business description

This business will operate under the name *fresh Cereals Stores* and will be situated in Mathare North area III. It operate as a sole proprietor by Geoffrey as the Proprietor .The Proposed Business' address will be P.o Box 994-00100,Nairobi ; and will use owner's phone number 0704135899 for communication. It will commence on 1<sup>st</sup> April, 2020. The main activity of the business will be selling of various types of cereals.

#### 1.2. Marketing Plan

The business potential customers will include the dwellers of Mathare North Area 111, various cafes and food kiosk owners. The business is also going to face two competitors namely; Gatitu Cereals Stores and Tumaini Grains stores.

#### 1.3. Organizational and Management Plan

The business will be managed by various personnel, in their various sections. The owner will be the overall boss assisted by the deputy manager who will also check on the shortcomings of the enterprise and give solutions in absence of the general manager. All the accounts will be under the cashier who will control credits, keep books of accounts and receive payments and information on behalf of the business.

#### 1.4. Operational plan

This business will need weighing balances , sieves, masks, dust coats, shelves etc. It will also require stock from DAYKIO farm which also provides the transport services. The store will be rented at a cost of Ksh. 5,000 PER MONTH. There will be regulations affecting the running of the business.

#### 1.5. Financial Plan

The business requires a capital of four hundred thousand Shillings [400,000].The entrepreneur will raise three hundred thousand Shillings [300,000], in form of owners' equity. The remaining hundred thousand Shillings [100,000] will be borrowed from cooperative bank of Kenya.

## **CHAPTER TWO**

### **2. BUSINESS DISCRIPTION**

#### **2.1. PERSONAL BACKGROUND**

The business will be operated and managed by Geoffrey. The business will commence its operations in 1st April 2020. This will be possible because the owner will have accumulated enough capita

#### **INVOLVEMENT OF THE BUSINESS**

The business will be involved in selling cereals of different varieties and prices according to quality and quantity of the product. These will include maize, beans, peas, cow peas, flour, sugar rice, etc. This will be done purposely to satisfy customers and win them from the existing competitors hence maximizing profits and allowing expansion of the business in future.

#### **2.2. NATURE OF THE BUSINESS**

The business will run under Sole Proprietorship at the start up stage because of the following:

- ❖ It is easy to raise capital from personal savings
- ❖ Decision making is easy
- ❖ Easy to control and manage the business
- ❖ The secrets of business are kept
- ❖ The owner enjoys all the benefits alone
- ❖ The owner becomes the boss of the business, and an employee
- ❖ The owner has direct contact with customers and gets their views about the business

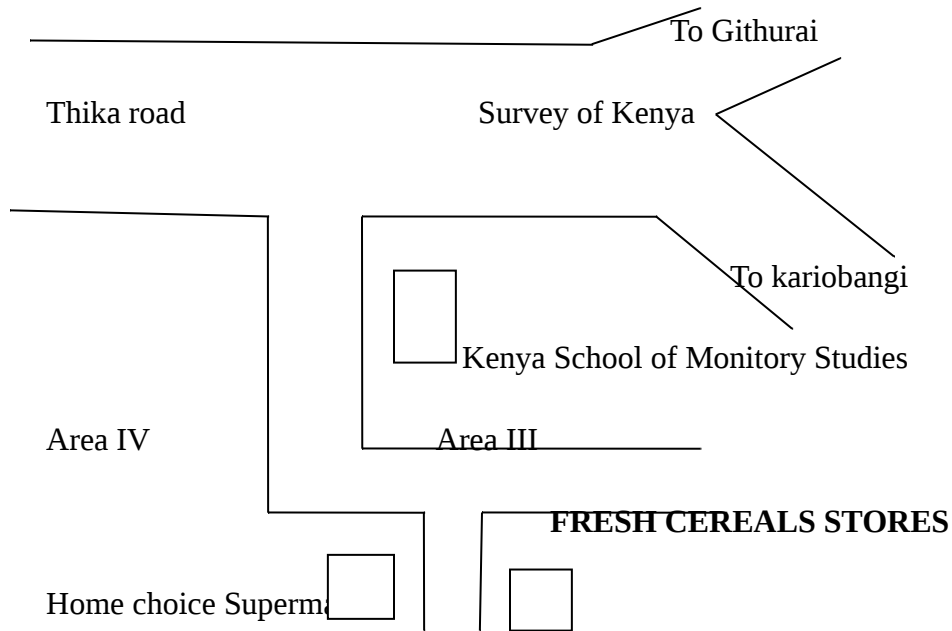
#### **2.3. NAME OF THE BUSINESS**

The business will operate under the name Fresh Cereals Stores. At the start up stage it shall be only one branch but more branches will be opened two years after opening of the business.

#### **2.4. BUSINESS LOCATION AND ADDRESS**

### a) Location

Fresh Cereal Stores shall be located in Mathare North a few kilometers from the matatu terminus, in the tallest flat painted blue in the ground floor, the 1<sup>st</sup> room on your right as shown in the map below.



### b) Address

The business will operate under the following address

RAHISI CEREALS STORES

P.O.BOX 994-00100

NAIROBI

Tel.0704135899

## **2.5. COMMENCEMENT OF BUSINESS OPERATIONS**

The business will commence its operations in 1<sup>st</sup> April due to the following reasons

- i. The owner will have accumulated enough capital through personal savings.
- ii. The owner will have had enough time to do market research and acquired essential legal documents like licenses.
- iii. The operator will have discovered the need of the cereal products in the market and which they are needed by customers and yet not available in the market.

### **2.5.1. Products and services to be offered:**

Fresh Cereals Stores will offer all types of cereals like ; maize ,rice, peas, cowpeas and many others.

