

# **TREEHOUSE CONSULTANCY COMPANY LIMITED**

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## **Business Plan for Footwear Project**

**in**

**LOCATION AT NYAKATO INDUSTRIAL AREA,  
NYAMAGANA DISTRICT,**

**MWANZA REGION**



**2024**

## **EXECUTIVE SUMMARY**

Treehouse Consultancy Company Limited is a consultancy-based company which intend to expand its activities by establishing a new footwear factory to meet the demand of the community, the company headquarter is located in Nyamagana district in the Mwanza region, the new products will be under the trading and branding name **Afrikana**.

The main economic activity of Treehouse Consultancy Company Limited is producing high-quality, durable, and stylish shoes for various consumers across the country and beyond. Afrikana Shoes is a premium footwear brand rooted in the heart of Tanzania-Africa, celebrating the continent's vibrant spirit, rich culture, and skilled craftsmanship. Founded with a vision to bring African creativity to the global stage, Afrikana Shoes blends tradition with contemporary design, offering products that are stylish, meaningful and affordable. Every pair of Afrikana shoes is crafted with care, embodying Africa's diverse landscapes and cultures' stories, textures, and colours.

Established in the year 2022, Treehouse Consultancy Company Limited plans to engage in manufacturing and exporting various shoe types such as Sports Shoes, men's Casual Shoes, Canvas Shoes, men's flop Slippers, Men Sandals, Safety Shoes etc. We plan to offer these at market-leading rates. All our manufactured products shall be of global quality standards. Offered products are made by considering only quality approved materials given by the authentic vendors of the market.

The business would be managed by a team of experts, including the board of directors, who are experts with vast experience in managing businesses and a long history in business. They are experienced in the manufacturing sector and have managed different businesses.

### **Financial Plan.**

The cost-benefit analysis of this plan indicates the following: the start-up cost is **TZS 206,960,000.00** the projected sales amount is **TZS 1,008,000,000.00** and the operational cost for production is **TZS 674,542,588.00** and the Corporate Tax is **TZS 100,037,223.00** This suggests that a profit of **TZS 233,420,188.00** is expected to be generated during the year. This anticipated profit demonstrates that the project is feasible, viable, and highly profitable, making it a worthwhile investment.

### **Industry Analysis.**

The manufacturing industry is a key sector for economic growth and plays a crucial role in the development of any economy. It is undeniable that the manufacturing sector can help developing countries catch up with the rest of the world. While some nations are working to upgrade their industrialisation levels by adopting advanced technology and increasing productivity for the sake of sustainability, others are still struggling to take off and keep pace with the industrialized world, with Tanzania being one of them.

Despite various strategies that have been proposed and implemented, the sector's contribution to the economy has remained low, and current statistics indicate a decline. Our target audience is both Tanzanian and East African consumers who prioritize comfort, style, and sustainability in their fashion choices. We are dedicated to creating eco-friendly footwear that not only supports the Tanzanian economy but also promotes sustainable practices and highlights local craftsmanship. Our goal is to become the leading sustainable footwear brand in Tanzania and the East African region, setting the standard for quality, ethical production, and positive social impact.

Our diverse product line is expertly designed to meet the needs of the Tanzanian market, featuring comfortable everyday shoes, durable outdoor footwear, and modern styles inspired by the rich heritage of Tanzanian culture. Each pair is crafted from high-quality, locally sourced, eco-friendly materials, including recycled rubber, organic cotton, and vegetable-tanned leather. Furthermore, we are excited to introduce a customizable range that allows customers to choose designs reflecting local patterns and vibrant colour schemes, offering a truly personalized experience while championing local artistry.

In 2023, the footwear industry in Tanzania successfully produced approximately of production, is 40% was consumed locally, while a significant 60% was imported from various countries such as China, Turkey, India and other countries. Most of the footwear available in Tanzania has been sourced through imports. This project is set to create numerous jobs within the community, enhance tax collection, and drive substantial economic growth for the country.

### **Projected Market.**

Market analysis is conducted by undertaking market segmentation, targeting and position. The process of market analysis will help understand the current situation of the market and the company's performance and standing. Through this new investment, the company is expecting to grow its customer base by segmentation, targeting and position. Our marketing approach will focus on both digital and community-based strategies, leveraging social media, influencer collaborations, and partnerships with local eco-conscious brands and businesses.

**Project Investment.** the new project costs are expected to be at TZS 206.96 million whereby new Infrastructure such as support Machinery, building, equipment and tools, investment activities and working capital as well as purchases of raw materials for production.

The project will be financed through a combination of **50%** from our own sources and **50%** from **Amana Bank**. This financing will be in the form of a three (3) Year loan with an annual interest rate of 18%. The loan repayments will occur in Twelve-month (12)

Instalments each year, resulting in a total of thirty-six(36) Instalments over the loan term.

We anticipate that the implementation of this project will encourage greater participation and investment from local individuals and businesses in the industry. This, in turn, is expected to attract more resources towards the industry in Tanzania, particularly in the Lake Zone.

### **Job Creation for this Project.**

According to the report of TIC the manufacturing sector is at its infancy stage with few exploited areas whereby unprocessed agricultural commodities have dominated major exports. The manufacturing sector has shown steady growth over the years, registering an 8.3% annual growth rate and a small contribution of 8.1% to the GDP.

The sector employs around 306,180 workers mainly in the urban areas. The sector contributes to the Tanzania economy through revenue collection of import and export sales, corporate tax, and income tax, contributing about 18.1% foreign exchange to the government.

Under this project, for the star-up, we expected to create **150 employees** including direct and indirect employment different activities, Indirect employment means self-employment (Wholesaler, Retailer, machinga and others) around the Laze zone and will expand over the whole country for the foreseeable future.

### **Financial Forecast**

The financial forecast for the project indicates that in the first year of operation, there will be projected profits and thus annual sales revenues will be increased from **TZS 1,008,000,000.00** and grow up to **TZS 1,225,230,300** in year five. This also indicates an impressive **83%** profit margin in year one and remains consistently positive through the projection period. The project will have a **1.47-year** payback period, an internal rate of return (IRR) of **49%**, a return on investment (ROI) of **19.04%** and a profitability index ratio of **10.7%**.

Through this business growth, the project will contribute up to **TZS 5,569,836,300.00** in revenues for 5 years, whereas the tax paid will reach up to **TZS 569,104,595.12** over such a period.

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**List of Abbreviation**

BAF- PS- Bachelor of Accounting and Finance with Public Sector  
TEEA- Tanzania Environmental Expert Association.  
MD- Managing Directors  
NBAA- National Boards of Accountants and Auditors  
CPA- Certified Public Accountant  
NBS- National Board of Statistics  
NEMC -National Environment Council of Tanzania  
OSH- Occupation, Safety and Health Agency  
QA - Quality Assurance  
R&D- Research and Development  
SDL - Service Development Levy  
TIC - Tanzania Investment Centre  
Tzs- Tanzanian Shillings  
URT -United Republic of Tanzania  
TRA-Tanzania Revenue Authority  
GDP -Gross Domestic Product

## **1.0 IMPORTANT INFORMATION**

### **1.1 Notice to Financiers**

This business plan for capital raising is a highly confidential document and has been approved as a financial promotion by Treehouse Consultancy Company Limited for use in connection with this offering. The investment described may not be suitable for all recipients of this investment promotion. Before making a financing decision, prospective financiers are advised to consult an investment advisor authorised who specialises in investments of this kind.

