

CHRISTIAN SERVICE UNIVERSITY COLLEGE

DEPARTMENT OF BUSINESS STUDIES

BACHELOR OF BUSINESS ADMINISTRATION

BUSINESS PLAN

GHERK LEATHER WORKS LTD.

BY

AMANKWAH TAWIAH OSEI

MPEANIN GLORIA

OWUSU-ACHIAW ERNEST

OWUSU-ASANTEWAA HENRIETTA

SARKODIE ROSINA

DECEMBER 2011

CHRISTIAN SERVICE UNIVERSITY COLLEGE-KUMASI

DEPARTMENT OF BUSINESS STUDIES

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GHERK LEATHER WORKS LTD

BUSINESS PLAN

A BUSINESS PLAN SBMITTED TO THE DEPARTMENT OF BUSINESS STUDIES OF

CHRISTIAN SERVICE UNIVERSITY COLLEGE, KUMASI IN PARTIAL

FUFILMENT OF THE REQUIREMENTS FOR THE COURSE

CSAD 443 TEAM BUSINESS PROPOSAL

BY

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STATEMENT OF AUTHENTICITY

I have read the Christian Service University College's regulations relating to plagiarism and certify that this Business Plan is all my work and do not contain any unacknowledged work from any other source. I also declare that I have been under supervision for this Business Plan herein submitted.

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EXECUTIVE SUMMARY

Gherk leather Works Company limited is a local manufacturer of leather products (sandals and slipper) and plans to locate its business site at Jena in the Tamale (Northern Region). Its sales outlets will be in Kumasi. Gherk will begin its operations in August 2012 and it will be registered under Ghana's company Code 1963, Act 179. The company is a small enterprise with a total capital of GH¢ 100,000.00. This funding is provided by principal stakeholders.

Gherk leather works have a vision of becoming the leading organization in providing leather products in Ghana. The company's mission is to produce the best, quality and affordable leather products to meet customer's preferences both domestic and international. Gherk leather products include leather sandals and slipper

The management team will consist of the general manager, operations manager, finance manager, marketing and sales manager.

Gherk's target markets will include second cycle schools, tertiary institutions, tourists, corporate bodies .Our competitors include Naa leather products ltd, Musah leather works, and D-mark leather works. The markets of Gherk have been segmented on the basis of geographic and demographic.

Gherk will concentrate on this product for the first 3years to ensure that it reaches all of its potential market and this will make a sound base from which it can either expand into other leather product. However, with a prospect of sizeable market in the country, the company has a chance of making substantial profit.

The financial forecast indicate that, breakeven will be achieved within a period of one year, two months. Return on capital employed will be 17.52%, 22.96% and 32.27% for the first, second and third year respectively. The Sale revenue will be GH¢110,000, GH¢155,000 and GH¢230,000 for the first, second and third year respectively. Gross profit will be GH¢50731 GH¢64,846 and GH¢97,034 and net profit will also be GH¢ 16608.4, GH¢3352.7 and GH¢94299.7 for the first, second and third year of operation respectively.

Vision statement

To become the leading organization in the provision of leather products in Ghana.

Mission statement

To manufacture the best, quality and affordable leather products to meet customer's preferences both domestic and international.

Corporate Objectives

- ❖ To provide unique product line to suit customer's specific demands
- ❖ To embark on continuous improvement on quality to satisfy customers
- ❖ Gherk perceive to achieve 65% of students in the secondary cycle and tertiary institution, 20% from tourist and 15% from corporate bodies/institutions.

CORPORATE STRATEGY

Our major action plan is to achieve a position in the forefront of the leather industry and to build profitably the countries local alliance with a presence in all local markets in other regions of Ghana. This will be after four years when we have surveyed other markets to make an entry.

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GHERK LEATHER WORKS LTD

5.2 PROJECTED INCOME STATEMENT FOR THE YEAR ENDED

	GH¢	GH¢	GH¢
	2012	2013	2014
SALES	110000	155000	230000
COST OF SALES	<u>59269</u>	<u>90154</u>	<u>132966</u>
GROSS PROFIT	50731	64846	97034
LESS EXPENSE			
ALLOWANCE FOR BOARD OF DIRECTORS	800	800	800
DIRECTORS FEES	12000	12600	12600
ADVERTISING AND PROMOTION	1500	1500	2400
SALARY	6000	7200	7200
REPAIRS AND MAINTENANCE	800	900	1150
PACKAGING EXP	200	450	500
RESEARCH AND DEVELOPMENT	300	500	650
STATIONERY	200	200	200
INSURANCE	340	400	500
OTHER EXPENSE	300	300	300
RENT	1080	1100	1150
UTILITIES	240	400	500
BUSINESS REGISTRATION	150	-	-
FUEL	1800	2200	2900

LAUNCHING	1200		
RECRUITMENT AND TRAINING	500	500	600
DEPRECIATION	<u>2880</u>	<u>2880</u>	<u>2880</u>
TOTAL EXPENSE	30290	31930	34330
NET PROFIT BEFORE TAX	20441	32916	62704
LESS TAX 75% * 25%	<u>3832.6</u>	<u>6171.7</u>	<u>11757</u>
NET PROFIT AFTER TAX	<u>16608.4</u>	<u>26744.2</u>	<u>50947</u>
INCOME SURPLUS			
	2012	2013	2014
OPENING BALANCE		16608.4	43352.7
NET PROFIT FOR THE YEAR	<u>16608.4</u>	<u>26744.3</u>	<u>50947</u>
	<u>16608.4</u>	<u>43352.7</u>	<u>94299.7</u>

