

CHRISTAIN SERVICE UNIVERSITY COLLEGE – KUMASI

**DEPARTMENT OF BUSINESS STUDIES
BACHELOR OF BUSINESS ADMINISTRATION**

**VALDA VENTURES LTD
BUSINESS PLAN**

\BY

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DECEMBER, 2011

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VALDA VENTURES LTD

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STATEMENT OF SUBMISSION

**A PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS STUDIES OF
CHRISTIAN SERVICE UNIVERSITY COLLEGE, IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE COURSE (CSAD 466) TEAM BUSINESS
PROPOSAL**

BY

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DECEMBER, 2011

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 does 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

The interest by consumers in the juice industry is sweeping the country. Valda Ventures (VV) is positioned to bring this to the Ghanaian consumer. Valda Ventures will be the expedient pineapple juice manufacturer of the 21st Century future, fulfilling a need that will continue to exist into the future.

With our product “Crystal 5 Pineapple”, the company expects to capture market share by becoming the low cost leader in the pineapple juice industry by significantly reducing one of the primary expenses, which is raw materials and labour. Our ability to achieve this target will give customers the chance to buy our product at a reduced price, thus undercutting all other competition. The possibilities for expansion are excellent not only in the local area, but in neighboring communities as well.

The company is a joint venture start-up company between the principals, Lydia Achiaa Sarpong Achempong Kwame Yeboah and Doris Osei Boakye. The company will be incorporated as a limited liability company with all shares held by private investors. The partners will own 51% of the company’s initial private shares with an option to acquire a further 20% shares based on growth and profitability after the first five years. The company is expected to begin its operations in February of Year 1.

The company will be set up with a board of directors comprising six members including the district Chief executive of the area. Mrs. Victoria Agyeiwaa Kumah, a former senior

manager of Gold Company Limited is slated for the position of Chief executive officer. Mr Alfred Kofi Boateng will hold the position of Chief financial officer.

Valda Ventures will sell a range of products as other juice manufacturing companies in the same packaging sizes, but with higher quality and quantity. The current focus however is to introduce the “Crystal 5 Pineapple juice”. This product is projected to position Valda Ventures as the market leader in the juice production industry. All products will be locally or nationally branded such as Frito-Lay, Coca-Cola, Jolly Green Giant, Charmin, Stouffer's, etc. In addition, the company is looking into ways to produce other range of pineapple based products.

Our start-up requirements come to GH0100, 000. This is largely single time fees associated with start-up production. These costs are financed by both private investors and the investment of the partners. It should be noted that we expect to be operating at a loss for the first six months before advertising begins to take effect and draw in customers. Valda Ventures will be receiving periodic influxes of cash in order to cover operating expenses during the first two years as it strives toward sustainable profitability. Almost all of this funding has been arranged through lending institutions and private investors already. We do not anticipate any cash flow problems during the next three years.

I. Mission

Valda Ventures' primary objective is to create new and revolutionary products that will significantly reduce prices for its customers and provide greater services with an equal level of quality.

II. Vision

Valda Ventures seeks to be the leading producer of natural fresh pineapple juice in the whole of Ghana by the year 2015. A strategic national branding would be use to capture market share and create greater than average profits.

III Corporate Objectives

These are the goals for the next three years for Valda Ventures:

- a. Achieve 10% profitability by July of Year 1;
- b. Earn approximately GHø200,000 in sales by Year 3;
- c. Start paying dividends by Year 3;
- d. Start up second plant by Year 4.

Keys to Success

In order to survive and expand, Valda Ventures must keep the following issues in mind:

- We must attain a high level of visibility through the media, billboards, and other advertising.
- We must establish rigid procedures for cost control and incentives for maintaining tight control.
- We must spend a significant amount on Research & Development in order to constantly be able to offer better and greater products and services.

