

The Business Plan

Fu Tang Group Limited

Soap Production

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Executive Summary

Company Name: Fu Tang Group Limited (FTG)

Location: Dar es Salaam, Tanzania

Product Line: Bar Soap and Medicated Soap

Target Market: Rural and Urban Areas of Tanzania

Distribution Channels: Retail and Wholesale

Production Capacity: 200,000 bars per month

Investment: USD 500,000

- USD 200,000: Equipment
- USD 200,000: Raw Materials and Spare Parts
- USD 100,000: Rent, Stationery, Salaries, and Other Operational Costs

Pricing Strategy:

- Bar Soap: Retail TZS 3,300 / Wholesale TZS 2,800
- Medicated Soap: Retail TZS 3,000 / Wholesale TZS 2,800

Overview:

Fu Tang Group Limited (FTG) is a soap manufacturing company focused on producing high-quality bar and medicated soaps for the Tanzanian market. With an initial investment of USD 500,000, FTG will establish a manufacturing facility in Dar es Salaam with a production capacity of 200,000 bars per month. The primary target market includes both rural and urban areas, with distribution strategies focused on retail and wholesale channels.

The company's objective is to meet the growing demand for affordable, quality hygiene products while maintaining a competitive edge in the market. FTG will utilize a pricing model that caters to both high- and low-income consumers, while maintaining a robust supply chain to ensure consistent product availability.

The Components

i. Statement of the Investment Objective, Sector, and Products

Investment Objective:

To establish a soap manufacturing company that produces high-quality, affordable bar and medicated soaps to meet the growing hygiene needs in Tanzania and beyond.

Sector:

Manufacturing – Soap and Detergents

Products:

1. **Bar Soap:** Affordable, high-quality soap for general household use. It will be available in different fragrances and packaging sizes, catering to a wide range of consumer preferences.
2. **Medicated Soap:** A specialized soap containing antibacterial properties for enhanced skin protection. Ideal for individuals with sensitive skin or those seeking additional hygiene benefits.

The soaps will be marketed as affordable, yet premium products, designed to deliver quality results for price-conscious consumers.

ii. Investment Costs and Sources of Finance

Total Investment Required: USD 500,000

Breakdown of Investment:

1. **Equipment:** USD 200,000

- This covers the cost of machinery required for soap production, packaging equipment, quality control tools, and basic factory setup.
- 2. **Raw Materials and Spare Parts:** USD 200,000
 - These funds will be allocated for the procurement of essential raw materials, such as oils, fragrances, antibacterial agents, and spare parts to maintain and repair machinery.
- 3. **Rent, Stationery, Salaries, and Other Operational Costs:** USD 100,000
 - This will cover the costs associated with leasing production facilities, purchasing office supplies, and paying staff salaries.

Sources of Finance:

- **Equity Investment:** 100% of total investment (USD 500,000), funded by the owners.

iii. Job Creation

The establishment of FTG will generate significant employment opportunities, particularly in the areas of production, sales, marketing, and administration. By Year 1, the company plans to employ a total of **45 workers**. Here's the breakdown:

1. **Factory Workers:**
 - **Number of Positions:** 30
 - **Roles:** Production line operators, packaging staff, quality control personnel, and machine operators.
2. **Sales and Marketing Team:**
 - **Number of Positions:** 10
 - **Roles:** Sales representatives responsible for driving retail and wholesale distribution, as well as marketing officers who will handle branding and promotional activities.

3. Administration and Management:

- **Number of Positions:** 5
- **Roles:** General manager, financial officer, human resources manager, and two administrative staff.

Indirect Employment:

In addition to direct employment, FTG will indirectly create jobs through its partnerships with local suppliers, distributors, and logistics companies. This will have a positive ripple effect on the broader economy, particularly in rural areas where employment opportunities are limited.

iv. Investment Funds Expenditure Breakdown

The funds allocated for this project will be utilized as follows:

Expenditure Item	Amount (USD)
Machinery and Equipment	200,000
Raw Materials and Spare Parts	200,000
Rent, Stationery, Salaries, etc.	100,000
Total Investment	500,000

Detailed Breakdown:

- **Machinery and Equipment (USD 200,000):**
 - This includes production machinery capable of producing 200,000 bars per month, packaging machines, labeling equipment, and quality control systems.
- **Raw Materials and Spare Parts (USD 200,000):**

- Raw materials like palm oil, coconut oil, essential oils, fragrances, and antibacterial agents will be sourced both locally and internationally. Spare parts for machinery maintenance will also be purchased.
- **Operational Costs (USD 100,000):**
 - This budget will cover lease expenses for the production facility, administrative costs (office supplies, utilities), and employee salaries for the first six months.

v. Sources of Supply of Inputs

FTG will establish a reliable supply chain to ensure that the production of soap is not interrupted due to shortages in raw materials. The company will source both locally and internationally for the following key inputs:

Raw Materials:

1. Oils (Palm Oil, Coconut Oil):

- **Local Sourcing:** FTG will partner with local suppliers in Tanzania and East Africa to ensure a steady supply of palm and coconut oil, key ingredients in soap production.
- **International Imports:** FTG will also establish relationships with international suppliers to ensure quality and cost efficiency.