This will be of the best quality which will be very expensive and others of low quality that will be cheap for the lower class customers. There will this provision of different qualities and quantities. The business will provide transport to the customer's premises when they make orders for the product or they buy in bulk, e.g. half a sack or more at go. The cereals will be the best in that;

- i. They will be free from weevils through additional of pesticides in the sacks.
- ii. They will be sieved and selected to remove chuff and stones.
- iii. They will be of pure strain i.e. not maize with some beans or millet

In addition the entire business staff will ensure that their customers get the best products and services at the most affordable prices; and that they will be offering individual attention to customers.

### **2.5.2. Business rules and regulations**

Rahisi cereals stores shall have the following rules for the effective customer relations

- i. The owner of the business, as a customer would expect and demand good services, provided the same for the customers.
- ii. Never overlook or underestimate the importance of effective customer relations
- iii. Always be positive and enthusiastic

- iv. Treat each customer with royalty
- v. Communication must be open, honest and prompt
- vi. Ensure customer satisfaction through fulfilling his needs and solving his problems
- vii. The customer is always right.

## **2.6. INDUSTRY**

*Rahisi cereals Stores* falls under foods' products industry which is rapidly growing up according to the information got by research from Ministry of Agriculture and Environment conservation.

The climatic ecological condition in Kenya as a whole are favorable for growing of crops hence continuous supply of grains. With rapid growth of hotels, cereals demands seem to increase with time.

### **Future of the industry**

With increased rural to urban migration the population of Nairobi seems to increase rapidly. Due to unemployment those unemployed will get their cheaply available meals from the kiosk and cafes hence growth of cereals stores. The industry seems to grow also because of the prevailing climatic conditions which favor growth of the plants and on getting good harvests, the crops are sold at a very low price like in Kitui, maize goes at SHS 40 per kg, immediately after harvesting, boasting the business.

## **2.7. ENTRY AND GROWTH STRATEGY**

The business will enter the market through the following strategies;

- i. Collecting all legal documents like licenses
- ii. Pay the initial rent and furnishing the rooms as well as writing the name of the business and what it offers on the doors.
- iii. Creating awareness; this will be made possible by putting posters in some strategic areas indicating the location and variety of products offered.
- iv. Pricing; the business shall offer low prices than its competitors to attract more customers

- v. Attraction market; this will be achieved through promotional techniques e.g. free samples.

Growth will be developed on demand on cereals products. A customer being the base line of every successful business, he will determine the growth of the business. Growth will also depend on entrepreneur' public relations and the following professional ethics:

- i. Cleanliness (personal hygiene and the working area)
- ii. Punctuality. Opening at the right time without delay
- iii. Interest and efforts Ability to keep on trying something upon a point of success.
- iv. Self-organization of the working place
- v. Co-operation and team-work spirit. Have interest with others, assist and don't be selfish.
- vi. Self-control. Control your temper, use diplomatic way of approach and know how to solve the problem
- vii. Responsibility. Take duties seriously. All this will contribute to growth and diversification of the business to even other forms of business

## **2.8. JUSTIFICATION OF THE BUSINESS**

The researches carried on the area justify the suitability of the area for the intended type of the business. This is due to the following reasons;

- i. Market: There is customer and industrial market in the area
- ii. Demand: There is increased demand in the area because of high population of the middle class people
- iii. Availability of social amenities e.g. hospital, school e.t.c.
- iv. Good transport and communication network

## **2.9. GOALS OF THE BUSINESS**

- a) Maximize profit and satisfy customers

- b) Cope with market demand after the six months on starting
- c) Win customers
- d) Provide the best and quality products and service to customers
- e) To be self-reliant
- f) To expand market share by 30% through opening other branches.**

## CHAPTER THREE

### **3. MARKETING PLAN**

#### **3.1. INTRODUCTION**

Marketing is created awareness of a good or service that already exists in the market, or being hoped to be put in the market soon that the customer may be made aware of it.

Marketing creates direct flow of the product from the entrepreneur to customers in order to achieve business objectives and targeting areas.

#### **3.2. Marketing area**



Marketing areas will be selected according to the availability of market targeted by the business. For example, since this shop is a cereal shop, the targeted market should be availability of many food cafes and kiosks and where income of people is really low. The business area will also depend on the status of the market: that is; is the business growing, declining, or stable are their potential customers and is the product needed while not available.

At startup the business shall target the slums starting with Mathare North and later go to open a branch in other slums such as Kibera, Mukuru Kwa Njenga, Dandora and even Muthurwa.

### **3.3. Customers**

The targeted customers will be grouped according to their potentiality of buying. This grouping will depend on various factors like income, social class, economic activity in the area and traditional belief and practices. These groups include:

#### **3.3.1. Industry Customers**

These are customers who buy goods to go and produce others. They include those customers in slums owning food kiosks, because most of the customers for food in kiosks are prefer eating from kiosks which is cheaper.

The kiosks owners will buy in large quantities all the variety of cereals that they are in need of creating

#### **3.3.2. Commercial Customers**

These customers buy products for sale at a profit. This will be possible because when there are good rains in the country, food is cheaply sold therefore the cereals will buy in high qualities and stock for sale when food is scare at a whole sale price to the nearby cereals shop around.

#### **3.3.3. Final Customers**

These are the final users of the products. Most of the people in slums if not taking food from kiosks, make their own food in the house especially githeri.

### **3.4. COMPETITORS**

There are two main competitors who are really active and take 70% of the market share and are located in Mathare North area iii, but since they opened (after four years of operation) they have never improved/opened other branches.

The main competitors are

**(a) Gatitu stores**

**i. Address**

P.O BOX 189

Nairobi

**ii. Location**

It will be located at Mathare North III, near Kiagosaba Wholesalers, a few meters from the bus terminus.

**iii. Strength**

- It's widely known
- Have excellent customer services
- Offer sales services e.g. transport
- Provide all types of cereals to their customers
- Don't argue with customers in case of a problem
- They have established good customer relations
- They sell quality and clean products

**iv. Weakness**

- Lack packing facilities
- Dirty and disorganized workers e.g. dirty aprons
- Employees steal from customers when weighing and packing and customers discover on reaching that it is a kilogram less or ½ kg less etc.
- Little stock
- Offer a bit higher prices.