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1.0 Organisation

1.1 Company Summary

Pineapple juice as products are not new, they have existed in Ghana and many other African countries and the world, especially in the advanced countries, and have been quite successful there. The partners and the driving force behind the joint venture, have been intrigued with the idea of bringing this product unto the Ghanaian market, since it can significantly reduce costs.

1.2 Company Ownership

We will be structured as a company which operates as a standard Limited liability company. This form was chosen by the Board of Directors because of various tax advantages. Retained earnings will not be distributed as dividends for at least five years, thus enabling the early retirement of the debt. Additionally, the corporate structure offers limited personal liability.

The company is a joint venture start-up company between the principals, Lydia Achiaa Sarpong Achempong Kwame Yeboah and Doris Osei Boakye. The company will be incorporated as a limited liability company with all shares held by private investors. The partners will own 51% of the company's initial private shares with an option to acquire a further 20% shares based on growth and profitability after the first five years. The company is expected to begin its operations in February of Year 1.

The company will be set up with a board of directors comprising six members including the district Chief executive of the area. Mrs. Victoria Agyeiwaa Kumah, a former senior manager of Gold Company Limited is slated for the position of Chief executive officer. Mr. Alfred Kofi Boateng will hold the position of Chief financial officer.

2.0 Product Idea and Realisation of Schedule

2.1 Product Idea

Export of fresh pineapples in Ghana, which depicts production levels, has increased constantly since the mid- 1980s. The export volume of fresh pineapple in 1983 was only 57 tons, while in 1999 it exceeded 33 thousand tons (Table 2). Fresh pineapples constitute 15% of the total value of Ghana's nontraditional agricultural exports in 1999. The estimated value of pineapple export from Ghana to European Union countries in 2001 was about 30 million Euros (World Trade Atlas, 2002).

The rapid increase in pineapple export has been associated with a series of liberalization policies adopted under the Structural Adjustment Programs. Of particular importance was the gradual removal, beginning in 1986, of foreign exchange controls. By the end of 1992, Ghanaian exporters were free to repatriate all foreign exchange earnings, which they can use for any purpose. In addition, all nontraditional exporters became exempt from export duty and eligible to claim a corporate tax rebate. Such increased incentives among exporters contributed to the increased volume of pineapple export. As of 2000, 57 companies were registered as pineapple exporters, although not all were actually exporting.

In addition to the export market, a sizable domestic market for pineapples exists in Ghana. A number of processing companies are active in producing pineapple juice for urban consumers, and fresh pineapples are readily available on roadsides and in local open markets. The domestic market absorbs a large quantity of pineapples when there is an excess supply or when the produce does not meet export quality. Producers usually prefer to sell their produce to exporters

because of the high price offered. Processing companies come next in terms of price offered, and itinerant traders who sell in the local markets offer the lowest price. Nevertheless, the itinerant traders are the ones to whom small-holders have the easiest access.

The production of pineapple for export is geographically concentrated in the peri-urban zones along the coastal savanna near the capital, Accra. This is due to the proximity of the international airport in Accra and of a major port in Tema. The perishable nature of the produce and underdeveloped transport networks in rural areas are the main reasons for this concentration. In addition, processing companies producing pineapple juice are concentrated in the cities of Accra, Nsawam, and Tema. Furthermore, these cities offer a major domestic market for fresh pineapples. These factors constitute an advantage for the peri-urban regions; the rural population in remote areas has less chance of participating in export pineapple production. Producers of fresh pineapples for export in Ghana can be classified into three categories: smallholders, nonresident commercial farmers, and large-scale producer-exporters. Smallholders are the indigenous rural inhabitants who operate their farmland in their own villages. Nonresident commercial farmers are those who reside in cities but lease land from traditional rulers in rural areas for pineapple production. Large-scale producer-exporters are those who have vertically integrated production and export.

As the most progressive company in the industry, Valda Ventures plans to offer a greater number of products and services in the future so as to create another dimension of competitive advantage. In order for customers to feel secured, we will subscribe to the security services offered by private security firms. This will cut down on loitering and insure the safety of both employees

and customers. Valda ventures will sell similar products as other companies in the juice manufacturing industry. Our products will be locally or nationally branded such as Frito-Lay, Coca-Cola, Jolly Green Giant, Charmin, Stouffer's, etc.