### **1.2 Forward-looking Statements**

This document contains forward-looking statements. These statements relate to, amongst other things, the prospects, developments and business strategies. Forward-looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. The forward-looking statements in this document are based on current expectations and are subject to risk and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. Certain risks and uncertainties for the business project are specifically described in the section headed “Risks”.

If one or more of these risks or uncertainties materialise, or if underlying assumptions prove incorrect, the project’s actual results may vary materially from those expected, estimated or projected.

### **1.3 Risk Factors**

Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements. These forward-looking statements are made only as of the date of this document. Neither the business owner nor his employees undertake any obligation to update forward-looking statements or risks other than as required by the law, whether as a result of new information, future events or otherwise risks inherent in the project they should not invest in.

A prospective investor should consider carefully whether an investment in the project is suitable for himself in the light of the circumstances, the economic climate and the financial resources available to him. Each prospective applicant should be wholly responsible for ensuring that all aspects of the Company are acceptable to them. There can be no assurance that the project’s objectives concerning any of its funds will be achieved and investment results may vary substantially over time.

This document is the property of Treehouse Consultancy Company Limited and is limited to use by intended parties only. Any unauthorised disclosure, replication or reproduction of any of its contents without prior authorization by project owners will result in severe legal consequences.

## 1.4 CONFIDENTIALITY AGREEMENT AND DOCUMENT CONTROL

### Confidentiality Agreement

The undersigned reader acknowledges that the information provided by Tree House Consultancy Company Limited in this business plan is confidential; therefore, the reader agrees not to disclose it without the express written permission of Treehouse Consultancy Company Limited.

It is acknowledged by the reader that the information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use by the same reader may cause serious harm or damage to Tree House Consultancy Company Limited.

Upon request, this document is to be immediately returned to Tree House Company Limited.

Name: RAIABU ABDALLAH MTWENGE

Signature: 

Date: 01<sup>st</sup> December, 2024

**1.5 Document Control Status**

- ♣ This Business Plan was prepared by: the **Treehouse Consultancy Company Limited Team**
- ♣ This Business Plan was approved by the **Board of Directors of Treehouse Consultancy Limited**

## 2.0 INTRODUCTION

### 2.1 Offer Details/Required Investment Level

1	<b>Business INFO:</b>	<b>Tree House Company Limited</b>
2	<b>Sector:</b>	Manufacturing Project
3	<b>Business Type:</b>	Private company limited by share
<b>Facility</b>		
4	<b>Initial Investment Cost</b>	TZS 206,960,000.00
	<b>Target Loan:</b>	TZS 100,000,000.00
5	<b>Investment Option:</b>	Business and Investment Loan
6	<b>Facility Purpose:</b>	Production of Footwear Establishment
7	<b>Target Structure:</b>	Debt Financing
8	<b>Interest rate:</b>	18% Annually
	<b>Tenor:</b>	3 Years
9	<b>Payment Mode:</b>	12 Instalments per year 36 Instalments in three years
10	<b>Total Monthly Instalments</b>	As per the loan Amortization plan
<b>PROPOSED SECURITIES</b>		
11	<b>Security Type</b>	<b>Value (MV)</b>
	house no 32, plot No. Block Igwambiti C, Lwanima ward, Nyamagana District, Mwanza Region	TZS150,000,000.00/=
13	Equipment machinery for Production	TZS106,960,000/=
<b>Total Security Coverage (MV)</b>		

**NOTE:**

1. The purpose of this business plan is to seek a loan from **AMANA Bank** to support the initial working capital, including daily operating expenses and other costs associated with the project. The business is requesting a total of **TZS 100 million** to fund the initial working capital for the project.
2. To apply for a Certificate of Incentives from the **Tanzania Investment Centre (TIC)**, it is necessary to gain access to exemptions from **customs duties, tax** deferments on **VAT**, and other benefits and protections as outlined in the Tanzania Investment Act of (1997) for the project.
3. Internal users will review the financial feasibility of the project, which includes cost estimates for factory setup, machinery importation, local sourcing of raw materials, and expected revenue streams. The study will evaluate the anticipated Return on Investment (**ROI**) and overall project profitability.
4. To use this document for other users like financial credits from local banks or financial institutions for term loan financing or an overdraft facility to support the smooth implementation of the proposed project, and other stakeholders.

**2.2 Existing Business**

Directors of Treehouse Consultancy Company Limited have engaged in other business operations whereby they are key shareholders and managing directors of such businesses.

**NAME:** TREEHOUSE CONSULTANCY COMPANY LIMITED

**NAME OTHER COMPANY:** TREEHOUSE CONSULTING FIRM

Through business evaluation conducted in 2023, the existing business was evaluated to reach up to **TZS21,502,882.00 turnover** for 2023 business from other companies just for advantage in value.

S/N	DETAILS	TZS "as at 31 <sup>st</sup> Dec 2023"
1	Land & Buildings	150,000,000.00
2	Furniture and Equipment	20,000,000.00
3	Motor vehicle	40,000,000.00
	<b>TOTAL VALUE</b>	<b>210,000,000.00</b>

### 2.3 The purpose of funds and Certificate for Incentive from TIC summary

S/N	PARTICULARS	Requested Amount in TZS
1	Initial Investment for Project	TZS 206,960,000.00
3	Target Loan for support Initial Working Capital and other expenses related to activities	TZS 100,000,000.00
4	Plant & Machinery	TZS 106,000,000.00
	<b>TOTAL INVESTMENT</b>	<b>TZS 206,960,000.00</b>

## 3.0 COMPANY AND BUSINESS OVERVIEW

### 3.1 Company Description

Treehouse Consultancy Company Limited was established in the year 2022, under the Tanzania Company Act with certificate of incorporation number **156998842** issued by the Bureau of Registration and Licensing Agency. The company is also registered as a Taxpayer with **TIN 156-998-842** issued by Tanzania Revenue Authority on 28th December 2022.

The idea for this business plan emanated from the desire to secure a loan and obtain a certificate for an incentive from the Tanzania Investment Centre (TIC) to further expand the operation of the intended business of the Footwear factory establishment.

### 3.2 GOALS

#### Our Goals

- ❖ Produce Quality, Affordable Footwear
- ❖ Promote Sustainability and Eco-Friendly Practices
- ❖ Create Job Opportunities and Enhance Skills in Mwanza
- ❖ Build Strong Distribution Networks Locally and Internationally
- ❖ Support Local Communities through Corporate Social Responsibility
- ❖ Ensure Financial Sustainability and Profitability
- ❖ Drive Innovation in Footwear Design

### 3.3 MISSION AND VISION

#### **Mission**

To create unique, high-quality footwear that honours African heritage, and embraces sustainable practices, empowering both our customers and communities.

