



ASHESI UNIVERSITY COLLEGE

BUSINESS PLAN FOR THE SMOKE HOUSE



By

MARLENE EMEFA BAETA

Applied Project submitted to the Department of Business Administration, Ashesi University College in fulfillment of the requirements for the award of Bachelor of Science degree in Business Administration

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DECLARATION

I hereby declare that this Applied Project Report is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:.....

Candidate's Name:.....

Date:.....

I hereby declare that the preparation and presentation of the Applied Project Report were supervised in accordance with the guidelines on supervision of applied projects laid down by Ashesi University College.

Supervisor's Signature:.....

Supervisor's Name:.....

Date:.....

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1.0 Executive Summary

The Smoke House is a new product initiative by Mackba Farms Limited. The company has started production on a very small scale and will begin expanded production in January 2012. The Smoke House product is frozen smoked chicken which the company self-retails to ensure maximum quality. The company intends to make the product available to the target market by using mobile retail units. The potential market for The Smoke House product is large as 87% of respondents to a survey said they like chicken and eat it at least once a week. This coupled with the population of Accra provides a very large market for the brand to profit from.

The Smoke House's competitors are other producers of smoked chicken, producers of frozen foods and restaurants as well as fresh food to be cooked which acts as a substitute. The Smoke House plans to out-compete its competitors by making its convenience in the sense of availability and ease of preparation. The brand will also outcompete competitors by being known for quality and ensuring the freshness of its frozen product.

The Smoke House will run a very lean operation with 4 employees and a board of directors made up of the equity holders. The company's marketing strategy in the first few years will be targeted at increasing product awareness although many people like chicken, 43% of respondents have never tried smoked chicken, especially in the 15 -22 age bracket where 77% of respondents have never tried smoked chicken. Considering the size of the potential market and the marketing strategy the company will put in place and the company's projected output of an average of 100 birds a week in the first year, revenue for the 1st year is projected to be GHC 77,250.00 with profit of GHC40. The revenue is expected to grow by 50% each year putting net operating income at

GHC5,762.63 in year 2, GHC24,214.24 in year 3 and GHC52,052.26 in year 4. The company is projected value of the company is GHC290,547.21.

2.0 Company profile

The Smoke House is a new product initiative carried out by Mackba Farms Limited. The Smoke House is a brand which produces par-cooked smoked meats for sale. The company has started with the production of smoked chicken and will expand into other meats such as pork and lamb in subsequent years. Currently, The Smoke House produces only smoked chicken and has monthly sales of 25 birds. The smoking is outsourced to Smokey Charlie and sold on the company premises from a warehouse.

The Company intends to establish the brand in the market, carry out its own operations to expand output and retail from a well designed store by February 2012. The Company premises in Cantonments will house the production floor, storage unit and the retail shop. The company intends to expand its distribution channel by purchasing a mobile retail car in 2013 and a mobile retail van in 2015.

The Smoke House uses a special medley of spices to season the chicken before it is smoked and will provide customers with two flavors; Regular and Spicy. The chicken will be smoked in a traditional smoke house until it is well cooked but not completely browned. Consumers will put the product in a hot oven for 10 minutes from thawed or 30 minutes from frozen to heat up and brown the skin then it will be ready to eat.

The Smoke House brand offers customers a product that is convenient and versatile as the product is very easy to prepare and can be used for different meals (soups, stews, salads, sandwiches and snacks). The Smoke House products are also made to allow Ghanaians enjoy their delicacies but in a healthy way as smoked meat has a lower fat content than fried or grilled chicken.

2.1 Company Vision: Number one provider of smoked meats in Ghana

2.2 Company Mission: provide healthier good-tasting meat to consumers at their convenience

2.3 Company Objectives

- To ensure that our product is high in quality and taste
- To increase awareness and purchase of smoked meat products
- Improve value chain to increase margin while reducing price.
- Provide investors with a high rate of return

2.4 Key Success Factors:

- A good Distribution network that allows The Smoke House customers access to the product.
- Ensuring that the product is of good quality through Total Quality Management to ensure consumers trust the 'The Smoke House' Brand
- Communicating the 'The Smoke House' brand as widely as possible and through as many channels as possible to create awareness and build customer base.

3.0 Capital Investment – Expansion Requirements:

Currently the company does not own any production or packaging equipment; production is outsourced to the Smokey Charlie Company and the smoked chicken is individually wrapped in a polythene bag without a label. The Company however does own two freezers for storage. The Smoke House wants to expand by constructing professional premises to carry out its operations and investing in a website to communicate with customers. The expansion will be financed by equity investment from the owners of the Parent Company Mackba Farms with 20% from each of the 5 partners.

The expansion cost will be:

Item	Amount (GHC)
Smoking machine	GHC 1000
refurbishment of warehouse and retail store	GHC 7000
computer	GHC750
Packaging equipment	GHC 1250
Total	GHC 10000

4.0 Company Ownership:

The Smoke House brand is owned by Mackba Farms Limited. Currently the brand will be operated as a subsidiary of Mackba Farms Limited but it will be registered as a separate company after a year of operation. The Smoke House will be owned by the five partners of Mackba farms Limited, each owning an equal percentage of the business.

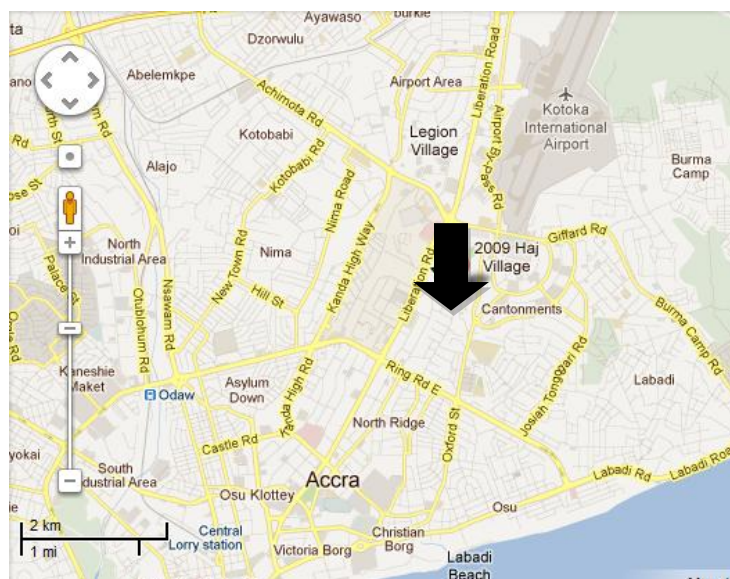
5.0 Location and Facilities:

The Smoke House will be located in Cantonments, Accra. The production, wholesale and retail offices will all be in the same location. This location is ideal because it is owned by the board of directors of the company. Cantonments is also in the centre of activities in Accra and highly accessible. It has a good road network and is better laid out than other areas making it easy for corporate and individual clients to access the product which will help increase customer base.

Figure2: Layout of Smoke House premises



Figure1: Map of Cantonments



(The Smoke House at black arrow)

6.0 Industry Analysis

In Ghana, chicken is eaten fried, battered, grilled, roasted or stewed. The popularity of chicken by Ghanaians is witnessed in the arrival of global fast-food giant Kentucky Fried Chicken into the Market and the increasing quantity of chicken imported into the country each year. Although there is no direct competition in The Smoke House's area of business, there are many substitutes to its product. Fresh chicken, chicken from restaurants and other meat products can all be eaten in place of smoked chicken therefore reducing the revenue to The Smoke House brand. The Smoke House however, satisfies a unique need that the other products do not. The Smoke House products will be made for storage, i.e. frozen and packaged for future use and as such are wrapped to maintain freshness. Other products however, are not made for this purpose and consequently even though consumers may freeze the products and store them for future consumption, the freshness and taste of the product will diminish. This will make The Smoke House product the best choice for convenient, quick-to-make stored meals.

6.1 Market trends

Ghanaians are increasing their consumption of chicken with the quantity of chicken imported into the country growing exponentially from 26,000 tons in 2002 to 50,000 tons in 2005 and finally 200,000 tons in 2010. This shows that there is a huge market for The Smoke House products.