**(b) Tumaini Grain Stores**

**i. Address**

P.O BOX 19946

Nairobi

**ii. Location**

It's located just behind home choice supermarket a few meters from matatu terminus.

**iii. Strengths**

- It is highly stocked
- Use direct channel of distribution
- Has a personal car for personal selling

**iv. Weaknesses**

- Have no specific working hours. It may be opened or closed any time.
- Offer substandard customer services
- Sell dirty grains

To push competition out of market, Rahisi Cereals Stores will use the following strategies:

- ✚ Offering of competitive prices which shall match with quality of the product i.e. in kg of maize@Ksh. 10.00 In other cereal shops, Rahisi's will be @ Ksh 9.50.
- ✚ It shall be opened from 8.00am to 9.00 pm, from Monday to Saturday
- ✚ Quality products will be offered
- ✚ The grains will also be clean
- ✚ Maintaining customer relationship
- ✚ Distribution goods to customers once an order has been made at the right time and in the right quality and quantity
- ✚ Collecting views from customers about their feeling towards the goods and if they need any change.
- ✚ Employing highly skilled personnel i.e. a diploma holder in Sales and marketing.

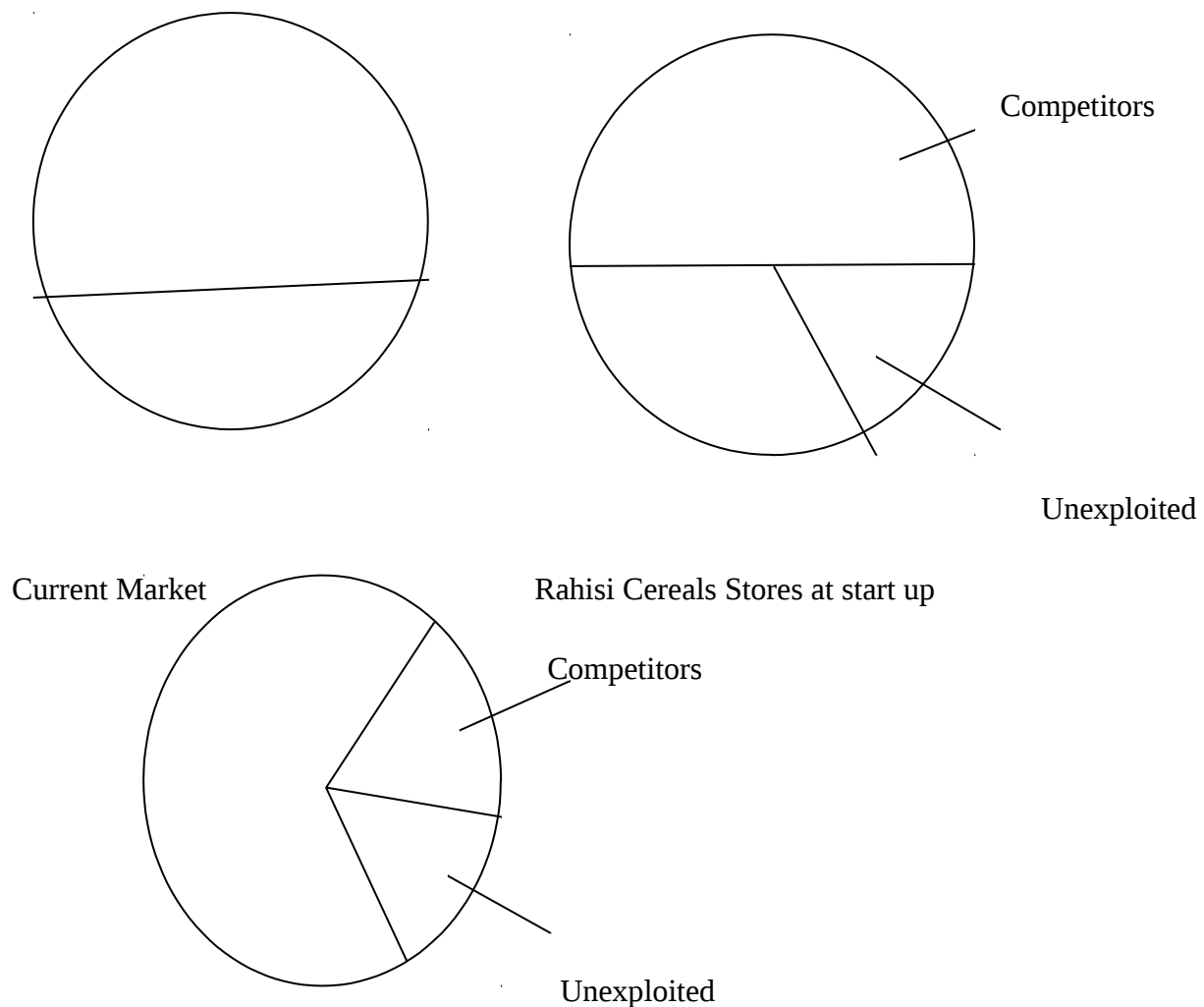
**3.5. MARKETING SHARE**

According to research done, the competitors take 50% of date in the total market area. Rahisi Cereals Stores will occupy 40% at the start up with a vision of increasing its market share up to 60%. This will be achieved through proper marketing mix, which includes;

- ❖ Proper pricing
- ❖ Efficient and reliable channel of distribution
- ❖ Providing high quality products

This will be done with an aim of maintaining and improving market share, meeting competition, maximizing profits, achieving targets return on investment and for survival.

The influence of Rahisi Cereals Stores, the market shares will be as following in the charts below.



Rahisi Cereals Stores with time

### **3.6. PROMOTION**

This will be done purposely to create awareness to the customers of the new food stores in the areas. It will include:

- Giving free samples
- Reducing prices
- Packaging in good paper bags
- Education on those who have no ideas on the product

This will be achieved through:

#### **(a) Personal selling**

This will be done by being directly in contact with customers and convincing them that our products are only the best in terms of quality, tests and preferences. The customer will give views.