#### **Vision**

To become the leading African-inspired footwear brand globally, recognized for quality, authenticity, and a deep commitment to cultural celebration and environmental responsibility.

### 3.4 CORE OPERATING VALUES:

The following core operating values will influence the culture and corporate image of the business.

**Authenticity:** Committed to preserving and celebrating African heritage in every product, ensuring that each design reflects Africa's unique aesthetics and traditions.

**Sustainability:** We use eco-friendly materials, embrace ethical production methods, and focus on sustainable sourcing, making sure our impact is positive for both people and the planet.

**Community Empowerment:** Collaborates with local artisans, providing fair wages, skills training, and opportunities for economic growth within African communities.

**Partnerships.** Treehouse Consultancy Company Limited will work with a wide variety of partners/stakeholders and advocates to improve quality products and services.

**Integrity and Accountability.** Treehouse Consultancy Limited will have the highest level of integrity in its administrative and service delivery and will maintain and report our corporate, management and operational records accurately.

**Innovation.** The company will constantly seek new ways to accomplish her work and generate extraordinary results. Management will be dedicated to delivering creative and forward-looking solutions and advancing.

**Diversity.** Treehouse Consultancy Limited understands that customers are part of all races, ethnicities, and religions; we will seek to target and satisfy as many customers.

## 4.0 PRODUCTS AND SERVICES

### 4.1 Product offered

Treehouse Footwear we are offered a product range of handcrafted footwear, each collection inspired by Africa's vibrant diversity:

- ❖ **Sandals and Slippers:** Perfect for casual wear, these designs incorporate natural materials and bold patterns inspired by African artistry.
- ❖ **Sport Shoes:** Afrikana Sport Shoes is an exciting, modern line from Afrikana Shoes, designed for athletes, active lifestyle enthusiasts, and anyone who values a unique, performance-oriented shoe with a cultural edge. This collection combines advanced footwear technology with African-inspired aesthetics, blending style, comfort, and durability for people on the move
- ❖ **Safety Shoes:** are specialized footwear designed to protect the feet in hazardous environments. They are commonly worn in industries like construction, manufacturing, warehousing, and chemical handling, where there's a risk of injury from heavy objects, sharp materials, electrical hazards, or chemicals

### 4.2 Legal Status

The Company is registered under the Companies Act with registration no **156998842** and registered for Tax purposes by TRA with TIN no 156-998-842 and will comply with all the necessary rules and regulations that guide the operations of Companies in Tanzania as contained in the Act.

### 4.3 Management Competence

Treehouse Consultancy Company Limited's philosophy for hiring staff reiterates that for a person to be hired there should be elements of commitment, experience, honesty and hard work. The key personnel team would be composed of administrative figures and technical experts.

### 4.3.1 The management team

The management team of Treehouse Company Limited comprise Two teams which are.

#### **Mr. Rajab Abdallah Mtwenge** **Managing Director**

He is Managing Director of Treehouse Consultancy Company Limited and currently also Managing Director (MD) of Treehouse Consulting Firm which engaged Environmental Expert Consultants registered by the National Environment Management Council (NEMC). Rajabu Mtwenge has over 8 years of experience as an environmental expert and he is a Member of the Tanzania Environmental Expert Association (TEEA). And also engaged in the manufacturing sectors.

#### **Miss Asha Mtwenge Othman** **Financial Manager**

Miss Asha Mtwenge is the Financial Manager of the company she holds a Bachelor's degree in Accounting and Finance and is currently pursuing CPA classes which are monitored by the National Board of Accountants and Auditors (NBAA).

Miss Asha has 5 years of experience in accounting and practices in different organisations as an accountant.

Treehouse Consultancy Company Limited has the policy to outsource expertise from different professions including certified public accounts, financial consultants and lawyers.

### 4.4 Market Environment.

In 2023, the footwear industry in Tanzania successfully produced approximately of production, is 40% was consumed locally, while a significant 60% was imported from various countries such as China, Turkey, India and other countries. Most of the footwear available in Tanzania has been sourced through importation. This project is set to create numerous jobs within the community, enhance tax collection, and drive substantial economic growth for the country.

Within the industry, the unorganised sector plays a crucial role in acting as a competitor to the existing brands. The unorganised sector comprises all the shoemakers that are manufacturing non-branded shoes, first copies and fake brands. This has a huge impact on the revenues of the branded companies.

In Tanzania, the Footwear market is projected to generate revenue of US\$583.8m by 2024. The market is expected to have a yearly growth of 2.87% (CAGR 2024-2029). The largest segment of the market is Boots, with a market volume of US\$248.8m in 2024.

Compared globally, China generates the highest revenue with US\$118bn in 2024. In terms of per capita revenue, the Footwear market is expected to generate US\$8.41 in 2024. By 2029, the volume of the Footwear market in Tanzania is expected to reach 29.7m pairs. Moreover, the market's volume is expected to grow by 1.1% in 2025.0. The average volume per person in the Footwear market is anticipated to be 0.42pairs in 2024. Lastly, non-luxury is projected to account for 97% of sales in the Footwear market by 2024. Tanzania's footwear market is dominated by locally produced and imported low-cost shoes, with a growing demand for durable and comfortable footwear among urban consumers.

#### 4.5 Marketing Plan

Market analysis is conducted by undertaking market segmentation, targeting and position. The process of market analysis will help understand the current situation of the market and the company's performance and standing.

**Segmentation.** The process of segmentation is ideally dividing the entire market of potential customers into groups or segments with the intent to identify similar traits, interests, needs and locations. The method of segmentation in this report utilises the demographic, psychographic, gender and location parameters.

**Demographic.** Capturing the right kind of market is critical as it serves as a base for a further set of analysis and campaign strategies. Ski smart primary market comprises all the youth that come under the age bracket of 0-5 years, 10-17 years, 18-25 years and 26-above years, based on the belief that children, pupils, College students and young professionals are more enthusiastic towards outdoor adventures be it sports, road trips, hiking, jogging, etc

#### Gender

This shoe brand is specifically focused towards men and women. They offer a whole range of products to cater to any shoe requirement for males and females. This is based on an intent that once they have a customer, ideally, he should choose Ski Smart for all the shoe categories.

#### Psychographic

This primarily involves segmentation of the market based on the personality traits, interests, attitudes and lifestyles of the target consumers. The segment focussed here is people who prefer outdoor sports and adventure sports. For this, there are areas identified (based on origin) in Tanzania that are the highest in terms of tourists. This indicatively gives an idea of the potential location and target audience where the product can be introduced and marketed.

## 5.0 THE BUSINESS MANAGEMENT OVERVIEW

### 5.1 Implementation Plan of the Project

The top management for the project will comprise Professionals with appropriate qualifications, solid experience, and complementary skills. They will need to demonstrate the ability to collaborate, develop pragmatic service delivery solutions, apply quality assurance principles in operations, and adopt independence and objectivity in attaining planned performance outcomes.