6.2 Market growth and potential

Ghana has also become a middle income economy and Accra has the highest concentration of wealthy people out of the 10 speculated richest men in Ghana 9 live in Accra. Accra had a population of about 4 million now according to research by Laurus

Development Partners. This provides a large customer base for The Smoke House brand and gives the company extensive room for expansion. Also the product is familiar to the older generation but it is up to the company to introduce it to the younger generation and generate interest in the product.

6.3 Competitive Forces in the Industry

Bargaining Power of Suppliers: The bargaining power of suppliers is not an issue in The Smoke House industry as there are many suppliers of imported chicken who are competing against each other. This reduces their individual bargaining power as if one supplier decides to increase price, The Smoke House can use another supplier. The Smoke House aims to use this to their advantage in the future to negotiate for lower prices as the demand for the product increases.

Bargaining Power of Buyers: The Smoke House plans to retail its products internally to maintain the integrity of the brand as such the buyers will be mostly individual customers and not corporate buyers. Consequently buyers will not have much leverage in negotiating prices and this will reduce the frequency at which quantity discounts will be applied and yield positive results for the brand's profit margin potential.

Rivalry among Competitors and Threat of New Entrants: There are currently no companies to compete against The Smoke House but there is a potential threat of new entrants. When The Smoke House brands becomes well-known and the industry gets to know the profit potential, other companies may become attracted to the industry and try to design new products to compete with The Smoke House brand. This poses a potential threat to Smoke House's profitability as there is no significant differentiating factor. Smoke House will have to carry out significant branding to gain loyal customers which would protect it against the entry of new firms. Smoke House's objective of improved

value chain to reduce price while increasing margin would also help offset the threat of new entrants to the market.

Threat of Substitutes: The greatest competitive force against the profitability of The Smoke House brand is the threat of substitutes. The Smoke House brand has two main classes of substitutes; uncooked meat bought from stores and restaurant food.

Uncooked chicken bought from stores: customers could choose to purchase fresh chicken from vendors to prepare themselves rather than purchase Smoke House products which would reduce the total demand and in turn revenue that Smoke House would receive. The Smoke House brand will counteract this by emphasizing the convenience of ready-cooked chicken over meat that now has to be cleaned and prepared. Price would also be an issue but that will be resolved by improving the value chain to enable lower prices but also capitalizing on the value that the brand provides.

Smoked Chicken Producers: there are many small scale producers of smoked chicken and other smoked meats. They usually produce after an order has been made and do not invest much in branding or advertising their products. The customer has to look for the supplier as well as order in advance which is the complete opposite of The Smoke House Strategy where the company will be creating awareness of its brand at the same time making its product convenient and available.

Restaurant Food: customers could also choose to purchase food from restaurants and other food vendors more frequently than Smoke House products which would reduce revenue and profitability. The Smoke House will emphasize the convenience of the brand over restaurant substitutes by playing on the one-time purchase of the product. Consumers would have to purchase the product once a week with their regular shopping and keep it in the freezer for later use. In the event that they need it, they would not need

to get dressed and drive out of their homes to wait in a restaurant for their food but they can pop it into the oven for a few minutes in the comfort of their house. Smoke House will also play on its delivery of ready-to-eat chicken as a competitor to restaurants as most restaurants do not have delivery services.

7.0 Analysis of Environment

7.1 Economic

Inflation in Ghana has been stable over the past year but falling interest rates and the growth of the economy may cause the inflation rate to rise higher. Although it has been remarkably stable over the past year, price pressures are building. Domestic economic growth is very rapid 23% in the third quarter of 2010. Public sector workers recently received a 20% pay increase backdated to January and utility tariffs have recently been increased by around 7.0% (Business Monitor international, 2011).

7.2 Socio-cultural

Female employment is high in Ghana with three in four women employed and two in three women work fulltime. According to the Ghana Demographic and Health Survey in 1999, most Ghanaian women enjoy a high degree of autonomy with regards to spending their cash earnings. 54 percent of working mothers have a child less than six years. 48 percent of these mothers look after their own children while they are working. The increasing presence of women in the work place in urban areas like Accra show that there is a growing detachment of women from the kitchen and how much time they do and can spend in there. This provides an avenue for Smoke House to utilize as working mothers are the brands number one target group. Also, it is mostly women in Ghana who purchase food for their homes thus Smoke House will target most of its marketing messages to women. The Brand is also in good standing as Ghanaians love chicken which can be seen in the exponentially increasing import of chicken into the country to meet the growing demand.

7.3 Technological

There are two aspects of The Smoke House production activities, smoking and storing. The Smoke House uses traditional smoking equipment so technology does not play a major role in that aspect of its operations, however, technology is an important aspect of storage part of operations and will become increasingly relevant as the scale of the company's operations increases. The Smoke House produces frozen processed food for sale which needs to be packaged and stored well to maintain quality and prevent defects in the product. Because The Smoke House product is food, it is very important that the company invests in technology that will prolong the shelf life of the product as well as ensure that it is of the highest quality to attract consumers. The Smoke House seeks to ensure the freshness and long-lasting ability of its brand by keeping up-to-date on packaging technology to maintain freshness and prevent external odors from infusing the product and vice versa which frequently happens in freezers. The Smoke House will be monitoring these technological advances and will apply as much as it can to improve quality without incurring costs that it cannot cover.

The technological landscape in Ghana is increasing in depth with more customers getting accustomed to the internet. Because of this Companies are increasing the involvement in electronic marketing through social media, websites and e-mail advertising. Smoke House will take advantage of this as the brand does not have enough capital available to invest in expensive marketing communications channels like television and radio.

7.4 Political/ Legal

There are legal requirements for a meat processing company. The Smoke House has to be registered and inspected by the Food Safety Unit of the Food and Drugs Board of Ghana. The company also has to pay annual fees for renewal to ensure that consumers trust in the brand as it would have the FDB seal of approval. Imported chicken volumes are increasing exponentially from 26,000 tons in 2002 to 50,000 tons in 2005 and finally 200,000 tons in 2010 and this poses a major problem for the local broiler farmers (Mustapha, 2008). The Ghana poultry farmers association is lobbying for increased tariffs or the imposition of a quota, but currently this does not seem likely as import tariffs are reducing rather than increasing (Daily Guide, 2011). If it does happen, the cost of inputs for Smoke House will rise substantially. Smoke House plans to offset this by building a good relationship with local broiler producers which will not be too difficult as the parent company, Mackba Farms, is a member of the Ghana Poultry Farmers Association. This good relationship will enable the brand to purchase locally produced broilers at a good price so as not to increase cost of inputs by a large margin. A Consumers Rights Protection Law is in pipelines to be passed and when passed, the law is expected to empower consumer right groups and individuals to fight for interest of consumers and prevent consumer exploitation. The Smoke House has to ensure that its products are up to standard as consumers are becoming increasingly vocal about their opinions.

8.0 Business Strategy

The Smoke House will use a differentiation strategy to compete in the market. The company will differentiate itself by the convenience, accessibility and quality of the product. The Smoke House's differentiation based on convenience stems from the quick and easy nature of preparing the product in comparison to other products. The Smoke House product is almost cooked, all the consumer has to do is put it in a heated oven for 10 minutes from chilled or 30 minutes from frozen and it is ready to eat. The customer does not need to clean, season and cook the meat which will take substantially longer to complete.

The Smoke House plans to out-compete its substitutes with its accessibility. Though the company has only one retail store in Cantonments, it plans to make the product accessible to customers all over Accra. The Smoke House will take its product out to company offices and other places where its customers are and sell to them so they do not have to come to the retail store. The company will also have a delivery service that will deliver the product to any location within the Accra Metropolitan Area. The company also plans to buy one mobile retail unit by the end of 2012 and another by the end of 2015 to bring the product even closer to consumers.

The consumer is also ensured that the quality and taste of the product is maintained as the company makes its product to be stored and used later. This cannot be said of other food producers like restaurants whose food customers may want to preserve by freezing. The company will differentiate itself by providing a unique taste. This will be obtained by the unique blend of spices the company uses to season the chicken before it is smoked. From the few customers that the company has, the special flavor of the

brand is preferred to the traditional taste but the company will carry out research to ensure that the flavour is preferred by the majority of its consumers while maintaining its difference.