#### **(b) Advertising**

This will be done through sign posts placed in different places showing the price list of our products and the variety of goods offered. It will also show location of the business.

#### **(c) Public relations**

Rahisi cereals stores will contribute in sponsoring Mathare Hospital for the insane people through them extra grains on supplying them with maize and beans.

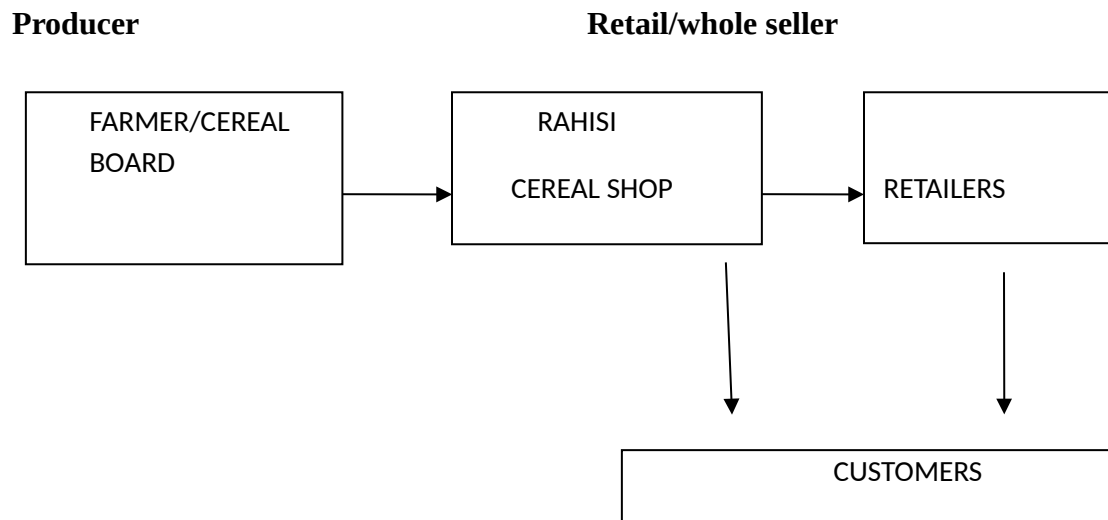
It will also provide;

- ❖ Good customer relations
- ❖ Always be positive and enthusiastic
- ❖ Treat each customer as Loyalty
- ❖ Have open, honest and prompt communication
- ❖ Fulfill customer's needs and solve their problems courteously and promptly
- ❖ Always appealing for sympathy i.e. Don't lose temper solving a problem
- ❖ Customer is always loyal, when overtime he has received, consisted, prompt and courteous service.

### **3.7. DISTRIBUTION STRATEGY**

Since cereals are not perishable, any channel of distribution can be used to distribute goods. The business shall use a direct channel of distribution which will be very short and no middle men shall be involved.

From the farmer or cereals and produce board, which will be the supplier, the cereals will be transported to the business premises for sale to customers or to other retailer who will also sell to customers as shown below.



## CHAPTER FOUR

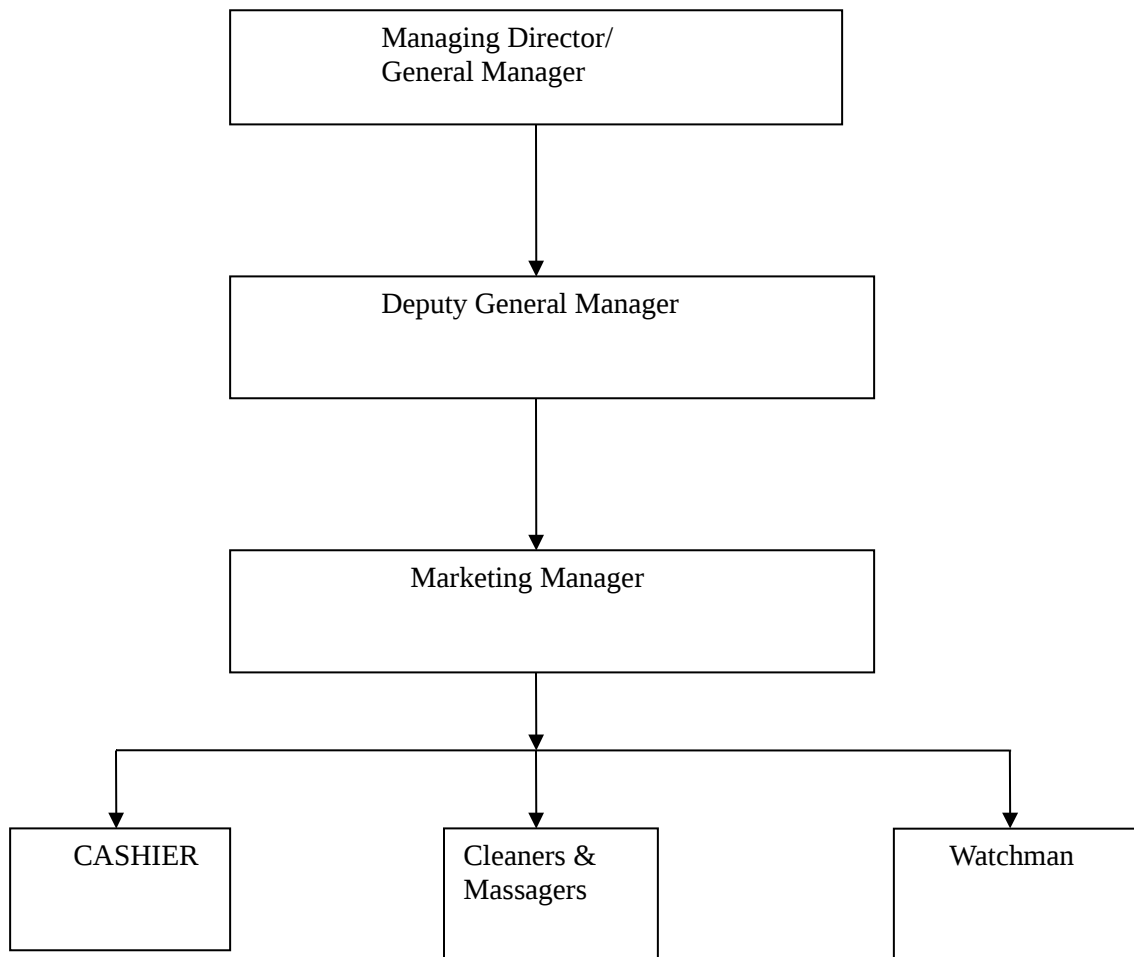
#### 4. ORGANIZATION AND MANAGEMENT PLAN