GHERK LEATHER WORKS LTD

5.3 BREAK-EVEN ANALYSIS

FIXED COST

Embroidery machine	1000
Rent	1000
Generator	500
Computer & Accessories	1400
Furniture and Fitting	1800
Cutting Machine	500
Sewing machine	600
Grinding machine	500
Stationery	200
Business Registration	150
Directors Allowance	800
Vehicle	3500
Launching	<u>1200</u>
Total	<u><u>13150</u></u>

VARIABLE COST

Purchase (Raw Material)	56094
Salary	6000
Utility	1240
Insurance	840
Fuel	1800
Advertising and Promotion	1500
Training and Recruitment	500
Repairs and Maintenance	800

Packaging	200
Research and Development	300
Director's fee	<u>12000</u>
Total	<u>82054</u>

Cost Apportionment

Slipper = 2

5

Sandals = 3

5

Fixed Cost

Slipper

$$2/5 * 13150 = 5260$$

Sandals

$$3/5 * 13150 = 7890$$

Variable Cost

Slipper

Variable Cost per Unit

$$2/5 * 82054$$

$$= 32821.6$$

$$= \frac{32821.6}{5000} = 6.5653$$

5000

Sandals

Variable Cost per Unit

$$3/5 * 82054$$

$$= 49232.4$$

$$= \frac{49232.4}{3500} = 14.0664$$

3500

Contribution per unit = Selling Price - Variable Cost

$$= 10 - 6.56$$

$$= 3.44$$

$$= 15 - 14.07$$

$$= 0.93$$

Breakeven in Unit = fixed Cost

Contribution per unit

$$= \frac{5260}{3.44} = 1529 \text{ units (break Even in Unit)}$$

$$= \frac{7890}{0.93} = 8483.8 \text{ units (Breakeven in Unit)}$$

Breakeven in Value = Breakeven Unit * Selling Price

$$= 1529 * 10 = 15,290$$

$$8483.8 * 15 = 127,258.0$$

$$= 15,290 + 127,258 = 142,548.0$$

Breakeven in Period = Breakeven in Value

Total Sales

$$= \frac{142,548.5}{24}$$

$$= 5,939.5$$

$$= 12.91$$

Therefore the breakeven period is within One year, 2 month

GHERK LEATHER WORKS LTD

5.4 PROJECTED CASHFLOW STATEMENT FOR THE YEAR ENDED

	GH¢	GH¢	GH¢
	2012	2013	2014
CASH INFLOW			
INITIAL CAPITAL	100000		
SALES	<u>110000</u>	<u>155000</u>	<u>230000</u>
	210000	155000	230000
LESS CASHFLOW			
PURCHASE OF FIXED ASSET	22800		
PRODUCTION COST (LESS DEPN)	65494	92494	13706
ADVERTISING AND PROMOTION	1500	1500	2400
SALARY	6000	7200	7200
REPAIRS AND MAINTENANCE	800	900	1150
PACKAGING EXPENSE	200	450	500
RESEARCH AND DEVELOPMENT	300	500	650
STATIONERY	200	200	200
INSURANCE	340	400	500
OTHER EXPENSES	300	300	300
UTILITIES	240	400	500
RENT	1080	1100	1150
BUSINESS REGISTRATION	150	-	-
FUEL	1800	2200	2900
LAUNCHING	1200	-	-

RECRUITMENT & TRAINING	500	500	600
TAX	3832.6	6171.7	11757
ALLOWANCE FOR THE BOARD			
OF DIRECTORS	800	800	800
DIRECTORS FEES	<u>12000</u>	<u>12600</u>	<u>12600</u>
TOTAL CASHFLOW	<u>119536.6</u>	<u>127715.7</u>	<u>180270</u>
NET CASHFLOW	90463.4	27284.3	49730
OPENING BALANCE	<u>-</u>	<u>90463.4</u>	<u>117747.7</u>
CLOSING BALANCE	<u>90463.4</u>	<u>117747.7</u>	<u>167477.7</u>

GHERK LEATHER WORKS LTD**5.5 PROJECTED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED**

	GH¢	GH¢	GH¢
	2012	2013	2014
NON CURRENT ASSET			
PROPERTY PLANT & EQUIPMENT	19560	16320	13080
CURRENT ASSET			
STOCK	6585	9285	13742
CASH	<u>90463.4</u>	<u>117747.7</u>	<u>167477.7</u>
	<u>116608.4</u>	<u>143352.7</u>	<u>194299.7</u>
FINANCED BY			
CAPITAL	100000	100000	100000
INCOME SURPLUS	<u>16608.4</u>	<u>43352.7</u>	<u>94299.7</u>
	<u>116608.4</u>	<u>143352.7</u>	<u>194299.7</u>

APPENDIX

SALES SCHEDULE NOTE 1

YEARS	PRODUCT TYPE	QUANITITY SOLD	SELLING PRICE GH¢	AMOUNT GH¢
2012	SANDALS	5000PAIRS	15	75000
	SLIPPERS	3500PAIRS	10	35000
		8500		110000
2013	SANDALS	7000PAIRS	15	105000
	SLIPPERS	5000PAIRS	10	50000
		12000		155000
2014	SANDALS	10000PAIRS	15	150000
	SLIPPERS	8000PAIRS	10	80000
		18000		230000