The Smoke House is also concerned with providing customers with good quality meat at an affordable price. The Smoke House plans to build this image by investing in total quality management to ensure that all its products are up to standard. Employees will be trained to inspect products to maintain high quality. The company also plans to invest in cost reducing activities and developing new ways to carry out its activities to reduce cost. The layout of the premises was done with this in mind, i.e. prevent time wasted and unnecessary transportation to get the product to the consumer. The company will reduce the cost to the consumer by integrating forward and self –retailing mainly because The Smoke House product needs to be handled with care and stored properly to prevent any harm to consumers which would destroy the brand's reputation. The company is confident it will maintain the quality of the product by retailing it as opposed to using a channel to distribute the product. This aspect of the company's strategy will ensure that the company objective "to ensure that our product is high in quality and taste" is achieved.

8.1 Strategic Objectives:

1. To generate 80% target market awareness in the first two years of business.
2. To be associated with high quality by the target market.
3. To grow market share of loyal customers to 50% in the first four years of business.
4. To improve value chain activities to reduce percentage cost of operations by half in seven years.
5. To be a recipient the National Quality Award within the next ten years.

8.2 SWOT Analysis

Strengths:

- The Smoke House is located at a good location in the centre of town. This gives more customers access to the product as it is within their reach.
- The company plans to carry out total quality management approach to production which will ensure that the product of high in quality and will reduce the occurrence of defects.
- The company also has a good strategy that is focused on differentiating the brand in a way that is relevant to the consumer and also focused on cost reduction strategies to increase the profitability of the brand.

Weaknesses:

- The product is new with very few customers. It is not widely known and the company will have to invest a lot of time and money to increase the awareness of the product.
- The company is also not widely known and the advantage that can be got from a parent company that is widely known and trusted does not exist.
- Smoking is not a very popular way of eating chicken and the younger generation is not familiar with eating smoked chicken.
- The company is now starting operations and is at the beginning of its learning curve. There is not enough experience in large scale production to enable it easily determine cost cutting activities which will cause the initial expenses of the company to be high.

Opportunities:

- Chicken is in high demand nationally as the import volume of chicken is increasing exponentially each year. The Smoke House can take advantage of this and capture a segment of the market that likes the taste of smoked chicken.
- The market for frozen ready-cooked meats has not been tapped into and The Smoke House can build its brand and capture loyal customers before other companies are attracted.

Threats:

- Other companies can easily copy The Smoke House's product and create fierce competition as there is no serious barrier to entry.
- The Ghana poultry association is lobbying for an increase in tariffs on imported chicken and this would adversely affect the company's business. This however does not seem likely as the government recently reduced tariffs on imported chicken.

8.3 Key Issues

Distribution: The Smoke House has to ensure that its distribution strategy keeps it accessible to its customers as this is one of the differentiating features of the brand. It is important the product be accessible to the consumer as there are many ready substitutes and the emphasis the brand puts on convenience requires that the distribution process is convenient for the consumer. The company plans to invest in distribution by purchasing mobile retail units and a delivery bike. The Smoke House will also research on ways to do improve its distribution channel cost efficiently to ensure that the company does not lose margin to carry out this strategy.

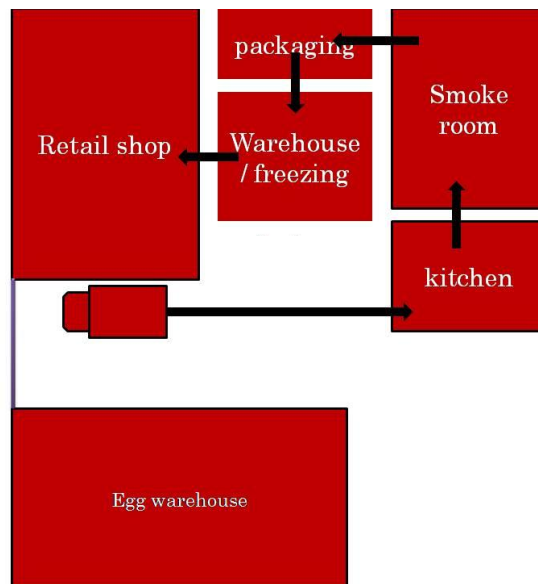
Total Quality Management: the nature of the product makes quality an essential attribute to be associated with the brand. If the quality of the product is compromised, consumers will stop purchasing the brand because the cost of a defect is high, i.e. food poisoning or worse. The Smoke House will have a company culture that reveres quality and will carry out activities to ensure that the quality of the product is not compromised during transportation, production and storage.

Communication: the product is new to the market and the family brand is not widely known thus The Smoke House has to invest in increasing the awareness of the product and the brand in its target market to ensure that revenue will grow as expected to merit the investment in expansion. The company will do this by investing in inexpensive marketing communication channels such as online advertising. The company intends to build its brand image through word of mouth brought on by consumers' positive encounter with the brand. The Smoke House will do this by investing in experiential marketing so consumers experience the brand and talk about it.

9.0 Operations Plan

The Smoke House currently outsources its smoking to Smokey Charlie Catering but plans to build its own smoke house on its current premises in Cantonments, Accra. The Smoke House will purchase one smoker with a capacity for 100 birds and carry out its operations one day of the week – Friday – and retail the product throughout the week. The Smoke House plans to start producing and selling 50 birds a week in January 2012 and increase it to 150 a week by the beginning of January 2013.

Figure 3: Process flowchart



All production operations will be carried out on Friday as the bulk of purchases will be expected over the weekend. As demand increases, rather than purchase greater capacity ovens, The Smoke House will carry out production on Tuesday and Friday to match demand. Total Quality management practices will be carried out at all stages of the production process and after production to ensure that the company's goal and strategic plan of high quality is met and not compromised.

1. Acquire chicken – currently The Smoke House does not have any particular trade partners and buys from any supplier, but looking forward, The Smoke House hopes to build a strong relationship with one or two suppliers of chicken to enable the company purchase the input at a lower price. The Smoke House aims to grow its demand to 500 birds a week to merit importing chicken to reduce the cost of middlemen. Smoke House will research all suppliers before going into business with them to ensure that they are trust-worthy and sell quality inputs.
2. Transport to premises – the inputs will be transported to the company premises by a minivan that the parent company owns. Transportation will take place on Thursday evening to give time for operations. The broilers will be transported in ice chests with ice to keep them frozen and prevent spoilage. Smoke House will ensure that there are enough ice chests and more than enough ice to keep the broilers frozen and in good condition as they are transported. These activities will be carried out the day before transportation and double checked the morning of transportation
3. Preparation and Brining –The broilers will be flavored by injection as opposed to the traditional method of soaking in spiced water to prevent the loss of nutrients from the broilers into the solution. The Smoke House will inspect all birds as they are brought in to ensure that they are of good quality just before they are injected. The broilers will be injected in the kitchen, which is reserved for only unprocessed meat, on Thursday night and kept in the freezer overnight to imbibe the flavours. The broilers will be moved to The Smoke House early Friday morning.
4. Smoke – the broilers will be placed 50 at a time in the smoke chamber following brining for about 3.5 hours after which they will be left to cool for 2 hours before they are transported to the freezers. Samples will be taken at this point to ensure

that the product is as expected. These samples are what will be used for the experiential marketing campaign to prevent wastage and loss of revenue.

5. Package – the frozen broilers will be individually packaged with a vacuum wrap and labeled. The label will be printed externally by Impact Art.
6. Freeze – the cooled broilers will be inspected after cooling and placed in freezers to freeze and harden after which they will be sent to packaging. The broilers will be placed in a shelved freezer to ensure that they each keep their shape and do not get damaged as they freeze.
7. Warehouse – after packaging the frozen product will be moved back to the freezers in the warehouse awaiting shipment to a customer. There will be constant monitoring of the freezer temperature to ensure that the temperature is not increasing to boost the risk of spoilage.
8. Retail – the retail point will have one salesperson in charge of selling both Mackba Farms eggs and The Smoke House chicken. The Smoke House aims to have at least two mobile retail trucks by the end of 2012 to increase the accessibility of the brand.
9. After sales services will involve recipe suggestions for both healthy and regular eaters on the company's website.