## 4.1. INTRODUCTION

In the organization of a business, several individuals with certain qualifications that suit the business shall be employed to take responsibilities in the hayrack manner. Those in the top position will guide and control those below them in operating the business.

a. **Organization Chart**

At the start up, the business will take the organization structure style as shown in the chart below:



#### **b. Management Technology**

The business managers shall perform the following duties

- i. Making decisions
- ii. Making policies
- iii. Planning
- iv. Directing and controlling business operations
- v. Determining salaries

- vi. Employing, recruiting, promoting and demoting employees

#### **4.2. BUSINESS MANAGER AND QUALIFICATIONS**

The business managers shall be controlling all business operations and activities.

Qualifications:

- ❖ Has a diploma in human resource management
- ❖ Have leadership and communication skills
- ❖ Shall be having a working experience of two years in a recognized institution
- ❖ Should be married and aged above 25 years
- ❖ Should be creative and ambitious
- ❖ Should be a Christian (Born again)
- ❖ Should be faithful and responsible

#### **4.3. PERSONNEL, NUMBER AND DUTIES**

The business at startup will have eight personnel though it expects to employ more as the business grows to diversity. The qualifications of these personnel are as shown in the organization chart below:

S/n	Personnel	Number	Qualification	Duties and responsibility
1	Managing Director	1	Diploma in human Resource Management	Job description Employing new employee Decision making
2	Deputy General Manager	1	Has managerial skills	Evaluating and interviewing employees Check on the business shortcomings Give solutions in Director's absence
3	Marketing Manager	1	Diploma in sales & marketing	Promotional tools Coordinating Research program
4	Cashier	1	K.A.T.C holder	Receiving payment on behalf of the



				business Controlling credit Keep business documents
5	Massagers	2	Certificate in sales	Taking orders from customers Cleaning the grains/ sorting Distributing goods with bicycles Weigh cereals
6	Cleaner	1	Std 8 leaver faithful	Cleaning business premises
7	Watch man	1	Maasai by tribe Faithful energetic	Protecting business premises both at day & night

#### **4.4. RECRUITMENT, TRAINING AND PROMOTIONAL PROGRAM**

##### **a) Training**

Training will familiarize the workers with the job and give them all the basic skills like communication, public relations, and technical skills in order to have the knowledge of the product and how to maintain the facilities available. It will also enable them to:

- Have confidence and enthusiasm when dealing with customers.
- Learn from the competitors mistakes in order to help in correcting our mistakes.
- Borrow ideas from others especially sales representatives, distributors, customers suppliers and competitors
- Use competitors as their lever

The business managers will do this training within business premises. The employees will also be allowed to attend seminars for more skills outside the business premises

##### **b) Recruitment**

This will be done to identify the right and qualified workforce for the business. It will be done in different ways like:

- ❖ Interviewing both oral and written
- ❖ Looking at the certificate on application to know the level of education
- ❖ Age
- ❖ Size of the family (dependants)
- ❖ Sex
- ❖ Physical examination and medical examination of the person

This is also aimed at evaluating the performance of the employee resulting to promotion of the best and demotion of some who did not do well.

This process is also aimed at improving the productivity of the business.

### **c) Promotion**

Workers and any other employee in the business who will work hard towards the success of the business shall be rewarded, promoted and given other priorities depending on how much the work was done; and to promote encouragement to the rest who are not rewarded. An end of year party shall be held in the premises. The best potential customer shall also be invited to the party.

## **4.5. LICENSES, PERMITS AND BI-LAWS**

### *(a) License*

This allows the business to operate within the town center. It will be obtained at Nairobi City Council licensing office, in the Haile-Selassie Avenue opposite Mug hotel.

Before getting a license the business will be registered at Sheria house in Kenyatta Avenue. After registration, the business will get a license @ Ksh. 8000 and is renewed on a yearly basis.

### *(b) Bi-laws*

The business will use the following bi-laws during its operations:

Install alarms for security especially against theft.

Ensure good ventilation and drainage of the store.

Preserve grains with authorized chemicals to kill weevils.

Sorting and sieving grains to remove stones, rotten grains, and chaff to sell clean products

Install at least a fire extinguisher to cater for any fire outbreak.

#### **4.6. SUPPORTIVE PROFESSIONAL AND SERVICES**

The business shall rely on the following supportive services for its successful operations:

##### *i. Banking*

The business shall bank its money with cooperative bank of Kenya at the Haile-Selassie Avenue in Nairobi, Po Box 198698 Nairobi. This will provide security of the business money and it earns some interest.

##### *ii. Advertising*

At the start up the business will not afford to advertise using radios and television but will use sign posts for advertisement. As the business grows, it will use KCB because it is the cheapest and reaches a wide area.

The advertisement will be done in KCB *west-lands* way opposite Norfolk Hotel, Po box 180334870 Nairobi.