MATERIAL USAGE NOTE 2

MATERIALS	QUANITITIES	DESCRIPTION	UNIT COST GH¢	GH¢
LEATHER	10000	10000*0.3sq yards=30000sq yard	4.5	13500
LINERS	10000	10000*0.25sq yard= 25000sq yard	1.3	3250
HOOKS	10000	10000* 1 pair	1.5	15000
GLUE	10000	1 Gallon for 15 pairs 667 gallons	25	16675
THREAD	10000	1 Thread for 5 pairs 2000 thread	1.5	3000
BONA	10000	1 Yard for 15 pairs 667yards	7	4669
MATERIALUSAGE				56094

DIRECT WAGE SCHEDULE NOTE 3

YEAR	DESCRIPTION	NUMBER OF EMPLOYEE	MONTHLY WAGE GH¢	ANNUAL WAGE GH¢
2012	CUTTING AND DESIGNING PERSONNEL	2	150*2=300	3600
	SEWING AND JOINING PERSONNEL	2	150*2=300	3600
			TOTAL	7200

The Direct wage for the first year is maintained for the second and third year.

INDIRECT WAGE NOTE 4

YEAR	DESCRIPTION	NUMBER OF EMPLOYEE	MONTHLY WAGE	ANNUAL WAGE
2012	CLEANER	1	100	1200
	SECURITY	1	100	1200
TOTAL		2	200	2400

The Indirect wage for the first year is the same for the second and third year.

DEPRECIATION OF FACTORY MACHINES NOTE 5

YEARS	EMBROIDERY MACHINE	CUTTING AND DESIGNING	SEWING MACHINE	GRINDING MACHINE	TOTAL
2012					
COST	1000	500	600	1500	3600
DEPRECIATION	(100)	(50)	(60)	(150)	(360)
NBV	900	450	540	1350	3240
2013					
Balance B/d	900	450	540	1350	3240
DEPRECIATION	(100)	(50)	(60)	(150)	(360)
NBV	800	400	480	1200	2880
2014					
Balance b/d	800	450	480	1200	2880
DEPRECIATION	(100)	(50)	(60)	(150)	(360)
NBV	700	350	420	1050	2520

Depreciation will be 10% on straight line basis

SALARY SCHEDULE NOTE 6

YEAR	DESCRIPTION	NO EMPLOYEES	OF MONTHLY SALARY	ANNUAL SALARY
2012	SALES REPRESENTATIVE	1	150	1800
	STORE KEEPER	1	150	1800
		2	300	3600
2013	SALES REPRESENTATIVE	1	200	2400
	STORE KEEPER	1	200	2400
		2	400	4800
2014	SALES REPRESENTATIVE	1	200	2400
	STORE KEEPER	1	200	2400
TOTAL		2	400	4800

NOTE 7

Directors fee will be GH¢ 250 per month for each of the three Directors (operation finance marketing) and the general manager receiving GH¢300.

Board of Directors will receive a sitting allowance of GH¢ 200 for each of the four directors.

The sitting is once in the year

Insurance will be GH¢70 premium per month.

GH ¢500 for the factory and GH¢ 340 For Administration

DEPRECIATION FOR OFFICE EQUIPMENT

NOTE 8

YEAR	FURNITURE AND FITTING	COMPUTER AND ACCERSORIES	VEHICLE	GENERATOR	FIRE EXTINGUISHE R	TOTAL
2012						
COST	1800	1400	12000	3500	500	19200
DEPRECIATION	(270)	(210)	(1800)	(525)	(75)	(2880)
NBV	1530	1190	10200	2975	425	16320
2013						
Balance B/d	1530	1190	10200	2975	425	16320
DEPRECIATION	(270)	(210)	(1800)	(525)	(75)	(2880)
NBV	1260	980	8400	2450	350	13440
2014						
Balance B/d	1260	980	8400	2450	350	13440
DEPRECIATION	(270)	(210)	(1800)	(525)	(75)	(2880)
	990	770	6600	1925	275	10560

Depreciation will be 15% on straight line basis

DIRECTORS FEES SCHEDULE

POSITION	Year 1 Month salary	Year 2 Month salary	Year3 Month salary	
GENERAL MANAGER	250	300	300	
OPERATION MANAGER	250	250	250	
FINANCE MANAGER	250	250	250	
MARKETING MANAGER	250	250	250	
TOTAL	1000	1050	1050	
ANNUAL	12000	12600	12600	

NOTE 9

PRODUCTION COST	GH¢	GH¢
Purchase Raw Material		56094
Direct Wages		<u>7200</u>
Prime Cost		63294
Add Overhead		
Utilities	1000	
Insurance	500	
Rent	700	
Depreciation	<u>360</u>	<u>2560</u>
Production Cost		65854

Production Cost will be increased by 41% in the second year and 48% in the third year.

Rent for the factory is 70% of GH ¢1000 = GH¢700 per year

Rent for the administration is 30% of GH¢ 1000 = GH¢300 per year

Rent for the sale outlet is First year GH¢ 780, second year GH ¢800 & third year GH¢850.