2. Fragrances and Essential Oils:

- FTG will source natural and synthetic fragrances from international suppliers who specialize in cosmetic-grade essential oils. These will be used in both bar and medicated soaps to provide a variety of scents.

3. Antibacterial Agents (Medicated Soap):

- The company will procure these from certified chemical manufacturers to ensure safety and efficacy in the medicated soap line.

4. **Packaging Materials:**

- Packaging materials will be sourced locally to reduce costs, maintain flexibility in order quantities, and support the Tanzanian packaging industry.

vi. Marketing Plan

Target Market Segmentation:

1. **Urban Areas:**

- **Consumers:** Middle- and upper-income households, businesses, and healthcare facilities.
- **Product Positioning:** FTG's medicated soap will cater to health-conscious consumers, while the bar soap will appeal to families looking for everyday household soap that balances quality and affordability.

2. **Rural Areas:**

- **Consumers:** Lower-income households and small-scale retailers.
- **Product Positioning:** The bar soap will be positioned as an affordable, reliable product for daily use. FTG will also promote the health benefits of using medicated soap to improve hygiene standards in rural communities.

Marketing Channels and Strategies:

1. **Retail & Wholesale Channels:**

- FTG will partner with supermarkets, pharmacies, convenience stores, and local wholesalers to ensure widespread product availability in both urban and rural markets.

2. **Promotions & Discounts:**

- For the product launch, FTG will offer discounts and promotional bundles to encourage consumer trials and build brand recognition. Special offers will be available to wholesalers and bulk purchasers to incentivize larger orders.

3. **Advertising and Brand Awareness:**

- FTG will implement a comprehensive advertising strategy that includes:
 - **Radio and Print Advertising:** These will be used to target rural audiences, who may have limited access to digital media.
 - **Social Media Campaigns:** Social media will be a key channel for reaching urban consumers. Platforms such as Facebook, Instagram, and Twitter will be used to promote FTG's products and engage with consumers.
 - **Community Engagement:** FTG will partner with local community organizations to conduct hygiene workshops and distribute free soap samples in rural areas.

4. **Brand Identity and Packaging:**

- The FTG brand will be positioned as affordable, high-quality, and reliable. The packaging will be designed to reflect these values, with simple yet elegant designs that highlight the product's benefits and appeal to both rural and urban consumers.

vii. Implementation Schedule

FTG's detailed implementation schedule ensures that all milestones are achieved in a timely manner:

Milestone	Timeframe
Secure Initial Investment	Month 1
Purchase of Machinery & Equipment	Month 1-2
Facility Setup & Recruitment	Month 2-3
Raw Material Procurement	Month 3
Production Trials & Testing	Month 3-4
Initial Product Launch (Bar Soap)	Month 5
Medicated Soap Launch	Month 6
Full-Scale Production	Month 6-7

viii. Financial Projections for at Least 5 Years

Fu Tang Group Limited (FTG) has projected its financial performance based on its current pricing strategy, production capacity, and expected market penetration. These projections take into account anticipated growth in both urban and rural markets as the brand gains recognition and loyalty.

Year 1 Projections:

Revenue Projections (Year 1):

Product	Monthly Production (Bars)	Retail Price (TZS)	Wholesale Price (TZS)	Monthly Revenue (TZS)
Bar Soap	120,000	3,300	2,800	360,000,000 - 336,000,000
Medicated Soap	80,000	3,000	2,800	240,000,000 - 224,000,000
Total Revenue (TZS)				600,000,000 - 560,000,000

Operating Costs (Year 1):

Expense Item	Annual Cost (TZS)
Raw Materials	350,000,000
Production Labor	90,000,000
Marketing & Advertising	50,000,000
Packaging Materials	40,000,000
Rent & Utilities	40,000,000
Administrative Costs	30,000,000
Miscellaneous Expenses	20,000,000
Total Operating Costs	620,000,000

Expense Item	Annual Cost (TZS)
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Year 1 Profit/Loss Calculation:

Revenue Range (TZS)	Total Costs (TZS)	Net Profit (TZS)
600,000,000 - 560,000,000	620,000,000	-20,000,000 to -60,000,000

Summary for Year 1:

FTG is expected to experience a slight operating loss in the first year due to initial marketing expenditures, setup costs, and scaling operations. This is typical for new ventures as they establish market presence. However, increased awareness and market penetration are projected to drive revenue growth in subsequent years.