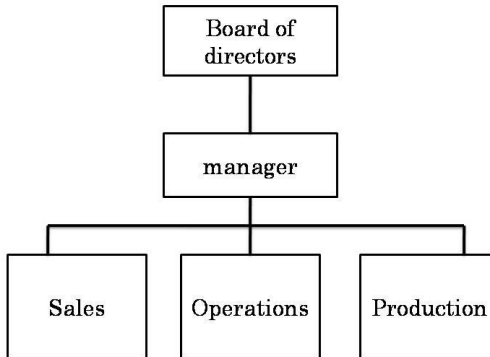
9.1 Value Chain

<i>Total Quality Management</i>					
<i>Research and Development</i>					
<i>Human Resource Management</i>					
<i>Procurement</i>					
<i>Inbound logistics</i>	<i>Production</i>	<i>Outbound logistics</i>	<i>Distribution</i>	<i>Sales and marketing</i>	<i>Services</i>

1. Total quality management – Smoke House will ensure quality at all stages in the company's value chain. Employees will be responsible for ensuring the quality of their product. they will be trained on identifying defective products and
2. Research and development – The Smoke House will research on ways to reduce operational costs as well as methods of preserving the shelf life and enhancing the quality of the product throughout production, transportation and storage.
3. Human resource management – The Smoke House will ensure the integrity of its brand and products by hiring people who are smart and are concerned about quality. The success of the brand rides on the consumer's perception of quality thus employees must be concerned with quality and be smart such that they can detect defects in the product and prevent the extra cost of supervision. Employees will be notified of the company values quality as that is the lead to sustainable profitability.
4. Procurement – The Smoke House will ensure that it purchasing its inputs from trust worthy sources and will maintain good relationships with its suppliers to reduce cost and prevent damage to the image of the brand from defective products.

10.0 Human Resources Plan

Figure 4: Organizational Structure



Smoke House is a new initiative by Mackba Farms as such the organizational structure is very lean. The company has only two full time employees and two part-time employees. The Board of Directors is made up of the owners of Mackba Farms Limited. They are Czarina Ribeiro, Nina Addo, Orlando Baeta, Felicio Baeta and Fernando Baeta. They will be involved in the decision making of the company and negotiating contracts with potential suppliers and buyers.

The full time employees are the Manager and the Sales Person. The Manager will carry out the administrative aspect ensuring that all aspects of the business are running efficiently and cost effectively. The manger will be in charge of ensuring total quality management. The Manager will also be responsible for the marketing of the product, financial management and employee recruitment and relations. There will be one employee in charge of sales who will be responsible for the retail store and coordinating the mobile retail units in the future. This employee will handle the accounts of the company and be responsible for the collection of debts and the timely payment of all Smoke House bills. The part time employees will be the employees in charge of operations and production. For production, the employee will make the seasoning mix

and get it ready for the injection process. (S)he will inspect the birds upon arrival and inject them, store them properly overnight and inspect them the following morning before transferring them to the smoke chamber. The employee in charge of operations will transfer the smoked chicken from the smoker after it has cooled and take inspect to ensure that the flavor is right. (S)he will then package the cooled birds with a vacuum wrap and paste the label in the centre of the product. The packaged smoked chicken will then be placed in the freezers for storage. These two employees will work twice a week on the days of production.

Figure 5: Salary Schedule for 2012

Employee	Monthly salary (GHC)
Manager	GHC 1000
Sales	GHC 500
Production	GHC 200
Operations	GHC 200
Total	GHC 1900
Annual Salaries	GHC 22800

11.0 Marketing Plan

11.1 Market Research Findings

Market research was carried out to find the potential size of The Smoke House brand's market. The research sought to find the characteristics of potential buyers to determine what marketing strategies to use and determine the image of the brand. The sample size was 200 with 15% between the ages of 15 and 22. 50% between the ages of 23 and 40 as this age range is the primary target market of the brand and the remaining 35% above 40 years. The primary respondents were from a variety of professional backgrounds but mostly with incomes above GHC800 a month. 26.5% of respondents were single, 15.5% have a family size of 2, 17.5% have a family size of 3, 20% have a family size of 4, 15.5% have a family size of 5 and 5% have a family size of over 5 people.

From the market survey carried out 89.5% of respondents like chicken and 87% of them eat it at least once a week so the business venture is a worthwhile one; there is a lot of room for expansion from the company's starting point of 50 birds a week in January 2012. The survey carried out also found that 40% of respondents like to eat spicy meat thus the company is providing its customers with two flavours; regular and spicy. The survey also found that 34% of respondents prefer locally produced chicken because they believe it is fresher, tastes better and is good for Ghana's economy. 38% prefer imported chicken because of the size and price and 28% did not respond to the question. As a result of these findings, The Smoke House brand will consider providing locally produced smoked chicken for consumers but the company needs to find a favourable agreement with a supplier which would allow the company to maintain its margin on the product. Without this The Smoke House would have to charge a premium on locally produced broilers which only 30% of respondents who preferred locally produced chicken were

willing to pay for. The Survey also sought to find out which product type The Smoke House brand should produce next. The survey found:

meat	1 st preference	2 nd preference	3 rd preference	Total
Goat	12%	21%	14%	46%
Lamb	13%	11%	17%	41%
Fish	13%	17%	10%	39%
Beef	14%	11%	19%	43%
Guinea fowl	15%	11%	8%	33%
chicken	21%	16%	14%	50%
Turkey	4%	3%	6%	12%
Pork	11%	12%	15%	37%

Thus The Smoke House will be considering producing a new product in after it has established itself as a quality frozen smoked chicken brand and will use its brand identity as leverage in expanding the company's product line.

11.2 Competitor Analysis

The Smoke House brand is entering is two markets simultaneously; the market for frozen par-cooked foods which is not well developed and the market for readymade food. The market for readymade food is Ghana is well developed and segmented into different sub-markets. The competitors in this industry are high end restaurants, fast food restaurants and supermarkets that sell readymade food. The competition in this market is high as there are many competitors who have sizeable percentages of the market and others who do not have any significant percentage of the market. Competitors use product promotions and expansion to compete in. the segments in this market are buyers who are always on the move and are not in one place long enough to prepare their own food; buyers who are very busy and do not have the time to cook;

buyers who find it cheaper to eat out; buyers who do not like/ know how to cook and prefer to eat out; and buyers who occasionally eat out.

The second market for frozen par-cooked food in Ghana is not fully developed and is made up of imported brands and local brands. The imported brands are internally strong brands that are popular but do not capture a significant portion of the market in Ghana as they are sold in solely high end supermarkets. The local producers of frozen par cooked are few and do not have any significant market share. This is because branding is not a big weapon of competition for the local brands and as such consumers are not loyal to any particular brand. These companies usually produce pastries and sausages. Though they fall in the exact industry as The Smoke House, they do not stand to capture The Smoke House's market as they will not be considered in the same food bracket as The Smoke House. These products are considered more as snacks than meals but The e Smoke House product will primarily be acknowledged as for a meal.

These markets are substitutes for each other and unprocessed food which is used for home cooked meals is also a substitute for both markets. These products are sold all over the country and these products are what consumers are more accustomed to buying. However they do require a lot of time and work to get them from their original state to the dinner table. The Smoke House intends to use this to its advantage and combat these products on its convenience. The Smoke House will also use price and accessibility to compete in the ready-to-eat food market and brand recognition to compete in the frozen foods market.

11.3 Target market

1. Working mothers: this segment of the market is made up of women who have families and work as well. These women usually cook for their families every day. These women do not have much time for themselves as they spend most of their day split between working and taking care of their families. This product is targeted at them to help them spend less time in the kitchen and more time on themselves and with their families.
2. Single working people: this segment of the market works hard and has to find time for a social life as well. This segment either cooks for themselves or goes out to eat. A lot of time is spent doing either one of these activities as preparing or waiting for ordered food take up time that could have been spent relaxing or working. The Smoke House product would allow customers to spend less time getting food and allow them more time for other activities. It also reduces the stress of having to know how to cook as all the customer does is heat up the food.
3. Caterers: this segment of the market cooks commercially but smoking chicken is not something that can be done individually, thus unless the caterer is one that specializes in smoked products, it would not be cost effective to purchase a smoker for operations. This segment of the market would purchase The Smoke House products to prepare food for clients. They would more likely prepare fresh products and not frozen products.