NOTE 10

COST OF SALES SCHEDULE

	2012	2013	2014
	GH¢	GH¢	GH¢
OPENING STOCK		6585	9285
ADD PRODUCTION COST	65854	92854	137423.9
LESS CLOSING STOCK	<u>6585</u>	<u>9285</u>	<u>13742</u>
	<u>59269</u>	<u>90154</u>	<u>132966</u>

The closing stock is 10% of the production Cost.

PROJECTED NET PRESENT VALUE

YEAR	CASHFLOW	DISCOUNTED FACTOR (20%)	PRESENT VALUE
O	(100000)	1	(100000)
1	90463.4	0.833	75356.0
2	27284.3	0.694	18935.3
3	49730	0.579	<u>28793.6</u>
			<u>23084.9</u>

RATIOS

	2012	2013	2014
RETURN ON CAPITAL EMPLOYED	17.52%	22.96%	32.27%
GROSS PROFIT MARGIN	46.11%	41.83%	42.18%
NET PROFIT MARGIN	15.09%	17.25%	22.15%
CLOSING STOCK	36DAYS	36DAYS	36DAYS

NOTE 11

DISCOUNT FACTOR = $\frac{1}{(1+r)^t}$

r= 20%

$\frac{1}{(1+0.2)^1} \quad 0.833 * 90463.4 = 75356$

$(1+0.2)^1$

$\frac{1}{(1+0.2)^2} \quad 0.694 * 27284.3 = 18935$

$(1+0.2)^2$

$\frac{1}{(1+0.2)^3} \quad 0.597 * 49730 = 28793.6$

$(1+0.2)^3$

RETURN ON CAPITAL EMPLOYED

NET PROFIT BEFORE INTEREST AND TAX * 100%

CAPITAL EMPLOYED

2012	2013	2014
$= \frac{20441}{116608.4} * 100\%$	$= \frac{32916}{143352.7} * 100\%$	$= \frac{62704}{194299.7} * 100\%$
= 17.52%	= 22.96%	= 32.27%

NET PROFIT MARGIN

NET PROFIT AFTER TAX * 100%

TURNOVER

2012	2013	2014
$= \frac{16608.4}{110000} * 100\%$	$= \frac{26744.2}{155000} * 100\%$	$= \frac{50947}{230000} * 100\%$
= 15.09%	= 17.25%	= 22.15%

GROSS MARGIN

$$\frac{\text{GROSS PROFIT}}{\text{}} * 100\%$$

TURNOVER

2012	2013	2014
$= \frac{50731}{110000} * 100\%$	$= \frac{64846}{155000} * 100\%$	$= \frac{97034}{230000} * 100\%$
$= 46.11\%$	$= 41.83\%$	$= 42.18\%$

STOCK PERIOD

$$= \frac{\text{CLOSING STOCK}}{\text{}} * 365 \text{ days}$$

PRODUCTION COST

$$= \frac{6585}{\text{}} * 365 \text{ days}$$

65854

$$= 36 \text{ DAYS}$$

The stock period remain the same for the second and third year.

Tax

Because of the company's location, it enjoys a tax rebate of 75%

1.0 ORGANIZATION

Gherk Leather Works Ltd finds itself in an industry that consist of many but smaller scale operators. The company is engaged in the provision of leather products such as sandals and slippers. Since they are made on a small scale, it is usually meant to suit ones specification if possible or if required. However, a significant percentage of materials for making the product in relation to the industry are imported. The market in the industry is fairly competitive. There are therefore no restrictions to entry or exit. There is strong competition and challenge in the leather industry. Gherk Leather Works Ltd in its quest to win the market will customize its products on demand to meet customer's specification.

Gherk leather works ltd will be an incorporated company which will be registered under the company's Code 1963, Act 179 at the registrar's General Department. The registration will be done in May 2012. Gherk Leather Works Ltd. will commence operations right after the certificate for commencement is issued. It will be located at Jena in the Northern region (Tamale) with it website to be Gerkleatherworks@yahoo.com.

Due to our desire to provide maximum satisfaction to our customers, we have adopted a slogan which says, **“Customers specific demand is our top priority”**.

This business is a small scale business with a workforce of thirteen (13). It is actually a company between five young entrepreneurs. Gherk is owned by these members and will be managed by these five entrepreneurs.

2.0 PRODUCT IDEA AND REALIZATION OF SCHEDULE

2.1 Product Idea

Gherk's company limited is into the manufacturing of locally made and customized leather products. Over the years, locally made products such as Ghanaian leather bags, slippers and sandals have received less patronage. Researching into this situation, it was identified that Ghanaian made leather products are mostly of less quality and less attractiveness. With increasing number of senior high schools (who prescribes sandals for students) and increasing sense of nationalism by the government to patronize locally Ghanaians made products, there is a perceived high demand for leather products if it is made with high quality and attractiveness. Gherk's desire to use modernized and industrial equipment as well as skilled employees to coming out with a near perfect leather product will definitely give it a competitive advantage over its competitors.

Product features

Gherk leather products will be viewed as nothing but quality, unique, convenient and easy to identify.

Proprietary position

After one year of operation, Gherk company ltd will protect its trademarks and copyright. This is because, by then, the company would have been able to generate substantial amount of money to do so. In the mean time, Gherk will employ appropriate techniques to ensure that, its products are not imitated to tarnish its corporate image and identity.

