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DEPARTMENT: LAW

COURSE NAME: INTRODUCTION TO ENTREPRENEURSHIP

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QUESTION

 Using a company or business of your choice with a good and customized business plan, covering all relevant aspects and analyses.

ANSWER

A TYPICAL BUSINESS PLAN FOR MEGARITE CONVENIENCE STORES

* **Cover Page**:

Title: Business plan on the establishment of a Megarite Store in Lagos State.

Prepared by: Roxy Consultant

For: Megarite Convenience Stores

Note: Kindly ensure that the data/ information in this document are kept confidentially.

* **Table of Contents**
1. Executive Summary
2. Introduction
3. Description of the Venture
4. Industry Analysis
5. Market Analysis
6. Strategy and Implementation Summary;
7. Strategic Human Resources Planning
8. Operational Plan
9. Marketing Plan
10. Organisational Plan
11. Assessment of Risks and Problems
12. Financial Plan
13. Evaluation, Recommendation and Conclusion
14. Executive Summary:

 Megarite Store is the 21st century convenience store, fulfilling a need that will continue to exist into the future, that is, the need for speed. Megarite Store will be the first fully automated 24 hour convenience store in Lagos State, Nigeria. The company expects to capture market share by becoming the low cost leader in the convenience store industry. Through the company’s completely automated shopping experience, customers will have the chance to shop for everyday items at reduced prices, thus undercutting competition such as Shoprite, Spar Supermarkets, Sahara Stores, Roban Stores and other local convenience store chains. The possibilities to expand are excellent both in the local government areas in Lagos and other states.

1. Introduction:

 The company is a joint venture start-up company between the principals, Mr. Hamzat Rasheed and his associates, and the management of UAC Foods, one of Nigeria’s largest and most successful convenience food manufacturers. The first store is to be located at 47, Ota- Ano, Ikoroduu, Lagos State, Nigeria.

1. Description of the Venture:

 Megarite’s primary objective is to create a new and revolutionary distribution outlet that will significantly reduce prices for its customers and provide greater service with an equal level of quality. Megarite will sell the same products as other convenience stores in the same quality, quantity and packaging sizes as other stores. This includes soft drinks, fruit juices, sport drinks, snacks, newspapers, a limited number of grocery items such as condiments, microwaveable meals, canned foods, bread, auto products such as cleaning supplies and fuel additives, pet supplies, toothpaste, etc.

 In addition, each computerized transaction machine can dispense cash, stamps, lotto and phone cards and other coupons. The machine will also have the ability to create personal accounts that can display preferred items, retain shopping lists and other services. An automated, interactive customer service representative will be able to answer questions and pass on comments to the company’s management.

1. Industry Analysis:

There is a number of convenience store in Nigeria. However, few operates 24-

7 and automated; so, the store has an edge over a lot of convenience stores in the industry.

1. Market Analysis:

 The convenience store industry is becoming a powerful force in Nigeria retailing. Convenience stores serve the entire purchasing population of its geographical area but focuses on customers who need to purchase items outside of normal working hours such as quick shoppers ad swing shift employees looking for snacks and related items. Therefore, the company will segment its market into all kinds of shoppers. Growth rates for these segments match the population growth for the surrounding area.

 The main competitor is Shoprite which holds a high percentage in the industry. Other competitors include Sahara Stores, Roban Stores, etc.

1. Strategy and Implementation Summary:

 Megarite’s competitive edge will be the lower prices the store will charge the customers and the purchasing experience that will draw shoppers. The most critical element of Megarite’s success will be its advertising and marketing. In order to capture attention and sales Megarite will use signs at the store locations, billboards, and radio advertisements to capture customers. Many of the initial customers will be drawn to the unique nature of the store and will have the opportunity to realize the cost savings of Megarite. Our expectation is that there will be an average 20% increase in sales year to year.

1. Strategic Human Resources Planning:

 Initially, the company will only have a small staff including the upper management, an operations technician and office manager. All other services, such as bookkeeping shall be outsourced.

Personnel Plan

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Year 1** | **Year 2**  | **Year 3** |
| C.E.O | ₦2,000,000 | ₦2,500,000 | ₦3,000,000 |
| C.F.O | ₦1,000,000 | ₦1,600,000 | ₦1,800,000 |
| Operations Manager | ₦1,000,000 | ₦1,500,000 | ₦1,700,000 |
| Office Manager  | ₦200,000 | ₦230,000 | ₦280,000 |
| Technicians  | ₦250,000 | ₦300,000 | ₦350,000 |
| Total Payroll | ₦4,450,000 | ₦6,130,000 | ₦7,130,000 |

1. Operational Plan:

 Operational plan is chronological steps to make a business transaction. Since almost everything the store is automated, a customer will come to the store, shop for what he wants and then pay at the cashier point.