Start-up Summary

Our start-up expenses come to GH¢100,000, which are largely single time fees associated with start-up production. These costs are financed by both private investors and the investment of Martin-Bower.

Table 1 Start-up Requirements	
Start-up Expenses	
Legal	GH¢2,000
Pre-sale advertising/marketing	GH¢2,000
Land location and finders fee	GH¢1,000
Consultants	GH¢2,000
Insurance	GH¢1,000
Rent	GH¢3,000
Research and Development	GH¢1,000
Expensed Equipment	GH¢10,000
Initial site facilities	GH¢5,000
Other	GH¢3,000
Total Start-up Expenses	GH¢30,000
Start-up Assets	
Cash Required	GH¢10,000
Start-up Inventory	GH¢5,000
Other Current Assets	GH¢5,000
Plant and Equipment	GH¢50,000
Total Assets	GH¢70,000
Total Requirements	GH¢100,000

2.2 Realisation of Schedule

The company attaches significant importance to the realization of its schedules. To this extent the company will as much as possible stick to its time table. In the first year of operation, the company hopes to achieve significant growth by capturing about 15% of the market. This is expected to grow at 10% year on year.

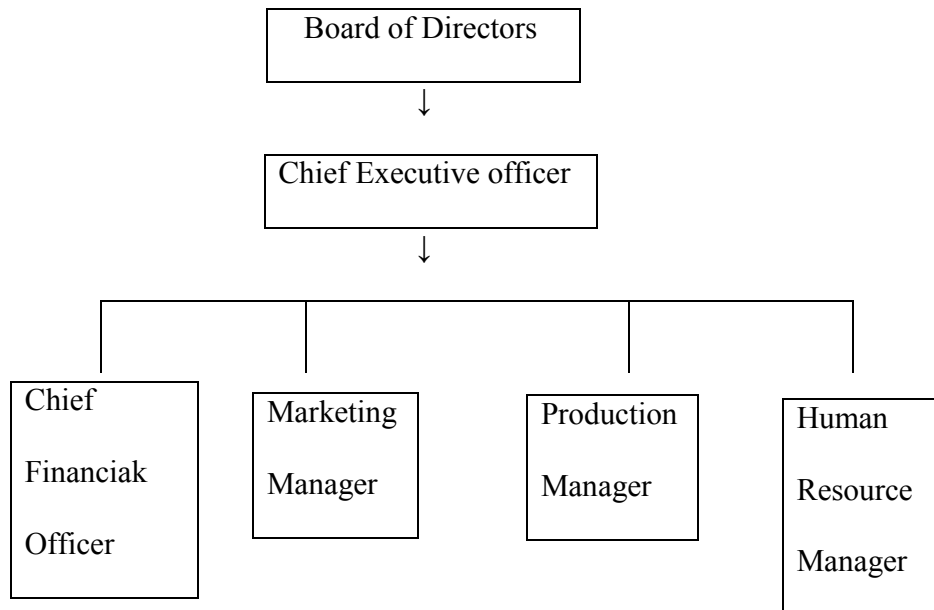
Activities	Time Over 1-3Years	Responsibility
1 Raising of Funds	January	Marketing Manager
2 Registration	February	Human Resource
3 Commencement of Business	February	Administration and Production Manager
4 Advertising and Promotion	March	Marketing Manager
5 Distribution	May	Marketing / Sales Manager

3.0 Management Team

The company is a joint venture start-up company between the principals, Lydia Achiaa Sarpong Achempong, Kwame Yeboah and Doris Osei Boakye. The company will be set up with a board of directors comprising six members including the district Chief executive of the area. Mrs. Victoria Agyeiwaa Kumah, a former senior manager of Gold Company Limited is slated for the position of Chief executive officer. Mr. Alfred Kofi Boateng will hold the position of Chief financial officer.