Research and development

Our feasibility study from Ghana tourist Board reveals that, foreigners who tour our country now more than ever patronize these products and some even send larger quantities to their homelands. Second cycle institutions as parts of their disciplinary procedures also prescribe specific sandals (play- decks) for their students. Gherk plans take advantage of this to win a competitive advantage in the market. The future however looks bright for the company.

Sourcing and quality assurance

Gherk company ltd will obtain its raw materials (leather) from Hausa Zongo, a commercially busy town in the Northern region (Tamale). Gherk incubates plans to source its raw materials directly from Bawku (Upper east region- where materials are less costly) when it grows in its operations. However strategic plans will be put in place to ensure high quality of the raw materials bought from Tamale.

2.2 Realization of Schedule for Gherk Leather Works

ACTIVITIES	MONTHS											RESPONSIBILITY	COST (GH¢)
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV		
FUNDING												ALL OWNERS	100,000
COMPANY REGISTRATI ON												LEGAL ADVISOR	150
AQUISITION OF MACHINERY												OPERATIONS MANAGER	150
RECRUITME NT AND TRAINING												GENERAL MANAGER	500
COMMENCE MENT OF PRODUCTIO N												OPERATION MANAGER	-

COMPLETION OF FIRST BATCH OF PRODUCT AND PACKAGING													-
PRODUCT LAUNCHING												MANAGEMENT	1200
ADVERTISING AND PROMOTION												MARKETING MANAGER	1500

3.0 HUMAN RESOURCE

SHAREHOLDERS

The shareholders of Gherk leather works ltd consist of Mr. Ernest Owusu Achaiw, Mr. Osei Tawiah Amankwah, Miss Gloria Mpeanim, Miss Rosina Sarkodie, and Miss Henrietta-Owusu Asantewaa.

BOARD OF DIRECTORS

The board of directors of Gherk Company will include; Mr. Justice Minkah-Premo (Headmaster, Aduman senior high), lawyer Asante krobea (Asante Krobea chambers, Adum-Kumasi) and Miss Henrietta Owusu Asantewaa (A student of Christian Service University College) Ernest Owusu.

MANAGEMENT TEAM

General Manager (Mr. Morris Nyamekye)

He is currently undertaking a degree program in Human Resource management at Christian Service University College (C.S.U.C). He has a Professional graduate diploma qualification in ICM and has three years working experience from working as quality control with Top man shoes.

His responsibilities will include;

- ❖ Controlling the overall activities of the business.
- ❖ Making strategic plans in consultation with board of directors.

- ❖ Managing the company's relationships with legal advisors, investors and banks when necessary.

Finance Manager (George Amankwah)

He is currently pursuing Bachelor of Business Administration in Accounting in CSUC. He has also diploma in banking and Finance. His **responsibilities**:

- ❖ Formulating, presenting and justifying budget estimates for the business
- ❖ Preparing and communicating the financial statement of the company to General Manager and reviewing budget policy to ensure compliance.
- ❖ Reviewing and analyzing funding documents.
- ❖ Conducting comparative analyses to examine trends of sales, profits and any other financial issues.

Marketing and Sales Manager (Mr. Michael Baafour)

He holds a diploma in marketing and has gained much experienced from working with Odiike Ventures. His **responsibilities** will include:

- ❖ Developing of advertisement and promotional strategies for the Gherk Company.
- ❖ Defining of sales targets for sales personnel.
- ❖ Monitoring of trade activities to increase the sales of Gherk's product.
- ❖ Planning of frequent marketing training programs for sales personnel
- ❖ Overseeing time delivery of products to customers.