With assistance from the Government Authority (NEMC, TRA, TIC, TBS, GCLA and other regulatory Boards) and also other external consultants, the project will require obtaining the new team before and during investment implementations in the first year. For easy reference, below are the highlights on how to establish the management structure: -

- ❖ Establishing an operation office for the Production of footwear whereby it will be an independent office which will be fully operational and committed to deciding on the affairs of the project and report directly to Mr Rajabu A. Mtengwe through the project manager.
- ❖ Employ technical staff to accommodate the project's needs.
- ❖ Project's employees to participate in decision-making through regular meetings, training, and workshops.

### 5.2 Strength and Core Competencies

The hired team in the project will be responsible to cover for all activities regarding operations affairs, production affairs, distribution activities, financing affairs, marketing activities, and management affairs. On that note, capacity building will be cross-cutting the business and technical threads in consolidating sustainability to our client's satisfaction. We will position our strengths and core competencies on:

- ❖ Hiring experienced and young multi-talented pool of expertise/professionals
- ❖ Adhere to laws and regulations of the Government of Tanzania through the Ministry of Industry and Trade, commitment and dedication towards private sector development.

#### Note;

This project will create jobs for 150 employees around the lake zone for direct and indirect employment.

### 5.3 Management Organogram of the Project.

Management is how businesses organize and direct workflow, operations, and employees to meet company goals. Management also coordinates, planning, motivation, monitoring, communicates, and organizes an organization's many operations so that those actions may contribute to the company achieving its goals

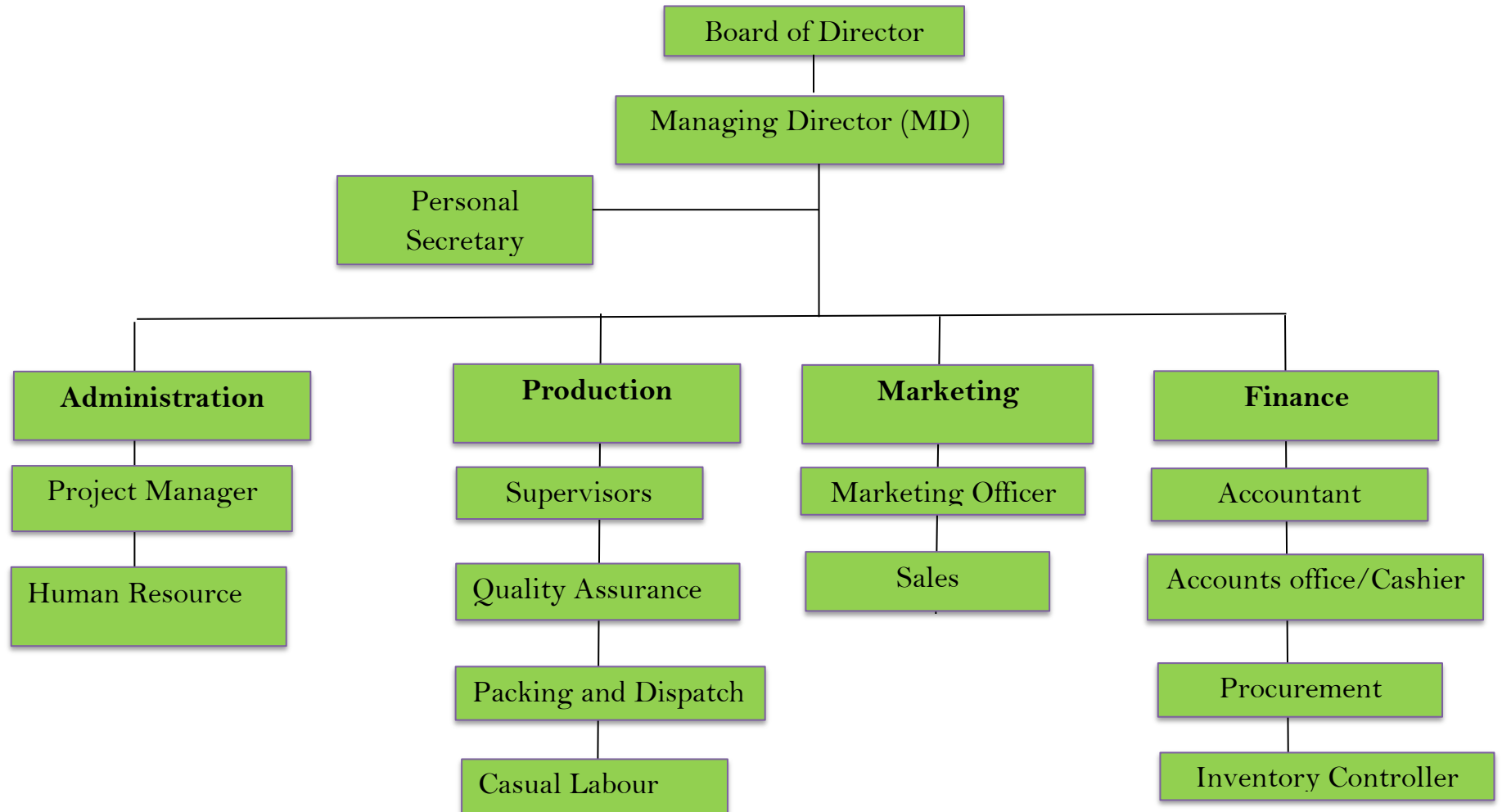
The top management for the project will comprise Professionals with appropriate qualifications, solid experience, and complementary skills.

A board of directors is an appointed group of individuals with a fiduciary duty to represent the interests of shareholders or stakeholders and oversee a company's management and operations. The board of directors is responsible for governance, oversight, and major decision-making, representing the interests of shareholders or stakeholders. The CEO or General Manager is hired and evaluated by the board of directors. They execute board-approved strategies, manage resources, and lead the executive team.

**Table 5. 1: key Positions Needed for this Investment**

Units	Staffs' Designation
<b>Administration</b>	<ul style="list-style-type: none"> <li>❖ Managing Director (MD)</li> <li>❖ Project Manager (PM)</li> <li>❖ Human Resources Manager</li> <li>❖ Finance Manager</li> <li>❖ Office Secretary</li> </ul>
<b>Production</b>	<ul style="list-style-type: none"> <li>❖ Designers</li> <li>❖ Operator</li> <li>❖ Supervisors</li> <li>❖ Quality Assurance</li> <li>❖ Packaging and Dispatch</li> <li>❖ Casual Laborers -(operation)</li> </ul>
<b>Marketing</b>	<ul style="list-style-type: none"> <li>❖ Marketing Officer</li> <li>❖ Sales/ Direct sale staff</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>❖ Accountant</li> <li>❖ Accounts Officers/ Cashier</li> <li>❖ Procurements Officers.</li> <li>❖ Inventory Controller/</li> </ul>

## Organization Structure



#### **5.4 Our Customers**

The project has not yet established a customer database for selling to various customers based on marketing segments, locations, and individual customer preferences regarding shoe styles. However, as the project progresses, there are plans to create a comprehensive database for all corporate customers, which will be updated regularly.

#### **5.5 Government Regulations**

This Project has met the requirements required by Local Authorities, and national regulations on the operation.