Below is the organizational chart of the company

Organisational Chart



1. Mrs. Victoria Agyeiwaa Kumah is a graduate of CSUC. She has worked for more than twelve years in the juice manufacturing industry, including position as General Manager of marketing for Blue Sky, director of special projects for Green Foods and more recently. Director for Minute Made.
2. Maxwell Kofi Nsiah who would be the marketing manager holds a degree in marketing and a Diploma in CIM-UK.
3. Isaac Fynn the Human Resource manager holds a degree in sociology and a diploma in Human Resource management.
4. Samuel Koomson the production manager holds an HND in Purchasing and Supply Management from Kumasi Polytechnic.

5. Mr. Alfred Kofi Boateng has a graduate degree in finance from CSUC and has eight years experience working for various companies. His last job was a financial analyst for Guinness Ghana Limited.

Since the firm is a start-up, there will be little in the way of formal structure at first. The company also plans to hire three technicians who will service the plant, and an office manager. Additional personnel who will bring the total staff to 29 have been engaged.

3.1 Personnel Plan

Initially the company will only have a small staff including upper management, an operations technician and office manager. All other staff will basically be workers at the processing site. Progressively, additions will be made year on year as the company makes the necessary projected growth.

Table 2. Personnel Plan			
	Year 1	Year 2	Year 3
Mr. Nsiah Boateng	GH¢10,000	GH¢10,000	GH¢11,000
Mrs. Ivy Kumah	GH¢10,000	GH¢10,000	GH¢11,000
Mrs. Grace Sarpong	GH¢10,000	GH¢10,000	GH¢11,000
Mr. Yeboah Antwi	GH¢10,000	GH¢10,000	GH¢11,000
Ms. Gertrude Boakye	GH¢10,000	GH¢10,000	GH¢11,000
Office manager	GH¢7,000	GH¢7,000	GH¢10,000
Technicians	GH¢8,000	GH¢8,000	GH¢10,000

Other staff			
Total People	29	29	29
Total Payroll	GH¢65,000	GH¢65,000	GH¢70,000

4.0 Marketing Analysis

Structural adjustment programs (SAP) and market liberalization policies of the past 20 years in Ghana have transformed the agricultural sector in many ways. One marked example is the increase in production of fresh pineapples for European markets. The Ghanaian market for preserved fruits has been growing significantly over the past 3 years. Ghana imported 2,814 tons of blended fruit juice mixtures worth GH¢1, 768,000 in 2003. The growing popularity of the fruit juice mixtures is shown in the recorded average annual growth rate of 44 % during the period 1999 to 2003. Apple juice is the next most popular single fruit juice on the Ghanaian market, for which Ghana imported 702 tons worth GH¢446,000 in 2003 and recorded an average annual growth rate of 60 % from 1999 to 2003. Citrus juice imports to Ghana recorded an average annual growth rate of 39 % during the period 1999 to 2003. Ghana imported 37 tons of citrus juice worth GH¢49,000 in 2003.

Import of pineapple juice however experienced a decline on the Ghanaian market of -6 % per annum in the period 1999 to 2003. One reason for this is the increasing level of local production of pineapple juice. Ghana imported only 22 tons of pineapple juice worth GH¢11,000 in 2003. On the other hand, Ghana exported 264 tons of pineapple juice (HS 200940) worth GH¢574,000 and 148 tons of fruit and vegetable juice (HS 200980) worth GH¢160,000 in 2003. Pineapple

juice exports exhibited 90 % growth in period 1999 to 2003 whilst fruit and vegetable juice exports exhibited 181 % growth in period 1999 to 2003.

Ghanaian exports of these products are currently negligible thus representing a niche opportunity for Ghanaian businesses in the industry to explore.