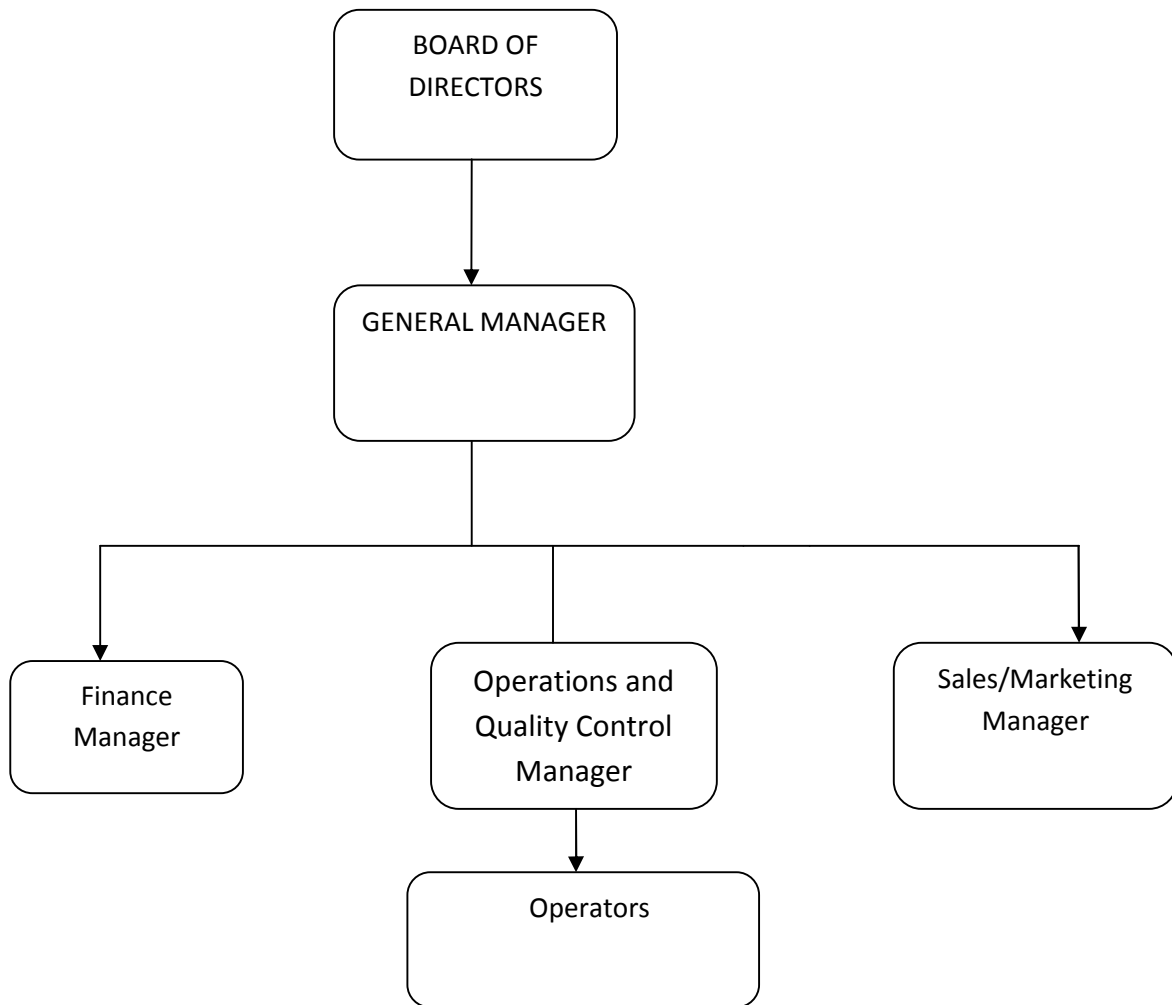
Operations and Quality Control Manager (Mr. Elijah Mensa)

He has developed much skill from working with Angel groups of Company as Production supervisor. He holds a diploma in management studies.

He will be **responsible** for:

- ❖ Reporting issues of production and supply of raw materials to the managing director.
- ❖ Designing and supervising the activities of the direct labor.
- ❖ Monitoring the effective and efficient utilization of raw materials.
- ❖ Ensuring that each product meets specifications of customers as in design, quality and quantity of products.
- ❖ Setting targets of output levels and supervision of activities of direct labor.

ORGANOGRAM OF GHERK LEATHER WORKS



The operators consist of the cutting and designing personnel, and joining and sewing personnel, sales personnel, stock keeper, cleaner and security personnel.

4.0 MARKET ANALYSIS

4.1 Business System and Operations

Gherk leather works intend to run its operation in the following ways:

Working hours for Gherk leather works ltd will be from 8.00am to 4.00pm on normal day and the closing time will be extended to 6.00 pm to meet deadlines. Working days will also be from Monday to Saturday. The leathers which will be bought in larger quantities will be kept in a cool dry place in the store room to prevent it from getting rotten. The company also has a van to convey finished products to its distribution destination. In getting the various designs, the leather will pass through the following process:

Cutting and designing

The leather will be sent to the cutting and designing department where the personnel will critically measure and cut according to our product ranges (sandals, slippers), sizes, shapes and design using the cutting machine and also making the designs such as logo or customizing name, initials with the embroidery machine which are largely influenced by customer's routine request and it will also be supervise by the operations manager.

Sewing and joining

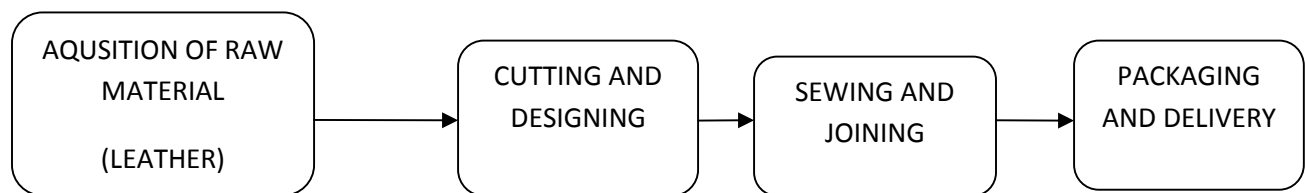
After cutting the pieces, they are sewed and joined by two personnel using the sewing machine. The pieces are then joined together by gluing and sewing to have our end product. Certain product such as slippers and sandals will demand smoothing especially the sole. A grinding machine will be use for that purpose. It is here that the products that require embroidery

especially the customized product which demand inscription likes names, logo, symbols and name of occasions are done using the embroidery machine.

Packaging of Product and Outbound Logistics

After obtaining a finished product the products will be sent to the packaging unit where they will be packaged in nice small cotton bags after which the product will be arranged at the store room before it gets to the market. Gherk will therefore convey the goods in vans to the various distribution outlets.

Production Process of Gherk Leather Works



4.2 Environmental Analysis

Political Factors

These are governmental policies that affect our industry. Our company will enjoy tax holidays/ advantages because of where it is located. Government policy to promote patronage of locally made leather product motivated the set-up of the Gherk leather works. Tariff on importation of raw materials from neighboring countries could be a worrying factor.