Mr Rajabu A. Mtwenge will work towards obtaining all necessary National and Local permits, Licenses, insurance, and other requirements to operate.

The project will be subject to the following regulators of the United Republic of Tanzania

- ❖ Occupation, Safety and Health Agency (OSHA).
- ❖ Tanzania Fire and Rescue Force – Fire Safety Certification.
- ❖ Tanzania Investment Centre (TIC).
- ❖ National Environment Council of Tanzania (NEMC).
- ❖ Tanzania Revenue Authority (TRA)
- ❖ Tanzania Bureau of Standards (TBS)
- ❖ Government Chemist Laboratory Authority (GCLA),

#### **5.6 Operations Strategy**

An operational strategy of this project is that outlines how an organization will achieve its goals and objectives. It's a blueprint that guides how an organization's resources are allocated, and how people, processes, and products are aligned to support the company's mission.

Treehouse Company Limited the plan is that covers the entire product life cycle, from conception to market. It's part of the operations management process, which is designed to ensure sustained operational effectiveness. A well-designed manufacturing strategy can help to achieve the goals, optimize operations, increase efficiency, reduce costs, improve quality, and Increase profitability.

One of the goals of the operational strategy of the company to manage manufacturing operations is to make it more efficient overall. The plan should focus on capturing quality data in real time and using it to improve product quality for the customers.

## 6.0 PRODUCTION CYCLE

The production capacity is set at 960 units per day, which translates to an impressive total of 28,800 shoe units each month.

The process of transforming raw materials into finished goods is comprehensive and involves several key steps. This includes the time required for loading, machining, assembly, inspection, material movement, and ideal waiting, along with all other essential actions in the manufacturing process, as illustrated below.

### 6.1 Production cycle

The production cycle for PVC slippers involves several steps, including:

#### 6.2 Raw materials mixing

PVC, or polyvinyl chloride, is a plastic polymer that's often used for footwear soles. PVC slippers are made in transparent or carbonated forms, and additives can be added to make them lighter and more flexible.

As per the design of the sample, the moulds are obtained and fitted in the machine. Then the PVC compound is fed according to the requirement into a heated cylinder from a hopper either in strip, granular or powder form. A combination of PVC grains, foaming control agent, stabiliser, whipping agent, swelling agent, and colour is mixed to create the sole moulding raw material.

The raw material is stirred for 10–15 minutes.

colour concentrate granules (masterbatches) are mixed with the natural PVC Compound in the required proportion to give the desired colour. Initial mixing can be done in any convenient container unit, a scoop or a small shovel. The final mixing is automatically achieved in the cylinder of the moulding machine.

#### 6.3 Feeding of PVC granules into the hopper

The raw material is heated at a temperature of 130–220°C and a pressure of 35–55 MPa until it melts.

The molten raw material is injected into a die cavity at a temperature of 170–200°C and a pressure of 40–60 MPa.

The molten raw material is blown into the air at a pressure of 0.6–1.0 MPa for 3–6 seconds to create the PVC blowing sole.

#### 6.4 Trimming and Assembling the Slipper

The final step is trimming and assembling the slipper. The trimmer removes any excess PVC materials or rough edges left during the cutting and molding process. The assembly worker then glues or welds the sole and upper section of the slipper and attaches the strap if needed

#### 6.5 Checking and Packing.

The slipper is then inspected for quality control, including size, shape, colour, and consistency before being packaged and labelled for distribution.

#### Production cycle

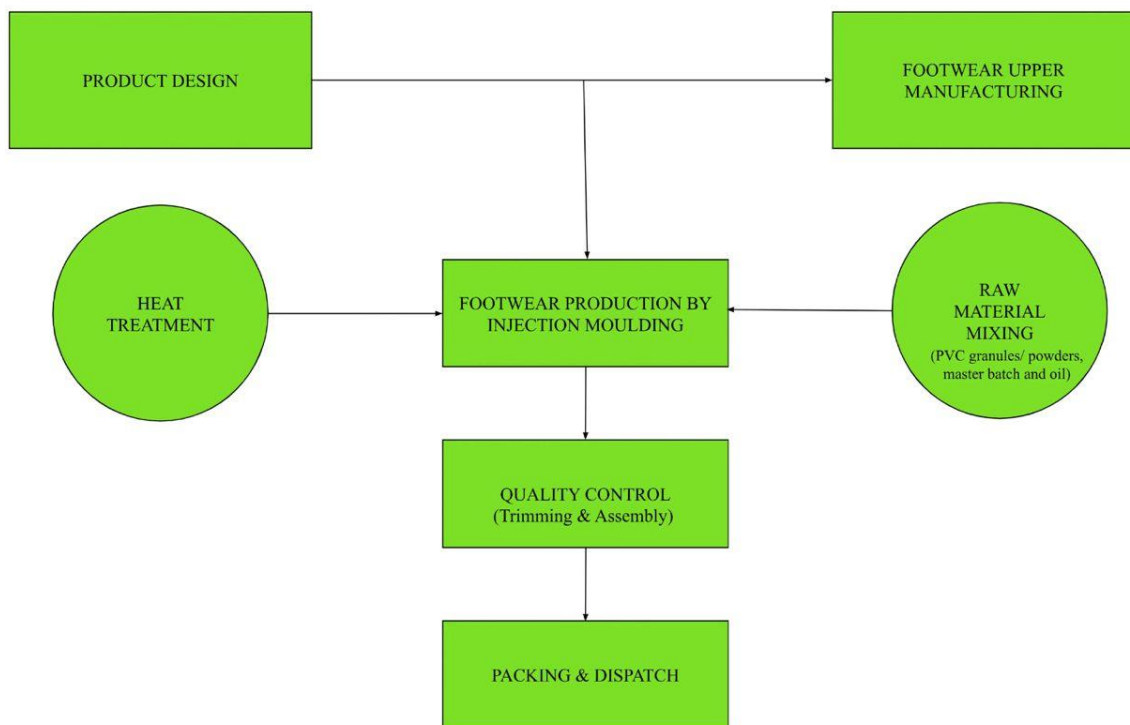


Figure 6. 1: Factory production chart/process

## 6.6 Investment Capex

The Treehouse Company Limited incur the expense in a project to create a benefit in the future. OPEX for the company covers the short term. OPEX is an expense required for the day-to-day functioning of a project. CAPEX and OPEX are treated quite differently for accounting and tax purposes.

The plan is to establish the capital expenditure expense incurred for the first year the Capex of this project is shown below.