##### *iii. Insurance*

When the business will have grown a bit, it will insure its premises and assets, stocks and other equipment against fire and theft risk. This will give the business security and hope of continuity in case of break of this risk. The business will insure with KIBI Insurance Company, PO Box 33467 Nairobi next to the Donholm round-about in Jogoo road. The insurance goes for Ksh. 30000 per year.

##### *iv. Electricity*

Electricity will be supplied and managed by the Kenya Power and lighting Company. The bill is paid according to the amount of electricity used. The bill will be paid through the branches of Kenya Power and Lighting Company. Then business shall pay its bills at the Stima Plaza, PO Box 30099 Nairobi; Tel. 32 015359.

v. *Water*

The Nairobi city Council shall cater for water supply in the premises. This shall be paid also according to the water used. Then bill shall be paid through Nairobi City Council, P.O Box 30656 Nairobi.

**4.7. REMUNERATION AND INCENTIVES:**

The business shall use the following remunerations:

*(a) Allowances*

All employees will enjoy transport and medical allowances Ksh. 1000 for each employee and this will cater for their transport back home as well as their medical status.

*(b) Salary schedule:*

The salaries shall vary with one's position and responsibilities as shown in the table below:

s/n	personnel	Monthly pay without allowance[Ksh]	Allowance[Ksh]	Net pay [Ksh]
1	M/Director	13,000	1,000	14000
2	G/Manager	10,000	1,000	11000
3	Mkt. Manager	8,000	1,000	9000
4	Cashier	6,000	1,000	7000
5	Massager-2	10,000	2,000	12000
6	Cleaner	5,000	1,000	6000
	watchman	4,000	1,000	5000
TOTAL				64000

(c) *Incentives*

The employee shall enjoy the following incentives in the business as a way of motivating them.

(d) *Off duties and leave*

Each employee except the watchman and cleaner shall be given off duties every two weeks a day (once in two weeks) one person at a time. In case of sickness one shall get sick-off. Each person will go a two weeks paid leave in a year. They will also not work on holidays.

(e) *Parties*

There shall be an annual party for the employees and the best customer at the end of the year will be awarded and even the most frequent potential customer.

## CHAPTER FIVE

### 5. PRODUCTION AND OPERATIONAL PLAN

#### 5.1. PRODUCTION FACILITIES AND CAPACITIES

At the start up, the business shall operate with the locally available machine and technologies. These technologies will be cheap to purchase, easy to maintain and use effectively.

This will be the bases for advanced technology. The following equipment and stationeries shall be used for running the business.

s/n	Equipment	Qty	Supplier	Cost (Ksh)	Use
1	Balance	3	Jumbo supp.	9,000	weighing
2	Bicycles	2	Lieys	7,000	Transport
3	Furniture				
	Tables	2	Sam entep	1,000	Placing weighing balances
	Chairs	2	::	600	For cashier
	Cabinets	1	::	2,000	Office documents
	Wooden bars	12	::	800	Placing bags

	Shelves	1	::	500	Placing packed cereals
	Wooden sieves	1	::	750	Sieving grains
4	Stationary				
	Files	4	Uchumi supp.	140	Keeping records
	Receipts books	2	::	150	Showing purchases
	Calculators	1	::	300	Doing calculations
	Biro pens	1pkt	::	500	writing
	Paper bags [big]	1pkt	::	200	packaging
	Paper punch	1	::	120	Punching file papers
	Small paper bags	1pkt	::	23	packaging

### 5.1.1. STOCK

s/n	Item	Qty	Supplier	Cost [Ksh]	Use
1	Maize	10 bags	Wikwatyo farm	4,500	sale
2	Beans		::		::
	Mwitamania	5bags	::	4,500	::
	Nyayo	5bags	::	4,500	::
	Mwezi mmoja	2 Bags	::	3,600	::
	Wairimu	2 Bags	::	2,500	::
	Rose cocoa	2 Bags	::	2,500	::
	French beans	1 Bag	::	2,500	::
	Muthokoi	5 Bags	::	3,600	::
	Soko maize flour	3,500	Capwell millers	3,375	::
	Wimbi flour	1 Bag	Hindu millers	4,680	::
	Ndengu	4 Bags	Wikwatyo farm	1,250	::
	Cow peas	5 Bags	::	14,,400	::
	Peas	2 Bags	::	6,400	::
	Mumias sugar	4 Bags	Kiagosaba w/sellers	8,000	::
	Rice	4 Bags	::	10,800	::
	Wheat flour	4 Bags	::		::
3	<b>Others</b>				
	Aprons	2	Uchumi supp	1,000	Protection
	Mouth mask	2	::	40	protection

The total number of bags = Ksh 59

Total cost of grains Ksh 82955

Total cost of facilities Ksh 24123

**TOTAL COST** Ksh 10778

### **5.1.2. FACILITIES**

#### **I. Capital**

The business source of finance will be from three sources

- Personal savings 200,000
- Owners' equity 100,000
- Bank loan 100,000
- Total 400,000

##### *a) Personal savings*

The operator of the business will have worked for three years after which she shall save up to 300,000 as personal savings. This will be used for startup cost like:

- ❖ Paying rent
- ❖ Initial capital
- ❖ Purchasing fitting
- ❖ Advertising
- ❖ Paying first month salary after opening and paying for other legal documents

##### *b) Friend's contribution and loan from the bank*

Friend's contribution and loan from the bank will cater for the following startup cost

- Furniture and equipment
- Deposit for rent
- Business license and permits
- Legal fees

- Beginning inventory
- Advertisement for glad opening
- Operational expenses e.g. supplies

## II. **Labor**

The business will have a capacity of 8 laborers at the start up. They would require Ksh 64,000 per month as salary. They will be providing both skilled and unskilled labor. They will also have the following skill

- Communication skills in order to transfer information in a networking area.
- Managerial skills in order to control business resources e.g. machine, money, and other materials.
- Entrepreneurial skills in order to evaluate risk and be able to generate ideas.
- Technical skills. This will help them to have knowledge of the product and its maintenance

Unskilled laborers will be used for loading and unloading bags, cleaning stores and business premises. The worker will be motivated through; being paid on time as well as overtime hours.