Economical Factors

The current inflation rate that does not reflect in people's income has reduced their purchasing power and that can affect the company adversely. High unemployment rate can also have an influence on the firm.

Social factors

Society shapes beliefs, values and norms that largely define consumer taste and preferences. Ghanaians today are very patriotic and therefore patronize locally made products. Local products have been accepted socially within the country and more than 50% of Ghanaians wear these products during Friday and also during occasions such as festival, naming ceremonies, etc

Technological factors

Gherk will have advanced machines that will enable work to speed up in order to meet our deadlines and target. The use of modern equipment and technology can give Gherk a competitive edge over its competitors. And because technology is advancing, it becomes easy for firms to apply the differentiation strategy. For that we can embark on total quality management and also differentiate our product.

Suppliers

The suppliers of Gherk's raw materials will be M & J Company Ltd, Brisco Company Ltd just to mention a few. The suppliers are also situated in the central business area of Tamale, thus, very close to us. Therefore we can easily have access to raw materials in order to avoid stock out.

4.2.2 Competitors

Gherk's main competitors include; Naa leather works D-mark company ltd and Musah leather works. Though they are already in the industry, they do not pose much threat to Gherk. This is because, our competitors' products might look nice but are hardly durable and easily get damage within the slightest use in time. Gherk's unique features (logo, favorable to all weather conditions, customized product and quality leather) will grant it a competitive advantage to hit the market.

D-Mark Company Ltd

D-MARK entered the sandal production business 5years ago and it is into mainly manufacturing and selling them at the central market.

Strength

- ❖ Good knowledge of the market and product
- ❖ Has close ties with leather producing companies

Weakness

- ❖ Have set high price for their product and also have a poor customer relationship and distribution.
- ❖ Lacks the ability and resources necessary to market their product.

Naa leather Works Ltd

A very smart woman, Nancy learnt about leather works from her mother who was a trader at then and she took over the business when her mom died. Nancy specializes in manufacturing and

selling lady's sandals as she saw that most of the men were concentrating on the production of boys' sandals and slipper.

Strength

- ❖ Good knowledge of the product and market
- ❖ Has a strong financial backing.

Weakness

- ❖ Naa has a poor distribution system.
- ❖ Naa leather works is known to lack creativity and innovation.

Musah leather Work ltd

Musah Leather Works is one of our major competitors. Being in the industry for close to five years, Musah Leather Works have one outlet in Accra, he is mainly into manufacturing and selling of leather sandals and other leather product.

Strength

- ❖ They have been in business for a longer time so they have a higher market share.
- ❖ Advertisement on major television and radio programs.

Weakness

- ❖ Poor customer Service relation
- ❖ Poor resistance to weather conditions.
- ❖ Poor quality of products as they've been found to deteriorate after a few months of wear.

4.2.3 SWOT ANALYSIS

The following SWOT analysis captures the key strengths and weakness within the company and describes the opportunities and threats facing Gherk leather work ltd

Strength

- Competent and skilled staff.
- Products are less expensive.
- Nearness to source of raw materials
- Skilled in understanding customer wants and predicting market trends.

Weakness

- Convincing laggards to change their perception about our local leathers will be quite difficult.
- Inadequate logistics and working capital about the leather industry in Tamale.

Opportunity

- Tax holiday as a result of location advantage.
- There are growing number of people and businesses who have adapted the Friday wear and so this will be an opportunity for us to capitalize on and produce more for them.

Threat

- Most people have negative perception on locally manufactured products.
- Vulnerable to reactive attacks by major competitors.

4.3 MARKETING SEGMENTATION

Gherk will segment its markets into geographic and demographic segments.

- Geographic segmentation

Gherk leather works ltd will have cities and regions as geographic segments. We intend to segment the market based on regions such as Northern region, Ashanti region and cities due the fact that, our target and potential customers can be located in these densely populated regions and cities.

- Demographic segmentation

To easy penetration into the market, Gherk leather works ltd intends to segment its market into sex, households (medium, large and small) and age.

MARKET STRATEGY

Gherk will use the cost penetration strategy to gain competitive advantage in the market. Gherk with its competence in contemporary modern designs seeks to capitalize on its materials to come out with durable and affordable leather products (sandals and slippers). Gherk's competitive advantage in the market will be hinged on flexibility as in the timely production and delivery of customer specific or customized leather sandals and slippers. Gherk also plans to differentiate its products through high quality to meet customer specification.

4.4 TARGET MARKET

Our target market includes students in second cycle and tertiary institutions. Gherk leather works will also target tourists and corporate bodies. Our company will liaise with exhibition centers so that tourists can easily reach out to our products. We will also have a liaison with head of schools. This will lead to high patronage of our products since sandals are mostly prescribed to students by school authorities.

4.5 MARKETING MIX

Gherk Marketing mix shall comprise the following approaches to Product, Promotion and Pricing.

4.5.1 Product

Gherk sandals and slippers will possess unique features and will be customized to suit the preference of our cherished customers. The production will aim at durability. High quality materials will be used to ensure that our products last very long. The design will be made to suit all weather conditions. To enhance the aestheticism of our products, the sandals and slippers will be embossed with Gherk's logo. Finally, modern technology will be used in producing our products.