**Table 6. 1: An Activity Plan that reflects the investment Plan**

TREEHOUSE CONSULTANCY COMPANY LIMITED						
Footwear production Project						
Financing Plan in TZS						
S/N	Key Activities	EXISISTING FACILITIES		NEW FINANCING		TOTAL FINANCING In TZS
		Contribution in Kind		Shareholder	New Financier	
		Equity	Accumulation	-	Bank-Loan	
<b>1.00</b>	<b>Existing Facilities (Evaluation Report)</b>					
1.11	Land and Buildings	-	-	-	-	-
1.12	Machinery and Equipment	-	-	-	-	-
1.13	Motorvehicle	-	-	-	-	-
1.14	Furniture	-	-	-	-	-
1.15	Computer Accessories	-	-	-	-	-
<b>2.00</b>	<b>Investment Activities on the Production Site</b>					
2.10	<b>Investments</b>					
2.11	Injection Machine	-	-	64,400,000.00	-	64,400,000.00
2.12	Auxiliary Equipment	-	-	22,400,000.00	-	22,400,000.00
2.13	Mould	-	-	20,160,000.00	-	20,160,000.00
2.14	Working Capital	-	-	-	100,000,000.00	-
<b>Subtotal</b>		-	-	<b>106,960,000.00</b>	<b>100,000,000.00</b>	<b>106,960,000.00</b>
<b>ACTIVITIES TOTAL FOR NEW INVESTMENTS</b>		-	-	<b>106,960,000.00</b>	<b>100,000,000.00</b>	<b>206,960,000.00</b>
<b>GRAND TOTAL</b>		-	-	<b>106,960,000.00</b>	<b>100,000,000.00</b>	<b>206,960,000.00</b>

## 7.0 FINANCIAL PLAN

### 7.1 Summary of Financial Needs

The new project costs are expected to be at **TZS 206.96** million whereby new Infrastructure such as support Machinery, building, equipment and tools, investment activities and working capital as well as purchases of raw materials for production.

- ❖ The project will be financed through a combination of 50% from our own sources and,
- ❖ 50% from Amana Bank. This financing will be in the form of a three (3) Year loan with an annual interest rate of 18%. The loan repayments will occur in twelve-month (12) Instalments each year, resulting in a total of thirty-six (36) Instalments over the loan term, this loan will support investment for administration facilities and working capital for the project

#### Note:

The Project teams of TZS 100,000,000.00 for 3 years @ 18% see Loan Repayment schedule

Security for Loan is land and building of house no 32, plot No. Block Igwambiti C, Lwanima ward, Nyamagana District, Mwanza Region

### 7.2 Economic Assumptions

- ❖ General Inflation rates are assumed to be 3.5% per year and will have an expected negative impact on the profits and gross margins.
- ❖ Support of the Government institutions which means a continued rise in the valuation of the Manufacturing Industry in Tanzania. This increase in valuation is critical to the financial strategy.
- ❖ The continued growth of effective demand in the market forecast that insists on growing for the next 5 years in terms of consumption and overall sector development and market growth potentialities.

### 7.3 Financial Assumptions

The projections are based on the assumption that the new facilities will generate profits and overall growth and development.

The financial growth of the project is expected to be in line with the Economic growth of Tanzania at the annual Growth Domestic Product rate of 7%.

### 7.4 Financial Risk Analysis

The big risk is the credit risk that is attributed to the advances that will be made to customers in respect of credit sales. In that regard, these advances are normally not

secured with collaterals and will, therefore, be exposed to default by customers. However, defaulting from customers will be minimized as there will be a legal binding between the parties under the framework arrangement and no person can do without it regardless of one's financial ability.

### **7.5 Financial Attachments**


In support of this Business Plan, the following are the financial attachments to support this business plan:


- ❖ The Guaranteed Collateral Facilities Documents
- ❖ The Financial Model
- ❖ The projected Financial Statements


### **7.6 Business Plan Period**

This Business Plan accounts for five years whereby the first year will be counted once the first instalment is disbursed.

**Table 7. 1: Five Years Projection Financial Statements for Treehouse Consultancy Company Limited**

		TREEHOUSE CONSULTANCY COMPANY LIMITED PROJECTED STATEMENT OF PROFIT AND LOSS				
PARTICULARS	TABLE	Year 1	Year 2	Year 3	YEAR 4	YEAR 5
Revenue		1,008,000,000	1,058,400,000	1,111,320,000	1,166,886,000	1,225,230,300
Operating costs		504,000,000	529,200,000	555,660,000	583,443,000	612,615,150
<b>Gross Profit Margin</b>		<b>504,000,000</b>	<b>529,200,000</b>	<b>555,660,000</b>	<b>583,443,000</b>	<b>612,615,150</b>
<b>Operation Expenses</b>						
Administration cost		151,200,000	158,760,000	166,698,000	175,032,900	183,784,545
Depreciation		3,545,000	3,899,500	4,289,450	4,718,395	5,190,235
Interest on loan		15,797,588	10,401,405	4,585,815		
<b>Profit before taxes</b>		<b>333,457,412</b>	<b>356,139,095</b>	<b>380,086,735</b>	<b>403,691,705</b>	<b>423,640,371</b>
Income tax	Tax Rate 30%	100,037,223	106,841,728	114,026,021	121,107,512	127,092,111
<b>Net Profit after tax</b>		<b>233,420,188</b>	<b>249,297,366</b>	<b>266,060,715</b>	<b>282,584,194</b>	<b>296,548,259</b>
Income tax is assumed at 30% of profit before tax based on corporate tax rate by TRA						

		TREEHOUSE CONSULTANCY COMPANY LIMITED				
		PROJECTED STATEMENT OF CASH FLOWS				
PARTICULARS	YEAR 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>A: CASH INFLOWS</b>						
Revenue		1,008,000,000	1,058,400,000	1,111,320,000	1,166,886,000	1,225,230,300
Capital	206,960,000	0	0	0	0	0
<b>Total inflows</b>	<b>206,960,000</b>	<b>1,008,000,000</b>	<b>1,058,400,000</b>	<b>1,111,320,000</b>	<b>1,166,886,000</b>	<b>1,225,230,300</b>
<b>B: CASH OUTFLOWS:</b>						
Operating costs		504,000,000	529,200,000	555,660,000	583,443,000	612,615,150
Income tax		100,037,223	106,841,728	114,026,021	121,107,512	127,092,111
Capital costs	206,960,000	0	0	0	0	0
<b>Total outflows</b>	<b>206,960,000</b>	<b>604,037,223</b>	<b>636,041,728</b>	<b>669,686,021</b>	<b>704,550,512</b>	<b>739,707,261</b>
<b>Net cash flows</b>	<b>0</b>	<b>403,962,777</b>	<b>422,358,272</b>	<b>441,633,979</b>	<b>462,335,489</b>	<b>485,523,039</b>
<b>C: FINANCING</b>						
Owner's equity	106,960,000					
Bank loan	100,000,000					
Loan repayment						
(i) Principal		27,585,286.25	32,981,469.50	39,433,244.26		
(ii) Interest		15,797,588	10,401,405	4,585,814.88		
<b>Sub total</b>	<b>206,960,000</b>	<b>43,382,875</b>	<b>43,382,875</b>	<b>44,019,059</b>		
<b>Total Cash (deficit)/ surplus</b>		<b>360,579,902</b>	<b>378,975,397</b>	<b>397,614,920</b>	<b>462,335,489</b>	<b>485,523,039</b>
<b>Cash balance opening</b>	<b>206,960,000</b>	<b>206,960,000</b>	<b>567,539,902</b>	<b>946,515,299</b>	<b>1,344,130,219</b>	<b>1,806,465,708</b>
<b>Cash balance ending</b>	<b>206,960,000</b>	<b>567,539,902</b>	<b>946,515,299</b>	<b>1,344,130,219</b>	<b>1,806,465,708</b>	<b>2,291,988,746</b>