Year 2-5 Projections:

Revenue Growth Projections:

FTG aims to expand its market presence in both urban and rural areas over the next five years. By Year 2, FTG expects to break even, and by Year 3, the company will enter profitability as brand recognition and demand increase.

Year	Projected Revenue (TZS)	Growth Rate
Year 1	600,000,000 - 560,000,000	N/A
Year 2	720,000,000 - 670,000,000	20%
Year 3	864,000,000 - 804,000,000	20%
Year 4	1,036,800,000 - 964,800,000	20%
Year 5	1,244,160,000 - 1,157,760,000	20%

Operating Costs:

Year	Projected Operating Costs (TZS)	Growth Rate
Year 1	620,000,000	N/A
Year 2	660,000,000	6%
Year 3	690,000,000	5%
Year 4	725,000,000	5%
Year 5	760,000,000	5%

Profit/Loss Projections:

Year	Net Profit (TZS)
Year 1	-20,000,000 to -60,000,000
Year 2	60,000,000 - 110,000,000
Year 3	174,000,000 - 204,000,000
Year 4	311,800,000 - 239,800,000
Year 5	484,160,000 - 397,760,000

Break-Even Analysis

The break-even point for FTG is expected to occur at the end of Year 2, when the company's accumulated revenue surpasses initial fixed costs and variable costs of production. This analysis assumes steady demand growth and cost control.

ix. Capacity of the Project

FTG's manufacturing facility will have a production capacity of **200,000 bars of soap per month**. The breakdown of the production is as follows:

- **Bar Soap:** 120,000 bars per month
- **Medicated Soap:** 80,000 bars per month

FTG is equipped to meet increasing demand over time. The company has the flexibility to scale up production by 20% over the next two years if required by market conditions. Plans are already in place to expand capacity by introducing additional production shifts and optimizing resource use.

x. SWOT Analysis

Strengths:

- **High-Quality Products:** FTG will produce premium quality soap using high-grade raw materials.
- **Competitive Pricing:** Despite the superior quality, FTG's soaps will be priced affordably, appealing to both urban and rural markets.
- **Strategic Location:** Dar es Salaam, being a key trade hub, provides FTG with excellent access to raw materials and distribution channels.
- **Production Capacity:** FTG's facility is capable of producing up to 200,000 bars of soap per month, with room for expansion.

Weaknesses:

- **New Market Entrant:** FTG will face challenges in building brand recognition, especially in a market with established competitors.

- **Initial Financial Loss:** Due to high initial capital expenditure and marketing costs, FTG is projected to have a small loss in its first year of operations.

Opportunities:

- **Growing Demand for Hygiene Products:** Increasing awareness about hygiene in Tanzania presents significant opportunities for FTG.
- **Expansion into Neighboring Countries:** Once established, FTG can easily expand its operations to neighboring countries such as Kenya, Uganda, and Rwanda.
- **Health-Conscious Consumers:** Rising health concerns due to COVID-19 and other factors will drive demand for medicated soaps.

Threats:

- **Economic Instability:** Fluctuations in exchange rates, inflation, or economic downturns could impact consumer spending power.
- **Competition from Established Brands:** FTG will need to compete with established soap brands such as Geisha and Imperial Leather, which have strong market presence.

xi. Implementation Schedule

FTG's detailed implementation schedule ensures that all milestones are achieved in a timely manner:

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Initial Product Launch (Bar Soap)	Month 5
Medicated Soap Launch	Month 6
Full-Scale Production	Month 6-7

Conclusion

Fu Tang Group Limited (FTG) is well-positioned to become a major player in Tanzania's soap manufacturing industry. With a well-structured business model, competitive pricing strategy, and a scalable production capacity, FTG is poised for success. The company will offer high-quality products that meet the needs of both rural and urban consumers, while maintaining a focus on affordability.

FTG's marketing and distribution strategy will ensure rapid market penetration, while its robust financial plan will guide the company toward profitability by the end of Year 2. With the right execution, FTG will not only capture a significant share of the domestic market but also expand into neighboring countries, solidifying its position as a leading soap manufacturer in East Africa.

This comprehensive business plan highlights FTG's growth potential and long-term sustainability, making it a promising venture for investors, partners, and stakeholders alike.