4.5.2 Pricing

Gherk plans to produce high quality and attractive sandals and slippers at very affordable prices. The prices of our products will be comparatively lower than that of our competitors.

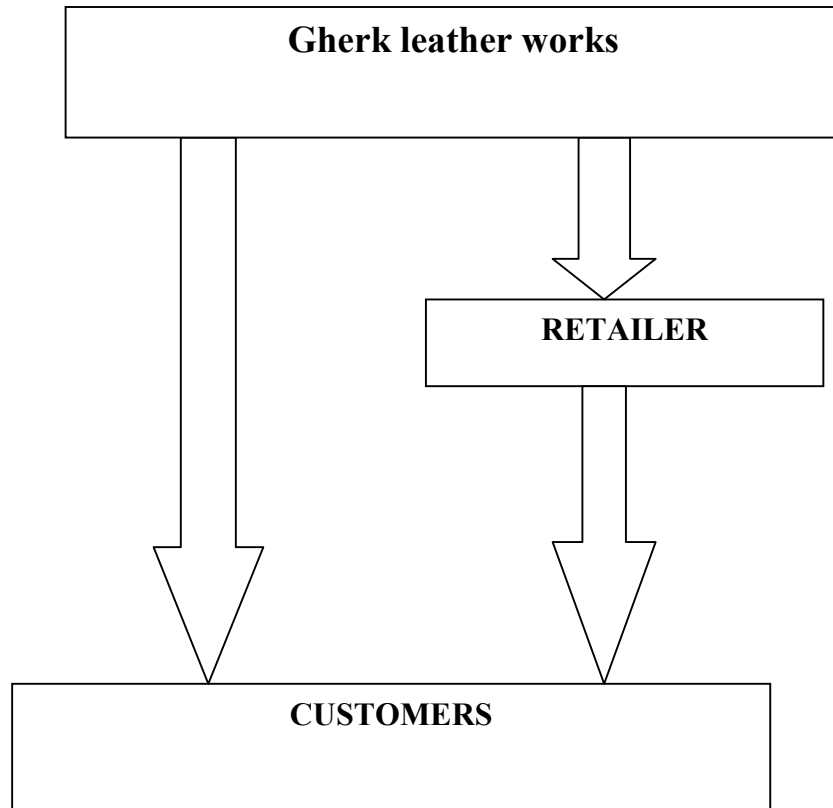
4.5.3 Promotion

We intend to promote Gherk leather products through personal selling, and advertisement. With personal selling, one on one persuasive selling technique will be used to reach out to our target. We will reach schools through headmasters and teachers. Non-students will also be reached through major retailers in the industry. Gherk will reach out to tourists through the various art exhibition centers like Cultural Center. During personal selling, samples of Gherk's products will be displayed to indicate authenticity. Concerning adverts, a couple of radio adverts will be used to reach our targets.

4.5.4 Distribution Strategy

Since Gherk is targeting schools, corporate bodies and tourists, the appropriate distribution strategy which will give it the best results is intensive distribution strategy. With this strategy we plan to distribute our products widely in almost all schools and institutions. Gherk believes that, this strategy might be costly because of its relatively large target market, which might result from additional sales force that will be needed for effective distribution. Nevertheless, the company will offset this cost with very high sales volume. The below will also be the company's distribution channel.

Distribution Channel of Gherk Leather Work ltd



5.0 FINANCIAL ANALYSIS

ASSUMPTIONS

- Sales are expected to increase not less than 20% each year.
- The company will depreciate its fixed asset using the straight line method.
- Production cost will increase by 41% in the second year and 48% in the third year.
- The Company's financial statement was prepared based on accrual/matching concept.
- The Company enjoys a tax rebate of 75% due to its location or where it is sited (Jena a village in the Northern Region)

5.1 RISK ANALYSIS

Gherk Company Limited foresees certain loss exposures worth considering

Property Loss Exposures

These include the following risks;

- Theft of company equipments and raw materials supplies and finished products.
- Loss of production site to fire.

Revenue Loss Exposures

These constitute possible occurrences that can reduce our projected revenues. They are;

- Operational hold ups due to power outages, machine breakdowns and employees resignations.

- Purchase of defective materials that will lead to poor quality of output and high cost of production.
- Delay and / or non delivery of raw materials for products.

Legal Liability Risk

This risk may be from environmentalist and surrounding societies for improper disposal of waste.

Operational Loss Exposures

These risk exposures will be job related injuries. These include;

- Employee theft and dishonesty.
- Duplication of brand logo by workers for personal gains.

Gherk Company ltd considers price risk which is unavoidable and is inherent in the nature of business. Gherk co.ltd will also consider commodity price that arises from fluctuations in the price of leather which is our raw materials for production.

Risk Management Strategies

Gherk Company limited will depend more in the interim on loss Control measures than loss financing techniques to manage it risks. These measures will include;

- Organization of safety training programs to equip staff with skills to prevent injuries.
- Employing of a well trained trust worthy security man for the production site.
- Fixing of security and safety gadgets like: first aid boxes to reduce the severity of injuries, should accident occur: Fire extinguishers at vantage points in the production site.

- Enforcement of rules of wearing safety gears during working activities.
- Securing of health insurance for workers.
- Employing environmentally friendly methods of waste disposal.
- Institution of quality control checks on a stage to stage basis in the production process.
- Purchase of a generator to cater for any power outages.