 <b>TREEHOUSE CONSULTANCY COMPANY LIMITED</b> <b>PROJECTED STATEMENT OF FINANCIAL POSITION /BALANCE SHEET</b>						
<b>PARTICULARS</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>ASSETS:</b>						
<b>Current Assets:</b>						
Cash	206,960,000	567,539,902	946,515,299	1,344,130,219	1,806,465,708	2,291,988,746
<b>Total Current Assets</b>	<b>206,960,000</b>	<b>567,539,902</b>	<b>946,515,299</b>	<b>1,344,130,219</b>	<b>1,806,465,708</b>	<b>2,291,988,746</b>
<b>Fixed assets</b>						
Net fixed assets		103,415,000	99,515,500	102,374,185	106,960,000	106,960,000
<b>TOTAL ASSETS</b>		<b>670,954,902</b>	<b>1,046,030,799</b>	<b>1,446,504,404</b>	<b>1,913,425,708</b>	<b>2,398,948,746</b>
<b>LIABILITIES:</b>						
Loan Team		100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
<b>OWNER'S EQUITY:</b>						
Accumulated fund		337,534,714	696,733,432	1,080,443,690	1,530,841,514	2,002,400,487
Retained profit for the year		233,420,188	249,297,366	266,060,715	282,584,194	296,548,259
<b>Total Owner's Equity</b>		<b>570,954,902</b>	<b>946,030,799</b>	<b>1,346,504,404</b>	<b>1,813,425,708</b>	<b>2,298,948,746</b>
<b>LIABILITIES+EQUITIES</b>		<b>670,954,902</b>	<b>1,046,030,799</b>	<b>1,446,504,404</b>	<b>1,913,425,708</b>	<b>2,398,948,746</b>



## TREEHOUSE CONSULTANCY COMPANY LIMITED

**Assumptions**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>1. FOOTWEAR BUSINESS PARAMETERS</b>					
Total no of Pair produced per day	960	960	960	960	960
No. of Pair produced per monthly	24,000	24,000	24,000	24,000	24,000
Total no of Pair produced per Year	288,000	288,000	288,000	288,000	288,000
Total sale per Year	288,000	288,000	288,000	288,000	288,000
<b>SALES CAPACITY FOR THE YEAR</b>	<b>288,000.00</b>	<b>288,000.00</b>	<b>288,000.00</b>	<b>288,000.00</b>	<b>288,000.00</b>

**2. FOOTWEAR REVENUE ASSUMPTIONS**


	Year 1	Year 2	Year 3	Year 4	Year 5
Average Selling Price per Pair	288,000	288,000	288,000	288,000	288,000
Unit Produced Growth per year					
	3,500	3,675	3,859	4,052	4,254
	1,008,000,000	1,058,400,000	1,111,320,000	1,166,886,000	1,225,230,300
<b>TOTAL REVENUES</b>	<b>1,008,000,000</b>	<b>1,058,400,000</b>	<b>1,111,320,000</b>	<b>1,166,886,000</b>	<b>1,225,230,300</b>

**2. PRODUCTION COST ASSUMPTIONS**

Direct Costs Assumptions	288,000	288,000	288,000	288,000	288,000
Direct Costs (ASSUMED 50% OF SELLING PRICE)					
	1,750	1,838	1,929	2,026	2,127
Cost per Month Projections					
Direct cost per Assumption	504,000,000	529,200,000	555,660,000	583,443,000	612,615,150
<b>TOTAL PROJECTED OPERATING EXPENSES</b>	<b>504,000,000</b>	<b>529,200,000</b>	<b>555,660,000</b>	<b>583,443,000</b>	<b>612,615,150</b>

**Administration & Operation Costs**

	Year 1	Year 2	Year 3	Year 4	Year 5
Unit Produced	288,000.00	288,000.00	288,000.00	288,000.00	288,000.00
Administration	350.00	367.50	385.88	405.17	425.43
Salary and Wages	175.00	183.75	192.94	202.58	212.71
Salary and Wages	50,400,000.00	52,920,000.00	55,566,000.00	58,344,300.00	61,261,515.00
Administration	100,800,000.00	105,840,000.00	111,132,000.00	116,688,600.00	122,523,030.00
	<b>151,200,000.00</b>	<b>158,760,000.00</b>	<b>166,698,000.00</b>	<b>175,032,900.00</b>	<b>183,784,545.00</b>

		TREEHOUSE CONSULTANCY COMPANY LIMITED			
FINANCING PLAN					
COMPONENTS	Total Project Cost	Existing Equity	Additional Equity	Total EQUITY	BANK LOAN
Footwear Project	206,960,000		106,960,000	106,960,000	100,000,000
<b>GRAND TOTAL</b>	<b>206,960,000</b>		<b>106,960,000</b>	<b>106,960,000</b>	<b>100,000,000</b>
PROJECTED REVENUE					
PARTICULARS	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	1,008,000,000	1,058,400,000	1,111,320,000	1,166,886,000	1,225,230,300
<b>Total Expected Revenue</b>	<b>1,008,000,000</b>	<b>1,058,400,000</b>	<b>1,111,320,000</b>	<b>1,166,886,000</b>	<b>1,225,230,300</b>
PROJECTED OPERATING COSTS					
PARTICULARS	Year 1	Year 2	Year 3	YEAR 4	YEAR 5
Operating costs	504,000,000	529,200,000	555,660,000	583,443,000	612,615,150
<b>Total operating costs</b>	<b>504,000,000</b>	<b>529,200,000</b>	<b>555,660,000</b>	<b>583,443,000</b>	<b>612,615,150</b>
Administration and other cost	Year 1	Year 2	Year 3	YEAR 4	YEAR 5
<b>Total Expected Cost</b>	<b>151,200,000</b>	<b>158,760,000</b>	<b>166,698,000</b>	<b>175,032,900</b>	<b>183,784,545</b>

<b>ANNEX 1: NPV CALCULATIONS</b>				
<b>'YEAR</b>	<b>NET CASH FLOW</b>	<b>DISCOUNT FACTOR 30.00%</b>	<b>PV OF CASHFLOWS</b>	<b>CUMULATIVE PV OF CASH FLOWS</b>
0	0	0.00	0	0
1	403,962,777	0.77	310,740,597	310,740,597
2	422,358,272	0.59	249,916,137	560,656,734
3	441,633,979	0.46	201,016,832	761,673,566
4	462,335,489	0.35	161,876,506	923,550,072
5	485,523,039	0.27	130,765,471	1,054,315,543
6	0	0.00	0	1,054,315,543
7	0	0.00	0	1,054,315,543
8	0	0.00	0	1,054,315,543
9	0	0.00	0	1,054,315,543
10	0	0.00	0	1,054,315,543
<b>NET PRESENT VALUE (NPV)</b>			<b>1,054,315,543</b>	
NPV has been calculated based on current Tax rate P.A:				<b>30.00%</b>