11.4 Marketing Objectives

1. To ensure 70% trial of product in the target market in two years.
2. To grow brand recognition to 50% in the first two years of operation.
3. To grow market share to 20% in the first two years
4. To increase distribution channels in four years

11.5 Positioning Statement

The Smoke House Brand seeks to position itself in the minds of its target market as a high quality reliable and convenient brand that cares about its customers and is concerned with making their lives easier.

11.6 Product and Service

The Smoke House product is par-cooked frozen chicken that is smoked in a traditional smoke chamber until just before it turns golden brown. The product is already cooked and is ready to eat 10 minutes from chilled or 30 minutes from frozen when placed in a pre-heated oven. The product is packaged in individually wrapped vacuum bags and stamped with a label detailing the date of manufacture and the expiration date as well as directions for preparing the product. The label will have different recipes on the back to assist customers in preparing meals with the product. The product can be used in different ways to make a meal. It can be eaten as it is with carbohydrates as full meal, it can be used to make soup or stew and it can be used in salads and sandwiches.

Although the core business of The Smoke House is the sale of frozen par cooked smoked chicken, the company will branch into ready-to-eat food services. By the third quarter of 2013 The Smoke House will begin providing ready-to-eat smoked chicken in

its retail store and provide a delivery service of the ready-to-eat meat to customers at a charge.

Brand Elements:

Slogan: Lip smacking convenience

Logo: yet to be designed by company

Colour: orange

These elements are intended to first and foremost attract the consumer to the brand by their vibrancy, the logo and packaging will be used to portray this. The catchiness of the slogan will also attract customers to the brand. The brand name and logo would tell the purchaser about the product.

11.7 Price

The Smoke House will attractively price its product for its target market. Competitor research carried out indicates that most competitors charge between GHC 10 and GHC20 per whole chicken. Wanting to be associated with quality and at the same time affordability, The Smoke House has chosen to price its product at GHC15 as it is higher than some brands but not too high as it is a frequent purchase item which increases its price elasticity. This price enables the company to cover its cost of production and enables it to make profit.

11.8 Place

The Smoke House's distribution channel will be made up of a retail store in cantonments and mobile retail automobiles to make the product more accessible to consumers. The Smoke House will have arrangements with areas that have a large concentration of its

target market and choose strategic times to position there to attract the target market to purchase the product.

11.9 Promotion

The Smoke House will promote its brand mainly through experiential marketing in the first two years. The company will have a launch day and set up stands at strategic locations where there is a concentration of the target market and provide tasting stands for consumers. The product will be available in all the ways that it can be eaten; as it is, in a soup, stew, salad and sandwich. The company will also market online through its website and social networking sites. The company website will contain information about the product and recipes with the product as the main ingredient. The company intends to extend into other channels of marketing communication such as print and radio in the coming years. The experiential marketing will be to help consumers experience the taste of the product and how it can be eaten. Research shows that this is the most successful means of product awareness and The Smoke House is choosing to use this method because smoked chicken is not a very popular product. The other communication channels will be used to put across the brand's values which are quality reliability and convenience. The communication will seek to show the versatility of the product and how consumers can access the product.

11.10 Physical evidence

The Smoke House intends to use its retail store premises to enhance its brand image. The store will be designed to show the value The Smoke House has for quality and cleanliness. It will be designed to attract consumers to the retail location.

11.11 Action plan

Month	Year	Activity
January	2012	start operations and launch website
March	2012	launch product officially
March	2012	start mobile retail car
March - June	2012	intense experiential marketing campaign
June - March	2012/2013	continue experiential marketing
April	2013	start delivery service
January	2014	start mobile retail minivan

11.12 Evaluation of Marketing Efforts

The experiential marketing efforts are expected to have the greatest effect on drawing the target market to the brand. Detailed records will be kept to learn how consumers came into contact with the brand to determine whether the experiential marketing campaign is successful or not. Consumer satisfaction surveys will be conducted verbally or through questionnaires to discover consumer perception of the brand and determine if the communication channels are getting the right message about the brand out.

12.0 Risk Management

1. Description of Risk: **Defective Inputs**

Possibility of occurrence: **High**

Impact: defective inputs cannot be used for production and as such the company loses the money used in purchasing the inputs and money used to dispose of the input.

Risk mitigation actions: the company will ensure that all suppliers have a good reputation and build good relationships with suppliers to prevent circumstances like this. The company will not conduct activities that compromise quality for cost such as purchasing from unknown suppliers for cheaper prices. The company will also inspect inputs before purchasing to ensure that in any event the inputs are up to standard.

2. Description of Risk: **Power Fluctuations**

Possibility of Occurrence: **High**

Impact: **Medium.** The Smoke House products need to be handled with care and kept frozen during warehousing to prevent and reduction in the products' quality. Power fluctuations increase the presence of bacteria in the storage units and increase the probability of defective products.

Risk mitigation actions: the parent company, Mackba Farms Limited, owns a generated that is used to run its operations in the location. This generator will be used as a backup power supply for main electricity to prevent damage to The Smoke House products in storage. The company will also carry out activities which will enable it to sell all its products three days after production. This would reduce the susceptibility of the company to damages due to power fluctuations.

3. Description of Risk: **Defective Product**

Possibility of Occurrence: **Medium**

Impact: **High**. Defective products would lose The Smoke House money as the company would have to dispose of the product and lose the money invested in the product as well as the cost of disposing of the product. The sale of defective products would have even more dire consequences on the company as customers would be harmed and this would cause them to lose faith in the brand and cause the company's market share to fall.

Risk Mitigation Actions: The Smoke House products will constantly be monitored to ensure that they are not being damaged. The company personnel will be trained to maintain the quality of the product in their actions and prevent damage to its quality. The temperature of the storage units will be monitored to ensure they do not rise to a temperature that is conducive for product deterioration. The company will also prevent customers from buying defective products by self retailing as it cannot monitor the actions of retailers which could cause the deterioration of the product. The Smoke House will also provide a best-before date and storage instructions to facilitate the consumption of good quality meat by customers.

4. Description of Risk: **Poultry Diseases**

Possibility of occurrence: **Low**

Impact: **High**: reduction in the demand for poultry

Risk mitigation actions: the occurrence of this risk is out of the company's hands but The Smoke House will build a brand as a quality and reliable company which it believes will save it in such a situation by letting consumers know that it has always provided quality

products and will continue to ensure that its products remain of the highest quality for the consumer.

5. Description of Risk: Unavailability of Inputs

Possibility of occurrence: **Low**

Impact: **High**. Halt in operations

Risk mitigation actions: the company will keep its ears on the ground for any hint of shortage strategies or occurrences. Although the company intends to carry out a lean operation, the company will purchase higher quantities of inputs to ensure production if this situation does occur. The company also intends to mitigate this risk building good supply relations that would put The Smoke House on the top of the list of buyers for its suppliers.

6. Description of Risk: Occupational Hazard

Probability of occurrence: Medium

Impact:

Risk Mitigation Actions: setting safety guidelines for the company premises, training employees as well as guests and ensuring that the safety guidelines are followed.

13.0 Financial Plan

The Smoke House requires GHC10000 for the initial start up to commence operations as a separate entity. The whole GHC10000 will be in the form of equity contribution from the owners of the parent company Mackba Farms. Further capital expansions will be made with either short term loans or retained earnings.

13.1 Important assumptions

1. The company's cost of equity is 20%.
2. The company is using the reducing balance method for asset depreciation.
3. Corporate tax rate is 25% on profits

13.2 Key Financial Indicators

The population of Accra was estimated to be 4 million in 2010 by Laurus Development Partners. Considering that Ghana is now a middle income economy, The Smoke House can expect revenue to grow at an incredibly fast rate given the company has unlimited resources. However, in view of the constraints of the company, Revenue is expected to grow by 50% in the first four years of operation as a result of increased customer demand from the rising awareness of the product and its attributes through the company's marketing strategy.

13.3 Projected Profit and Loss

Assumptions for the Profit and Loss Account

- Cost of Revenue is expected to grow at 40% for the four year period as revenue is increasing by 50%.

- Operating expenses are expected to grow by 25% annually to incorporate salary increases and reflect the potential increase in transportation costs as well as utilities.