## III. **Materials**

This will include stock which includes maize, beans, peas, cowpeas, sugar, and flour. These must be stored in a leak proof roof, well ventilated and drained room to avoid rotting and destruction by rodents e.g. rats and mice

Other materials will include; receipt book, files, pens, etc. packaging material will also be used during operation. This will cost the business Ksh. 96,038 at the start up. The materials will be well managed to cut down costs of production.

## IV. **Social amenities:**

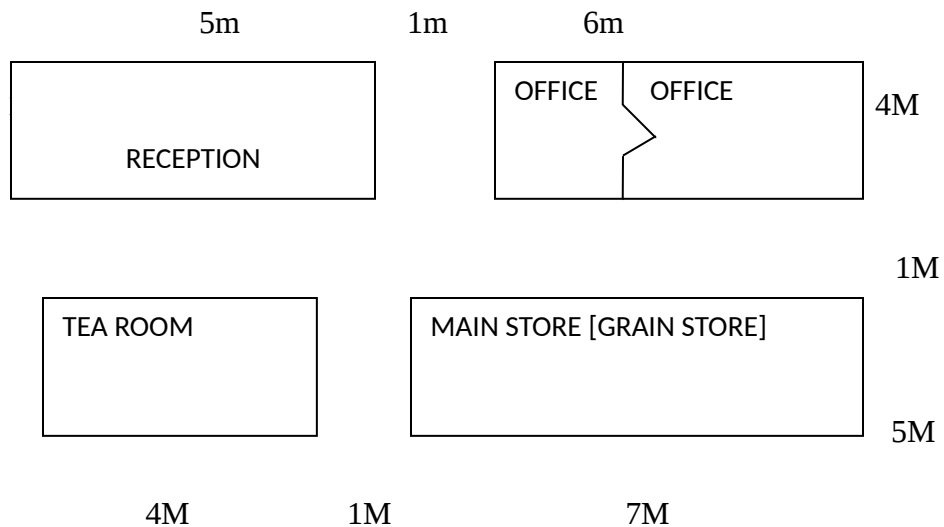
The business will depend upon the following social amenities for the proper running of its operations:



- *Phone:* There will be owners phone at the cashiers' office and the cost will be catered for by the owner until when the business will pick up to afford to pay its own phone [landline], and pay for its bills.
- *Water:* This will be supplied by the Nairobi city council and the bills will be paid monthly according to the amount used. it is well treated water
- *Hospital:* There are three hospitals surrounding the business premises. They include; provide health care [NGO], Uzima Dispensary and Amani Nursing Home
- *Schools:* There are many schools in the area including colleges and secondary schools beside primary schools. These include Kenya school of monetary studies, Drive-in primary school and Drive in secondary school.

## V. Premises

The business will operate in Mathare North area three. Business premises measures 10 meters wide and 12 meters as length. The rooms will be divided into 4 rooms as shown below



## VI. Technology

At start up the business will use the cheapest and most available technology; i.e. calculator for making work easier other than use of pen and paper. As business grows, a computer will be bought so that all transactions are entered for references. Also for further storage of information and for efficiency hence reducing human errors

## 5.2. PRODUCTION STRATEGY

*Rahisi Cereals stores* shall use production techniques to develop products finishing and packaging products. It will then finally estimate distributing costs, putting into mind “Customer Care” and the attributes preferred of the products by the customer.

The business shall follow the criteria as shown below

1. Determining the product market within which a market research will be conducted
2. Determine the importance of the product in the area
3. Presenting those attributes in a configuration perceived by the customer
4. Developing a model relating to customer’s preferences and tastes. This development will be done by different personnel in different hours using different equipment in order to suit the market as shown below.

s/n	Task	Equipment	Personnel	Time [Hrs.]
1	Determining market for the product within which to conduct market research	Bicycle	Director	8hrs
2	Identifying important attributes/qualities	Pen/papers for noting the quality	Director	3hrs
3	Present product qualities in a configuration perceived by the customers	Chart, pens/pencils	Director	5hrs
4	Developing model relating to customers preference and tastes if	Sieves	Employees	6hrs

	grains should be fresh, easy to cook to safe charcoal			
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### 5.3. REGULATIONS AFFECTING THE BUSINESS OPERATIONS

External regulations (Government)

- ❖ The business must have a trading license
- ❖ The business must have a required permits
- ❖ Each employee must have an identification card to show that he/she is an employee with your business
- ❖ The business must have a record showing all their facilities and equipment, stock and their source.

Internal regulations:

- ❖ All the employees must report at seven (7:00 am) in the morning as the business opens.
- ❖ Any employee must have permission from the manager wherever not at work.
- ❖ Any problem or proposal facing workers must be reported and handled immediately by the personal manager.
- ❖ Any misconduct should be punishable e.g. stealing from customer; the employee will be given a compulsory leave without pay and later on sacked. For minor cases like breakages, one should be cautioned.

### 5.4. ESTIMATED DAILY SALES

Item	Daily customer	Cost/bag	80% prf/bag	Selling price/bag	Selling cost/kg	Sold Qty/day	Total sale/day
Maize	5	450	360	810	9	20kg	180
Mwitemania	6	900	720	1620	18	20kg	360
Nyayo	4	990	792	1782	19.8	15kg	297
Mwezi mmoja	2	1800	1448	3240	36	10kg	360

Wairimu	4	1250	1000	2250	25	6kg	150
Rose cocoa	3	1250	1000	2250	25	10kg	250
French beans	2	2500	2000	4500	50	25kg	1250
Muthokoi	1	720	576	1296	14.4	30kg	432
Soko maize flour	5	1125	900	2025	22.5	40kg	900
Ndengu	6	1250	1000	2250	25	10kg	250
Wimbi flour	7	4680	3744	8424	93.6	20kg	1872
<b>Cow peas</b>	1	2880	2304	5184	57.6	13kg	748.8
Peas	3	3200	2560	5760	64	18kg	1152
Sugar	4	2000	1600	3600	40	14kg	560
Rice	2	2700	2160	4860	54	20kg	1080
Wheat flour	4	1350	1080	2430	27	10kg	270
<b>Total</b>	<b>59</b>						<b>10,111.8</b>

(a) **Total daily customers:**

= 59

Estimated customers per week 59x7=413

(b) **Total daily sale**

=10,111.8

Estimated weekly sale 10,111.8x7=70,782.6

(a) Estimated monthly sale 70,782.6 x 4 = 283,130.4

## CHAPTER SIX

### 6. FINANCIAL PLAN

This involves determining the course of action to achieve desired results .It ensures economic operations, improves motivation, and facilitates control by reducing uncertainties.