4.1 Business Systems and Operations

The area comprising a three mile radius around Valda Ventures is heavily populated with young, upwardly, mobile persons with expendable income. This is complemented by a large number of upper middle class who are a large portion of those persons who patronize juices. A strength which this business will possess is the ability to change with the times. Rather than limiting the future opportunities by having a small area, Valda Ventures will acquire additional space for possible expansion after five (5) years.

The advertising and promotion will take a number of avenues. First, flyers will be distributed in the neighborhood. Advertisement will be taken out in all of the church bulletins in the area. This will be right for starting our business in the said location. This is strategic because of the nearness to raw materials. Again, juices are noted for having a great deal of success, which is evidenced by the massive presence on the local market.

4.2 Environmental Analysis

4.2.1 SWOT Analysis

We are in a highly lucrative market in a rapidly growing economy. We foresee our strengths as the ability to respond quickly to what the market dictates and to provide quality pineapple juice in a growing market. In addition, through aggressive marketing and quality management we intend to become a well-respected and known entity in our respective industry. Our key personnel have a wide and thorough knowledge of the local manufacturing market and expertise, which will go towards penetrating the market. However we acknowledge our weakness of a startup company without a lot of experience, and the threat of new competition taking aim at our niche. Below are the summarized strengths, weaknesses, opportunities and threats.

4.2.2 Strengths

- Strategic market segmentation and implementation strategies.
- Diversified market segments: ensuring the lack of dependency on one particular market.
- Combination of skills in directorship. The directors intend to jointly develop business strategy and long-term plans, having wide experience in product and business know-how.
- Establishment and maintenance of strong capital base.
- An aggressive and focused marketing campaign with clear goals and strategies.

4.2.3 Weaknesses

- The introduction of new organizational practices and personnel who have not previously worked together presents a challenge to the company.

- A limited financial base compared to the major players in the industry.
- Lack of clear-cut channels of distribution.

4.2.4 Opportunities

- Specific niche: Appreciation for high-quality pineapple juice, enjoyment, and refreshment.
- The new generation of individuals and families has a far greater appreciation of attractive packaging (image conscious).
- Current drive by government and specialized institutions such as the GIPC.
- Increasing number of foreign firms, especially from Europe looking at penetrating the market.

4.2.5 Threats

The present growth in the market may result in market saturation, through competition. This competition could emerge from a variety of given sources including:

1. Established mass-market companies' development of new lines and vertically integrating so as to be totally in control of supplies and products being sold on the respective markets.
2. New marketing strategies and tactics by established products and companies.
3. Existing competition.
4. Start-up companies generated by healthy economic growth nationwide.
5. Intolerable price increases by foreign suppliers may occur.

4.3 Market Segmentation

Our target market for our test production encompasses a 20 mile radius in which the approximate population is 200,000 (based on census information). The majority of the residents in this area with occupations classified as professional/technical, or retired. The majority of household incomes range from GH¢50 - GH¢300, yet there are also affluent household incomes ranging from GH¢1,000 - GH¢2,000.

4.4 Target Market

Valda ventures will serve the entire purchasing population of its geographical area especially school children because our product ‘crystal 5 pineapple juice’ contains the rich properties of pineapple specifically vitamin ‘c’ which will boost their immune system and give retentive memory.