1. Marketing Plan:

 The most important element of Megarite’s success will be its marketing and advertising. Convenience stores serve the entire purchasing population of its geographical area but focuses on customers who need to purchase items outside of normal working hours such as quick shoppers and swing shift employees looking for snacks and related items. In order to capture attention and sales Megarite will use prominent signs at the store locations, billboards, and radio advertisements to capture customers. Many of the initial customers will be drawn to the unique nature of the store and will then have the opportunity to realize the cost savings of Megarite. Since automated shopping is still in its infancy in Nigeria, the firm expects to invest a great deal of its available cash and revenues in marketing efforts.

1. Organizational Plan:

 As stated earlier, Megarite will be a joint venture between Mr. Hamzat Rasheed and his associates and the management of UAC Foods, a large food manufacturer. The company officers will include: Mr. Hamzat Rasheed as the CEO; Mrs. Aisha Adepoju as the Chief Financial Officer (CFO); and Mr. Lee Min Takashi, who will be the operations manager. Since the firm is a start-up, there will be little problems in the way of formal structure at first. The company also plans to hire two technicians who will service the automated store and a office manager. Additional personnel will be added once more stores are set up.

 Mr. Hamzat Rasheed is a graduate of Harvard University, Harvard Business School. He has worked for more than ten years in the food distribution and grocery store industry, including positions as vice president for Nestle and director of special projects for Dufil Nigeria.

 Mrs. Aisha Adepoju has a graduate degree in finance from Obafemi Awolowo University and has ten years experience working for various companies. Her last job was a financial analyst for Chevron.

 Mr. Lee Min Takashi is a graduate from University of Lagos. He has been operational manager for Kiyama Inc. for the past five years which operates five hundred automated convenience stores throughout Nigeria. Mr. Takashi has moved to Nigeria for the purpose of bringing this new type of store to Nigeria.

1. Assessment of Risks and Problems:

 In our research efforts, some of the noticed potential risks are: power supply and competition. On the issue of power supply, a 100 KVA generator shall be procured. In business, competition is inherent and the company shall use our added value strategy to retain and grow customers.

1. Financial Plan:

 The following table illustrates our financial projections over the next three years. Please note that we expect 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-daay payment will be used to avoid incurring liabilities.

PRO FORMA PROFIT AND LOSS

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Year 1 (₦)** | **Year 2 (₦)** | **Year 3 (₦)** |
| Sales  | 25,000,000 | 40,000,000 | 50,000,000 |
| Direct Cost of Sales | 10,000,000 | 15,000,000 | 28,000,000 |
| Other Costs of Goods | 0 | 0 | 0 |
| **Total Cost of Sales**  | **10,000,000** | **15,000,000** | **28,000,000** |
| Gross Margin | 15,000,000 | 20,000,000 | 25,000,000 |
| Gross Margin% | 60% | 50% | 50% |
| **Expenses**  |  |  |  |
| Payroll | 4,450,000 | 6,130,000 | 7,130,000 |
| Sales, Marketing and Other Expenses | 500,000 | 600,000 | 700,000 |
| Depreciation  | 200,000 | 200,000 | 200,000 |
| Leased Equipment | 1,000,000 | 1,500,000 | 2,000,000 |
| Rent | 1,000,000 | 1,000,000 | 1,000,000 |
| Utilities | 1,150,000 | 1,300,000 | 1,400,000 |
| Accounting/bookkeeping | 500,000 | 700,000 | 700,000 |
| Insurance  | 900,000 | 900,000 | 900,000 |
| Payroll Taxes | 0 | 0 | 0 |
| Others | 700,000 | 1,000,000 | 1,500,000 |
| Total Operating Expenses | 10,400,000 | 13,330,000 | 13,530,000 |
| Profit Before Interest and Taxes  | 4,600,000 | 6,670,000 | 11,470,000 |
| EBITDA | 4,800,000 | 6,870,000 | 11,670,000 |
| Interest Expense | 100,000 | 100,000 | 100,000 |
| Taxes Incurred | 1,380,000 | 2,001,000 | 3,441,100 |
| Net Profit  | 3,320,000 | 4,769,000 | 8,128,900 |
| Net Profit/ Sales | 13.28% | 11.92% | 16.26% |

1. Evaluation, Recommendation and Conclusion:

 The project is technically feasible and commercially viable. It is therefore recommended for funding.