During the first four months of operations the company is predicted to be making losses as a result of the high selling expenses that would come about from the marketing efforts to launch the product and increase awareness. The company however recovers and makes a meager profit of GHC40 in the first year. This is also partly as a result of the depreciation method used as the depreciation value in the first year is large. Revenue is expected to grow at a higher rate than cost of goods sold because the company's increasing bargaining power will enable it negotiate down the price of its inputs.

13.4 Projected Balance Sheet

The company is starting out with fixed assets of GHC10000 which are depreciated by the reducing balance method because the assets will lose a large amount of their value in the first few years. Their frequent use will wear them down so that they would not worth much for resale in later years. The fixed asset value increases in 2013 as a result of the purchase of a mobile retail car for GHC5000 and in 2015 as a result of the purchase of a mobile retail minivan for GHC15000. The company will purchased slightly used cars to benefit from the value while not paying a high price. The company starts out with working capital of GHC2000 which obtained by a short term loan.

13.5 Business Ratios

Financial Ratios				
	2012	2013	2014	2015
leverage ratios				
interest coverage ratio	1.10	20.21	81.71	174.51
liquidity ratios				
current ratio	1.88	3.07	1.90	0.56
quick ratio	1.82	2.99	1.79	0.42
efficiency ratios				
sales-to-assets ratio	6.26	7.77	11.52	12.82
average collection period	1.45	1.38	1.48	1.41
profitability ratios				
net profit margin	0.05%	4.97%	13.93%	19.96%
gross profit margin	51%	54%	57%	60%

The Smoke House's interest coverage ratio increases from 1.10 in the first year to above 20 in subsequent years. This shows that The Smoke House is at no risk of defaulting on its loan and as such can concentrate its efforts on productive activities. The company can easily settle its debt obligations as its operating income is increasing over the period.

The Smoke House liquidity ratios fluctuate from rising to falling but the company always has enough current assets to cover its current liabilities.

The Smoke House's operations can be said to be very efficient as the sales-to-asset ratio is increasing over the four year period and the average collection period is

dropping. Because of the nature of The Smoke House business most of its purchases are not made on credit which accounts for its low collection period.

The company's gross profit and net profit margins are increasing over the period as its revenue increases at a faster rate than cost of goods sold and administrative and selling expenses. This is good news for the owners of the company as in the fourth year the profit to the company is almost 20% which is the required rate of return on their investment.

13.6 Firm Valuation

The firm is valued by the Free Cash Flow method where the net cash inflow to the firm is calculated by adding depreciation to the company's operating cash flow and investment in fixed capital as well as working capital were subtracted from it for four years. The cost of equity of 20% was used to discount the cash flows to present value and the cash flow to perpetuity was determined using a growth rate of 5%. This resulted in firm value of GHC290,547.21 almost 30 times the capital invested in the company.

13.7 Recommendations

The company should watch its current assets to ensure that it does not fall below the current liabilities level. The company should also manage its cash level properly to ensure that it is always liquid and can pay its creditors.

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Appendix

Appendix 1: Research Findings

Figure 1:

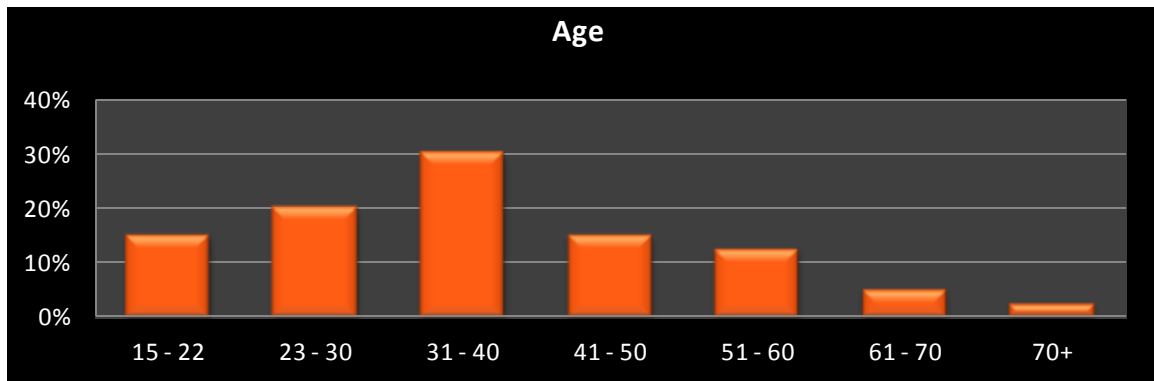


Figure 2:

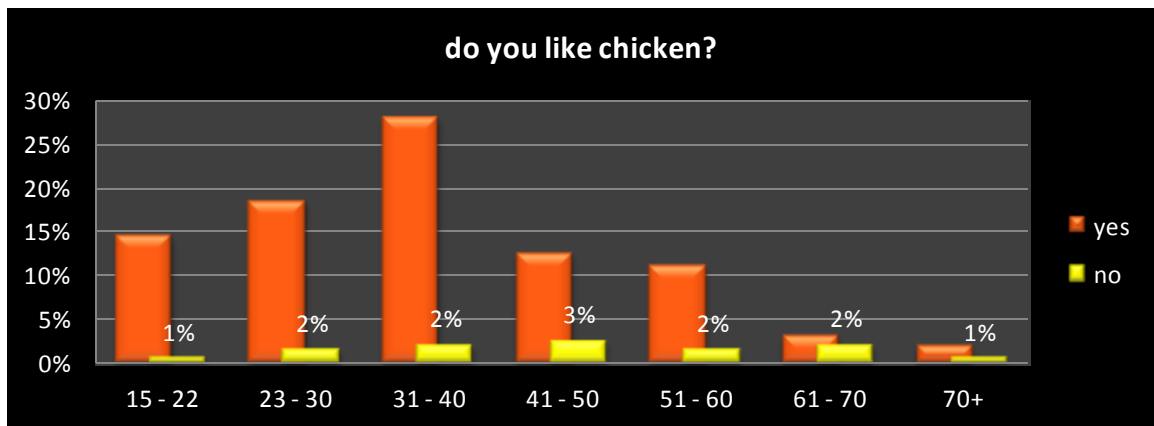


Figure 3:

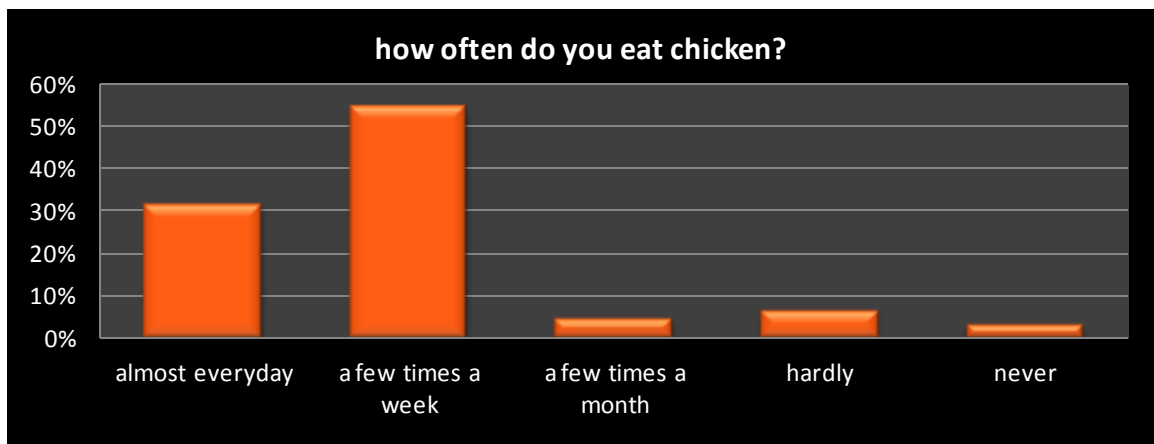


Figure 4:

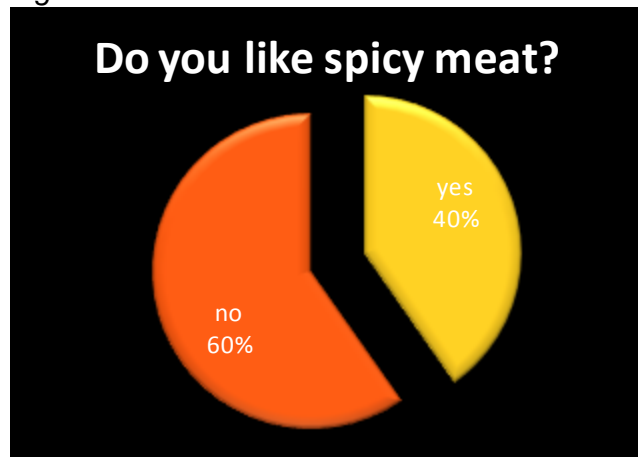


Figure 5:

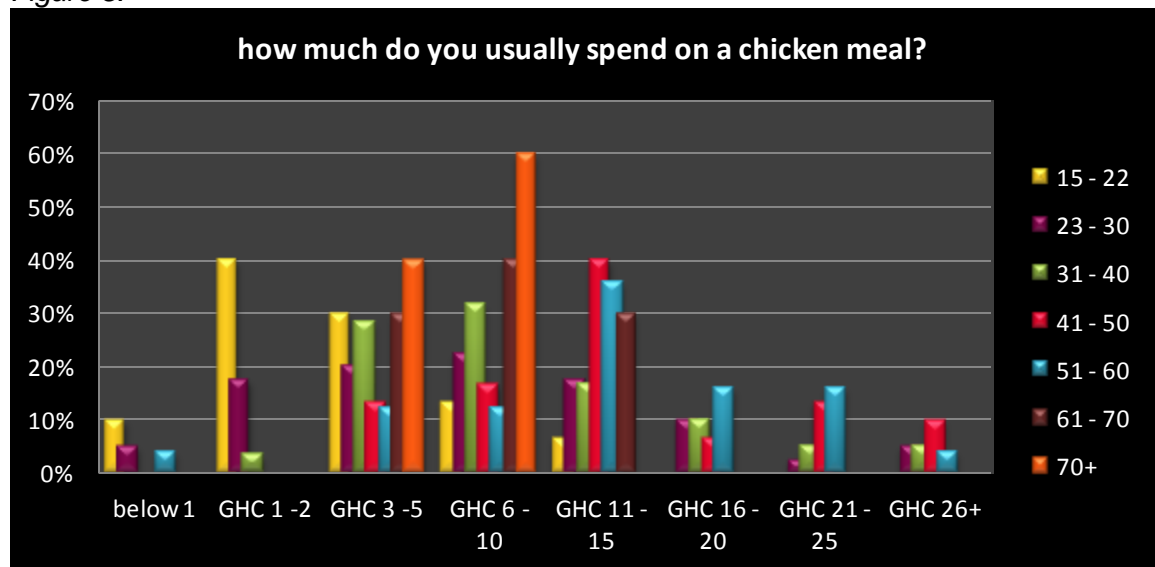


Figure 6:

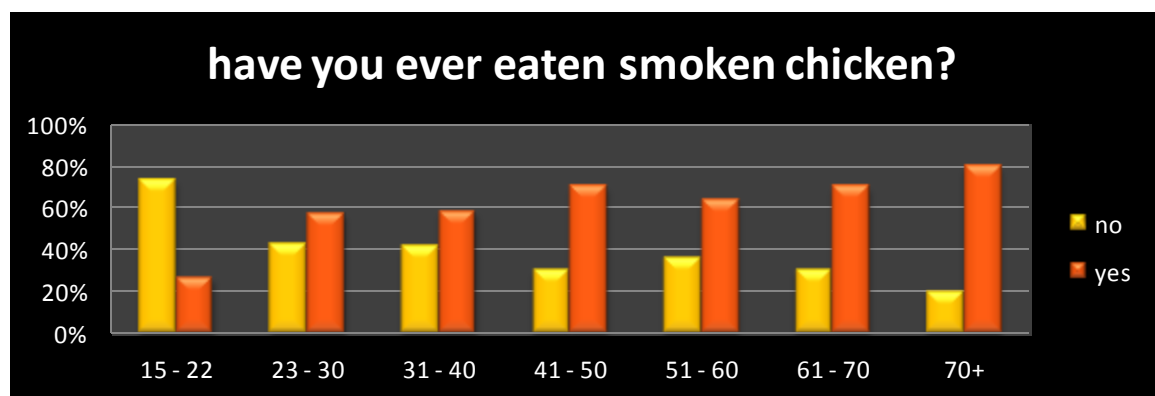


Figure 7:

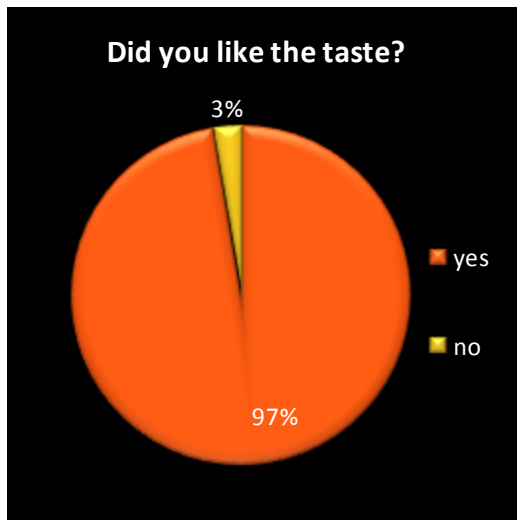


Figure 8:

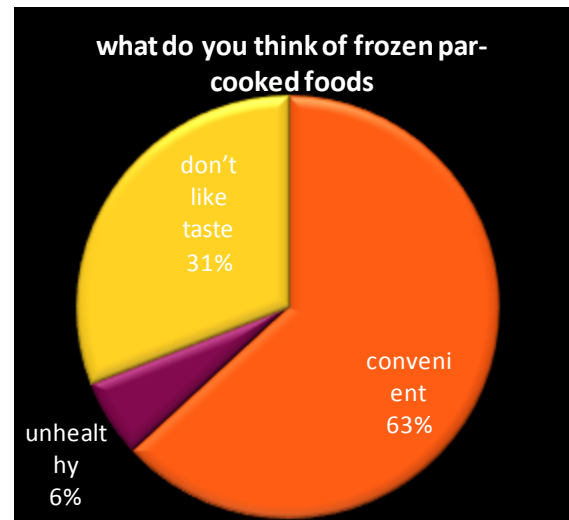


Figure 9:



Figure 10:

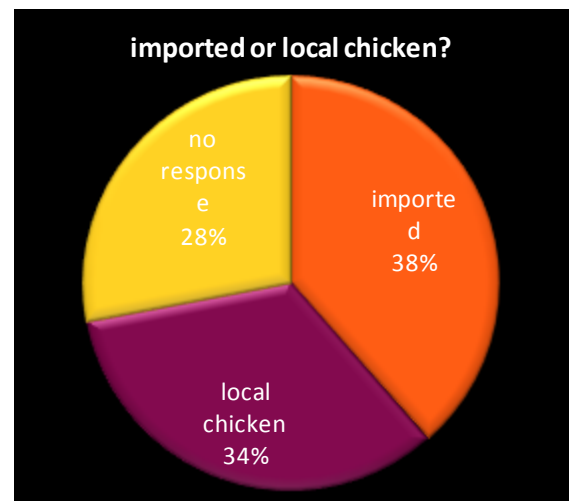
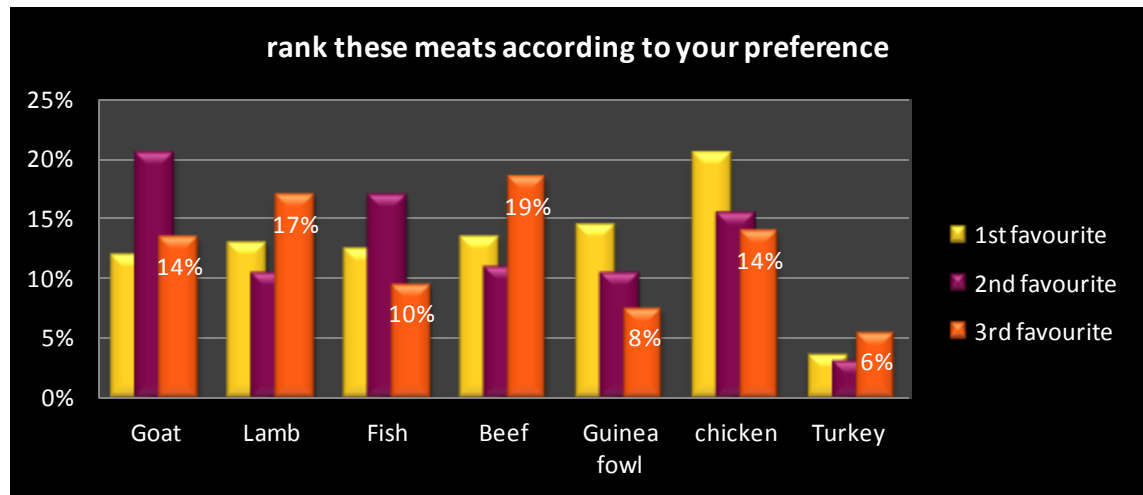