4.5 Marketing Mix

Strategy and Implementation Summary

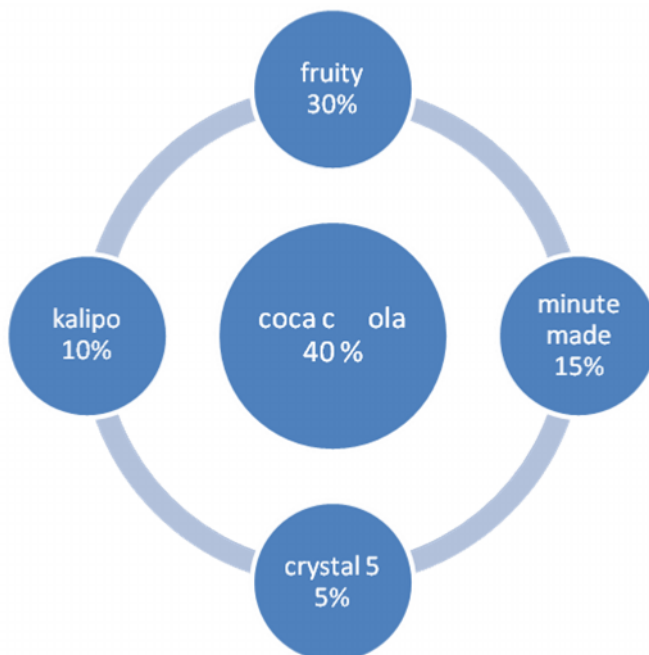
Valda Ventures competitive edge will be the lower prices we will sell to our customers and the novel purchasing experience that will draw customers through promotional sales like ‘buy one get one free and crown cork promotions’. The most critical element of Valda Ventures’ success will be its marketing and advertising. In order to capture attention and sales Valda Ventures will use prominent signs at the strategic locations, billboards, media bites on local news, and radio advertisements to capture customers. Many of the initial customers will be drawn to the unique nature of our products and will then have the opportunity to realize the cost savings of Valda Ventures. We expect an average 27% increase in sales from year to year. This may seem very

high, but considering the level of initial sales and the growth possibilities, management actually considers this to be conservative.

Competitive Edge

Competition and Buying Patterns

Fruity holds approximately 30% of the industry market, and in 2008 their net income was GH¢30 000. Other competitors include Minute Made 15%, coca cola 40% and kalipo 10% products holding less than 10% of the market. Diagram



Marketing Strategy

The most critical element of Valda Ventures' success will be its marketing and advertising. Will serve the entire purchasing population of its geographical area. In order to capture attention and sales Valda Ventures will use prominent signs at the store locations, billboards, media bites on local news, and radio advertisements to capture customers. Many of the initial customers will be

drawn to the unique nature of our products and will then have the opportunity to realize the cost savings of Valda Ventures. Since Valda Ventures are still in its infancy, the firm expects to invest a great deal of its available cash and revenues in marketing efforts.

Sales Forecast

Based on a 20% mark-up, our forecasted sales for years one, two, and three respectively are: GH¢50,000,; GH¢100,000; GH¢200,000. This gives us an average 100% increase from year to year. This may seem very high, but considering the level of initial sales and the growth possibilities, management actually considers this to be conservative. These sales figures are based on projections put together by our experienced hands who have good knowledge of the juice industry. The target profit margin was defined as an average net profit of all products.

5.0 Financial Analysis

The following tables illustrate our financial projections over the next three years. The company expects to be operating at a loss for the first six months before advertising begins to take effect and draw in customers. As retained earnings increase, a debt retirement fund will be established to encourage early repayment, thus relieving interest expense. Also, a 30-day payment period for purchases will be used to avoid incurring liabilities.

5.1 Assumptions and Risk

Risks

There are risks inherent with any business. However, the juice industry carries with it very unique risks. Most critical is the customers' changing tastes. Another is the economy. The industry relies heavily on serving persons who have expendable income. When the economy takes a down turn, people change their spending priorities.

Important Assumptions

Valda Ventures' is basing its assumptions on a stable growth market using average interest rates over the past few years. Indicators used also include tax rates, current and long-term interest rates.

Table 3 General Assumptions			
	Year 1	Year 2	Year 3
Plan Year	1	2	3
Current Interest Rate	22.00%	22.00%	22.00%
Long-term Interest Rate	25.00%	25.00%	25.00%
Tax Rate	25.00%	25.00%	25.00%
Other	0	0	0

5.2 Projected Income Statement

The following table explains our itemized costs and determines gross and net margin. These predictions are weighted toward having higher costs in comparison to revenues in case unexpected hidden costs arise.