#### 6.1. ASSUMPTIONS

- i. Machines and equipment, furniture and fittings will depreciate by 2% yearly
- ii. Salaries will remain constant for the first year of operations but will appreciate yearly by 2% from the second year of operation.
- iii. Rent will appreciate by 3% yearly as from the second year of operations.
- iv. Electricity and water bills will vary according to the work being done, that is, consumption.
- v. Stock will appreciate with 2%
- vi. Sales will appreciate with 2%

#### 6.2. PRE-OPERATIONAL COSTS

<b>ITEMS</b>	<b>COST</b>
Rent deposit	6,000
Insurance	30,000
Water bills	400
Electricity bills	600
Stock	82,955
Furniture & fittings	5,650
License	8,000
Machines and equipment	16,000
Safety clothing (aprons and masks)	1,040
Advertisement	4,000
Stationery	1,433
<b>Total</b>	<b>156,078</b>

### 6.3. RAHISI CEREALS STORES BALANCE SHEET

As at opening December 2019, Dec 2020,

ASSETS	1 <sup>st</sup> Jan,2020	31 <sup>st</sup> Dec,2020	31 <sup>st</sup> Dec,2021	31 <sup>st</sup> Dec,2022
<b>CURRENT ASSETS</b>				
Cash at Hand	92,922	82,000	48,152.8	31,690.84
Cash at Bank	202,473	206,578.9	205,000	200,000
Stock	82,955	84,614.1	86,373.2	87,932.3
Total Current assets	378,350	373,193	339,426	319,623.14
<b>FIXED ASSETS</b>				
Machines and equipment	16,000	16,000	15680	15,366.4
Depreciation 2%		320	313.6	307.3
Furniture and fittings	5,650	5,650	5,537	5,426.26
Depreciation 2%		113	110.74	108.5
Total Fixed Assets	21,650	21,217	20,792.66	20,376.86
<b>Total ASSETS</b>	<b>400,000</b>	<b>394,410</b>	<b>360,218.66</b>	<b>340,000</b>
<b>CURRENT LIABILITIES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long term Liability	100,000	80,000	60,000	40,000
Retained Earnings		14,410	218.66	
Owners Enquiry	300,000	300,000	300,000	300,000
<b>Total Liabilities</b>	<b>400,000</b>	<b>394,410</b>	<b>360,218.66</b>	<b>340,000</b>

### 6.4. **BREAK-EVEN LEVELS**

**Particulars** **2020**

Total Sales 3,397,594

Fixed costs	
License	8,000
Interest on loan	8,400
Insurance	30,000
Loan repayment	20,000
<b>TOTAL</b>	<b>66,400</b>
Variable costs	
Electricity bills	7,200
Cost of purchases	995,460
Advertisement	16,000
Salaries	768,000
Rent	39,000
Water bills	4,800
<b>TOTAL</b>	<b>1,830,460</b>

**TOTAL CONTRIBUTION MARGIN**

= Sales – Total variable costs

= 3,397,564 – 1,830,460

= 1,567,104

**CONTRIBUTION MARGIN PERCENTAGE**

=  $\frac{\text{Contribution margin}}{\text{Sales}} \times 100\%$

=  $\frac{1,567,104}{3,397,564} \times 100$

= 46.12%

Break-even of sales in shillings

$$\begin{aligned} &= \frac{\text{Fixed cost}}{\text{Contribution margin}} \times 100\% \\ &= \frac{66,400}{143,972.246313} \times 100\% \\ &= 46.12\% \end{aligned}$$

## 6.5. PROFITABILITY RATIO

Year 1 = Gross profit/sales x 100

$$\begin{aligned} &= 2,402,104 / 3,397,564 \times 100 \\ &= 70.7\% \end{aligned}$$

Year 2 = 2,450,153.1 / 3,465,515.3 x 100

$$= 70.7\%$$

Year 3 = 2,498,201.9 / 3,533,466.3 x 100

$$= 70.7\%$$

## 6.6. PROPOSED CAPITALIZATION

Owners' equity	300,000
Bank loan	100,000
Total	400,000

## 6.7. DESIRED FINANCING

<u>Item</u>	<u>Amount</u>
Pre – operational cost	156,078
<u>Working capital</u>	<u>378,198</u>
<u>TOTAL</u>	<u>534,271</u>



## **6.8. RETURN ON EQUITY**

=Net profit after tax/Owners Equity x 100

Year 1 = 1,200,216.8/300,000 x 100

= 400.07%

Year 2 = 1,231,255/300,000 x 100

= 410.418 %

Year 3 = 1,255,573/300,000 x 100

= 418.52%

## **6.9. RETURN ON INVESTMENT**

=Net Profit after tax /Total Investment x Interest

Year 1= 1,200,216.8/400,000 x 8,400

= 3.02%

Year 2= 1,232,255/400,000 x 8,400

= 3.09%

Year 3= 1,255,573/400,000 x 8,400

= 3.16%

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**APPENDIX**  
**FLIER**

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**OPENING TIME: 7.00AM**

**CLOSING TIME: 8.00PM**