## ANNEX 2: INTERNAL RATE OF RETURN (IRR) CALCULATIONS

'YEAR	NET CASH	DISCOUNT%	18%	DISCOUNT	3.50%
	FLOW	FACTOR	'PV	FACTOR	'PV
0	0	0.00	0	0.00	0
1	403,962,777	0.85	342,341,336	0.97	390,302,200
2	422,358,272	0.72	303,331,134	0.93	394,275,966
3	441,633,979	0.61	268,792,074	0.90	398,328,546
4	462,335,489	0.52	238,467,502	0.87	402,898,668
5	485,523,039	0.44	212,226,595	0.84	408,797,371
<b>NPV</b>			<b>1,365,158,641</b>		<b>1,994,602,750</b>

***NB: IRR is the discount rate that makes the net present value (NPV) equal to zero.***

***IRR = Lower discount rate + (Higher discount rate - Lower discount rate) x (NPV at lower Discount rate)  
divide by Absolute difference of the two NPVs***

**IRR = 49%**  
IRR Assumed at a lending rate of 12% and inflation rate of 3.5%

**PAY BACK PERIOD**

<b>YEAR</b>	<b>CASHFLOW (CF)</b>	<b>COMMULATIVE CASHFLOW</b>
0	(206,960,000)	(206,960,000)
1	403,962,777	197,002,777
2	422,358,272	619,361,048
3	441,633,979	1,060,995,028
4	462,335,489	1,523,330,516
5	485,523,039	2,008,853,555

**PAY BACK PERIOD 1.47 Year****PROFITABILITY INDEX (PI)**

<b>PI</b>	Present value of Future cashflow	2,215,813,555	<b>10.70648219</b>
	Initial investment	206,960,000	

**PI>1** Company should accept and perform the project**PI<1** Company should reject the project

## 7.8 Assumption

- ❖ Revenue is expected to grow at an average rate of 30%.
- ❖ Operation costs are expected to grow due to the growth of revenue but growth is maintained at a reasonable fluctuation rate to maintain and maximize profit.
- ❖ The project is expected to have a total of 206.96 million value financed by equity 106.96 million and a Bank loan of 100 million.
- ❖ The loan is expected to be issued at an interest rate of 18% per annum paid on a semi-annually basis for three years.
- ❖ Income tax is assumed at 30% of profit before tax based on corporate tax of 30% by TRA.
- ❖ The discount rate of cash flow is assumed to be the tax rate of 30% for NPV, lending (18%) and inflation rate (3.5%) for IRR.

## 8.0 BUSINESS SITUATIONAL ANALYSIS

### 8.1 Challenges

Throughout the term of implementing this Business Plan, the project expects to face several economic, financial and technological hurdles. Without future proposed timely financing needed injections, and actualised significant investment, The project may face difficulties in meeting the needs of the growing customer base that includes internal and external customers.

### 8.2 Research and Development

#### 8.2.1 Development Conclusion

In devising and resourcing the strategic programs, due consideration must be given to anticipated longer-term industry developments. Typically, research and development (R&D) programs involve a lengthy payback period and therefore will require an extended planning perspective.

Furthermore, the strategic goals and expansion and modernization programs will largely be directed at the longer-term positioning of the Tanzanian Footwear Sector Development Strategy, and therefore also require extended planning. The combined challenge will be to ensure that the science and systems (Expansion and Modernization program) invested in today; meets

## 8.3 STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

### 8.3.1 STRENGTHS:

#### ❖ Local Production Advantage

The company benefits from being located in Mwanza, with access to local labor and raw materials, which reduces dependency on imports and lowers production costs.

#### ❖ Affordable and High-Quality Footwear

The focus on producing durable, high-quality footwear at affordable prices positions the company well in the local and regional markets, appealing to a broad customer base.

#### ❖ Skilled Workforce

The company can create jobs and provide training to the local population, building a skilled workforce with expertise in footwear manufacturing.

#### ❖ Sustainability Initiatives

The company's commitment to eco-friendly production processes and sustainable materials can appeal to environmentally conscious consumers, providing a competitive edge.

❖ **Strategic Location.**

Mwanza is a growing commercial hub in Tanzania, with access to both local and regional markets, which facilitates distribution to other East African countries.

### 8.3.2 WEAKNESSES:

❖ **High Initial Investment.**

The required capital investment of 200 million Tanzanian shillings for machinery, facility setup, and raw materials may put a strain on cash flow in the early stages, affecting liquidity and operational flexibility.

❖ **Dependence on Imported Machinery.**

While machinery is imported from China, this could expose the company to risks related to exchange rate fluctuations, import tariffs, and shipping delays.

❖ **Limited Brand Recognition.**

As a new entrant, the company may face challenges in building brand awareness and gaining trust in a competitive market with established footwear brands.

❖ **Scaling Challenges.**

The company may encounter operational challenges as it scales production, such as managing increased demand, maintaining quality control, and ensuring timely deliveries.

❖ **Market Competition.**

The footwear market in East Africa is competitive, with both local and international players offering a wide range of products. Overcoming competition from established brands will require effective marketing and differentiation.

### 8.3.3 OPPORTUNITIES:

❖ **Growing Footwear Market in East Africa.**

The rising demand for quality and affordable footwear in East Africa presents a significant opportunity for growth. Expanding the product range to meet different customer needs could tap into this growing market.

❖ **Export Potential.**

With East Africa being a key economic region, the company has the opportunity to export footwear to neighbouring countries like Kenya, Uganda, and Rwanda, as well as to global markets, particularly those seeking sustainable products.

❖ **Partnerships with Retailers and Distributors.**

The company can collaborate with local retailers and distributors to increase market penetration and improve product availability in both urban and rural areas.

❖ **Demand for Eco-Friendly Products.**

There is a growing global and local demand for eco-friendly and sustainable products. The company can leverage this trend by marketing its sustainable footwear lines to environmentally-conscious consumers.

❖ **Government Support for Local Manufacturing.**

The Tanzanian government offers incentives for local manufacturing, such as tax breaks and export subsidies, which can help the company reduce operating costs and expand operations.

#### 8.3.4 THREATS:

❖ **Economic Instability.**

Economic downturns or inflation could lead to reduced purchasing power among consumers, affecting sales and profitability, especially for affordable goods like footwear.

❖ **Fluctuating Raw Material Costs.**

Prices of raw materials (e.g., leather, rubber) can fluctuate due to supply chain disruptions, trade restrictions, or currency fluctuations, potentially impacting production costs.

❖ **Intense Competition from Local and International Brands.**

The company faces competition not only from local footwear manufacturers but also from established international brands that may have greater resources, brand recognition, and customer loyalty.

❖ **Supply Chain Disruptions.**

Importing machinery from China could be vulnerable to delays or disruptions in the global supply chain, especially in times of political or trade instability, which could impact production timelines.

❖ **Consumer Preferences.**

Changes in consumer preferences, such as a shift toward online shopping or new fashion trends, could affect the demand for traditional footwear models, requiring quick adaptation in design and marketing strategies