Table 5 **Projected Income Statement**

	Year 1
Sales	GH¢300,000
Direct Cost of Sales	GH¢180,000
Other Costs of Goods	GH¢0
Total Cost of Sales	GH¢180,000
Gross Margin	GH¢120,000
Gross Margin %	40.00%
Expenses	
Payroll	GH¢120,000
Sales and Marketing and Other Expenses	GH¢5,000
Depreciation	GH¢3200
Rent	GH¢5,000
Utilities	GH¢11,000
Accounting/bookkeeping	GH¢9,000
Insurance	GH¢5,400
Payroll Taxes	GH¢0

Total Operating Expenses	GH¢213,600
Profit Before Interest and Taxes	GH¢120,839
Taxes Incurred	GH¢14,332
Net Profit	GH¢106,507

5.3 Break-even Analysis

The table and shows our Break-even Analysis. Although our break-even point seems quite high, we are expecting to have higher than average fixed costs during the period of this plan due to customer "creation costs," R&D costs, higher rent in a premier spot, higher percentage of payroll costs to overall fixed costs with a small company, and the need to import and pay for other facilities. We expect to have a more reasonable positive retained earnings point around year 5.

Table 4 Break-even Analysis

Monthly Revenue Break-even	GH¢120,000
Assumptions:	
Average Percent Variable Cost	62%
Estimated Monthly Fixed Cost	GH¢20,000

5.4 Projected Cash Flow

Valda Ventures will be receiving periodic influxes of cash in order to cover operating expenses during the first two years as it strives toward sustainable profitability. Almost all of this funding has been arranged through lending institutions and private investors already. We do not anticipate any cash flow problems during the next three years.

Table 6 **Projected Cash Flow**

	Year 1
Cash Received	
Cash from Operations	
Cash Sales	GH¢300,000
Subtotal Cash from Operations	GH¢300,000
Additional Cash Received	
Sales Tax, VAT, HST/GST Received	GH¢0
New Current Borrowing	GH¢0
New Other Liabilities (interest-free)	GH¢0
New Long-term Liabilities	GH¢0
Sales of Other Current Assets	GH¢0
Sales of Long-term Assets	GH¢0
New Investment Received	GH¢78,000
Subtotal Cash Received	GH¢378,000
Expenditures	Year 2
Expenditures from Operations	
Cash Spending	GH¢160,000

Bill Payments	GH¢16,000
Subtotal Spent on Operations	GH¢176,000
Additional Cash Spent	
Sales Tax, VAT, HST/GST Paid Out	GH¢0
Principal Repayment of Current Borrowing	GH¢0
Other Liabilities Principal Repayment	GH¢0
Long-term Liabilities Principal Repayment	GH¢0
Purchase Other Current Assets	GH¢0
Purchase Long-term Assets	GH¢0
Dividends	GH¢0
Subtotal Cash Spent	GH¢176,000
Net Cash Flow	GH¢378,000
Cash Balance	GH¢202,000

5.5 Projected Financial Statement

The following table shows the Projected Balance Sheet for Valda Ventures for the first three years of operation.

Table 7 Projected Balance Sheet

	Year 1
Assets	
Current Assets	
Cash	GH¢224,000
Inventory	GH¢267,000

Other Current Assets	GH¢9,000
Total Current Assets	GH¢500,000
Long-term Assets	
Long-term Assets	GH¢50,000
Accumulated Depreciation	GH¢3,000
Total Long-term Assets	GH¢47,000
Total Assets	GH¢547,000
Liabilities and Capital	Year 2
Current Liabilities	
Accounts Payable	GH¢16,000
Current Borrowing	GH¢0
Other Current Liabilities	GH¢10,000
Subtotal Current Liabilities	GH¢26,000
Long-term Liabilities	GH¢60,000
Total Liabilities	GH¢86,000
Paid-in Capital	GH¢110,000
Retained Earnings	(GH¢40,000)
Earnings	GH¢70,000
Total Capital	GH¢180,000
Total Liabilities and Capital	GH¢86,000
Net Worth	GH¢180,000