Figure 11:



Appendix 2: Profit and Loss Statement

YEAR ONE (2012)- monthly						
	January	February	March	April	May	June
Revenue	3000.00	3000.00	3000.00	3000.00	7500.00	6000.00
COGS	(1540.00)	(1540.00)	(1540.00)	(1540.00)	(3675.00)	(2940.00)
gross profit	1460.00	1460.00	1460.00	1460.00	3825.00	3060.00
selling and admin expenses	(3450.00)	(2950.00)	(3450.00)	(2950.00)	(2950.00)	(2950.00)
operating income	(1990.00)	(1490.00)	(1990.00)	(1490.00)	875.00	110.00

YEAR ONE (2012)- monthly						
	July	August	September	October	November	December
Revenue	6000.00	7500.00	9000.00	11250.00	9000.00	9000.00
COGS	(2940.00)	(3675.00)	(4340.00)	(5425.00)	(4340.00)	(4340.00)
gross profit	3060.00	3825.00	4660.00	5825.00	4660.00	4660.00
selling and admin expenses	(3450.00)	(2950.00)	(2950.00)	(2950.00)	(2950.00)	(2950.00)
operating income	(390.00)	875.00	1710.00	2875.00	1710.00	1710.00

Appendix 3: Annual Profit and Loss Account

Annual Profit and Loss Account				
Year	2012	2013	2014	2015
	GHC	GHC	GHC	GHC
Revenue	77,250.00	115,875.00	173,812.50	260,718.75
COGS	(37,835.00)	(52,969.00)	(74,156.60)	(103,819.24)
depreciation	(2,075.00)	(3,072.50)	(2,282.75)	(6,237.13)
gross profit	37,340.00	59,833.50	97,373.15	150,662.39
selling and admin expenses	(36,900.00)	(51,750.00)	(64,687.50)	(80,859.38)
operating income	440.00	8,083.50	32,685.65	69,803.01
interest	(400.00)	(400.00)	(400.00)	(400.00)
profit before tax	40.00	7,683.50	32,285.65	69,403.01
Tax (25%)	0.00	(1,920.88)	(8,071.41)	(17,350.75)
net operating income	40.00	5,762.63	24,214.24	52,052.26

Appendix 4: Break down of Annual Expenses

Selling Expenses				
item	2012	2013	2014	2015
	GHC	GHC	GHC	GHC
transportation	250	312.5	390.625	488.2813
utilities	300	375	468.75	585.9375
miscellaneous	100	125	156.25	195.3125
marketing	1600	125	156.25	195.3125
insurance	100	125	156.25	195.3125
rent	800	1000	1250	1562.5
Salaries	1300	2250	2812.5	3515.62
Monthly total	2950	4312.5	5390.625	6738.281
ANNUAL	36900	51750	64687.5	80859.38

Appendix 5: Balance Sheet

Balance Sheet				
	2012	2013	2014	2015
	GHC	GHC	GHC	GHC
Non- current Assets				
property plant and equipment	7,925.00	9,852.50	7,569.75	26,332.63
Net Fixed Assets	7,925.00	9,852.50	7,569.75	26,332.63
Current Assets				
accounts receivable	160.00	200.00	300.00	400.00
cash	4,115.00	7,237.50	4,516.25	867.38
inventory	150.00	200.00	300.00	400.00
Total Current Assets	4,425.00	7,637.50	5,116.25	1,667.38
Total Assets	12,350.00	17,490.00	12,686.00	28,000.00
Non-current Liabilities				
long term loan	2,000.00	2,000.00	2,000.00	2,000.00
Total non-current liabilities	2,000.00	2,000.00	2,000.00	2,000.00
Current Liabilities				
accounts payable	350.00	490.00	686.00	1,000.00
Total Current Liabilities	350.00	490.00	686.00	1,000.00
Total Liabilities	2,350.00	2,490.00	2,686.00	3,000.00
Shareholder's Equity	10,000.00	10,000.00	10,000.00	10,000.00
retained earnings		5,000.00		15,000.00
total liabilities and shareholder's equity	12,350.00	17,490.00	12,686.00	28,000.00

Appendix 6: Cash Flow Statement

Cash flow Statement				
	2012	2013	2014	2015
	GHC	GHC	GHC	GHC
Cash from Operations				
Net Income	40.00	5,762.63	24,214.24	52,052.26
depreciation	2,075.00	3,072.50	2,282.75	6,237.13
total cash flow from operations	2,115.00	8,835.13	26,496.99	58,289.38
Cash flow to investment				
	(10,000.00)	(5,000.00)	0.00	(15,000.00)
total cash flow to investment	(10,000.00)	(5,000.00)	0.00	(15,000.00)
Cash flow to equity holders				
	0	(5712.63)	(29218.23)	(61938.26)
total cash flow to equity holders	0.00	(5,712.63)	(29,218.23)	(61,938.26)
Cash flow from financing				
	10,000.00	5,000.00	0.00	15,000.00
total cash flow from financing	10,000.00	5,000.00	0.00	15,000.00
Cash flow for the year	2,115.00	3,122.50	(2,721.24)	(3,648.88)
Cash beginning balance	2,000.00	4,115.00	7,237.50	4,516.25
Cash ending balance	4,115.00	7,237.50	4,516.25	867.38

Appendix 7: Depreciation Table

Depreciation						
Item		value	2012	2013	2014	2015
		GHC	GHC	GHC	GHC	GHC
smoke machine	30%	1000	300	210	147	102.9
packaging equipment	30%	1250	375	262.5	183.75	128.625
Building	10 years	5000	500	500	500	500
furniture and fittings	30%	2000	600	420	294	205.8
computer	40%	750	300	180	108	64.8
automobiles	30%	5000		1500	1050	735
automobiles	30%	15000				4500
	annual depreciation		2075	3072.5	2282.75	6237.125

	2012	2013	2014	2015
	GHC	GHC	GHC	GHC
Assets	10,000.00	15,000.00	15,000.00	40,000.00
accumulated depreciation	2075	5147.5	7430.25	13667.375
Net Asset Value	7,925.00	9,852.50	7,569.75	26,332.63

Appendix 8: Discounted Payback Period

Discounted payback period			
	Cash flow	PV of Cash flow	cumulative
	GHC	GHC	GHC
2011	(10000.00)	(10000.00)	(10000.00)
2012	(1560.00)	(1300.00)	(11300.00)
2013	1062.63	737.94	(10562.06)
2014	29514.23	17079.99	6517.93
2015	47352.26	22835.77	29353.71

Appendix 9: Firm Valuation using FCFF

	2012	2013	2014	2015	
	GHC	GHC	GHC	GHC	
EBIT (1 - tax)	440.00	6,062.63	24,514.24	52,352.26	
depreciation	2,075.00	3,072.50	2,282.75	6,237.13	
capital expenditure		5,000.00		15,000.00	
			-		
change in working capital	4,075.00	3,072.50	(2,717.24)	(3,762.88)	
	2012	2013	2014	2015	terminal value
	GHC	GHC	GHC	GHC	GHC
Free Cash Flow to Firm	(1,560.00)	1,062.63	29,514.23	47,352.26	520,874.86
discounted FCFF	(1,300.00)	737.94	17,079.99	22,835.77	251,193.51
Firm Value	290,547.21				