

MODULE 3: **Entrepreneurship**

LESSON 3: **Agricultural Enterprise Business Plan and Marketing**

TIME: **1 hour 36 minutes**

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LESSON

**3**

**Agricultural Enterprise  
Business Plan and Marketing**



**TIME:**

**1 hour 36  
minutes**

**AUTHOR:**

**Gidraph J Nduati**



**OUTCOMES:**

- Understanding the scope of a business plan.
- Identifying the resources of information for each part of a business plan.
- Identifying the components of a business plan.
- Marketing of agricultural products

**INTRODUCTION:**

A business plan is a formal written document that explains what a business is and how it will be operated. The business plan also expresses the vision of the enterprise and describes the strategy and operations of the enterprise.

A business plan is like a road map which tells the entrepreneur how to start and operate a business. It is an important document to help you make strategic decisions.

## Scope of a Business Plan

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What exactly should the business plan contain? A business plan should:

- Show exactly what the business offers in terms of products or services to customers.
- Show how the business will be managed i.e. show the organization structure.
- Describe the goals of the business, basically what the entrepreneur hopes to achieve with the business.
- Describe the market, focusing mainly on the existing competition.
- Show sales estimates.
- Estimate costs, revenue and profits.
- Identify customer needs.
- Provide information on what makes the business different from others.

### Activity 1



Case Study Analysis (10 minutes)



Refer to the Mwalimu Njuguna case study and list in your journal:

1. The products that Mwalimu offered to the market.
2. Mwalimu Njuguna's customers.
3. What Mwalimu hoped to achieve with the business.
4. The scope of Mwalimu's market.



Njuguna's video case study can be accessed from the course CD ROM,  
*Resource Index | Module 3 | Lesson 3 | Case Study*

## Sources of Information

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Information in the business plan should be as accurate as possible. It is important that the entrepreneur should get information from appropriate sources. The information should be based on the business plan scope.

Product information can be obtained from:

- Customer needs analysis
- Competitors
- Product distributors
- Suppliers

Business goals information can be obtained from:

- Your vision and mission statements

Market information can be obtained from:

- Customers
- Other players in the market
- Research on markets e.g. online research

Statements on costs, revenue and profits information can be obtained from:

- Business plans of other entrepreneurs who could be in similar businesses.

Customer needs information can be obtained from:

- Survey of customers in the target market

Information on what makes the business different can be obtained from:

- A comparative analysis of a similar business

### Activity 2



(10 minutes)

Make reference to Mwalimu Njuguna's case study and identify the sources of information for his business plan.

# Components of a Business Plan

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When composing the business plan document an entrepreneur should structure the plan as follows:

- Cover page
- Name of the enterprise
- Contact Details
  - Address and telephone numbers
- Date
- Executive Summary
- Business Title
  - Write the name of the business as authorized by the business Registrar's office.
- Business opportunity
  - Describe the product to be offered to the market.
  - Describe the business location.
  - Describe the market need to be addressed by the business.
  - Describe the target market.
- Competitive Environment
  - Identify the existing competitors.
  - Describe the barriers of entry to the industry.
  - Describe how the product can be differentiated from that of the competitors.
- Business viability
  - Describe the level of investment required to start and operate the business.
  - Describe the sources of funds.
  - Analyze the estimated costs.
- Entrepreneur experience and commitment
  - Describe the education background and training relevant to the business.
  - Describe relevant experience.
- Business Description
  - Describe the nature of business.
  - Describe the industry structure.
- Market Analysis
  - Describe the customer characteristics.
  - Describe market size.
  - Describe major competitors.
  - Describe market entry barriers.
  - Describe market shares and sales projections.
- Management
  - Draw an organization structure.
  - Identify the key management personnel.
- Financial Projections
  - Outline the projected income for three years.
  - Projected cash flows for three years.

## Activity 3



Financial Planning (40 minutes)

To help with the financial projects, use the following tables to do a financial analysis. Work in groups of five to complete the following tables. Discuss with the group members items in the plans that don't make sense to you. You can also consult the course facilitator.

### 1. Production Plan

#### 2.1 Projected Production and Sales

No.	Item	Total Quantity per year	Sales Revenue per year	Capacity / Utilization
1				
2				
3				

#### Machinery/Equipment Requirement

No	Type	Unit Price	Total (Kshs)	Maintenance Costs
1				
2				
3				
4				
	Total:			

#### Raw Material Requirement

No.	Item	Quantity	Total Annual Requirement	
			Ksh	Supplier
1				
2				
3				
	Total:			

**Utilities / Infrastructure**

No.	Item	Annual Requirement	Total Annual Costs	Maintenance Costs
1	Electricity			
2	Gas			
3	Water			
4	Rent			
5	Other			
	Total:			

**Labour Requirements**

No.	Type	No. of Staff	Annual wages/ Salaries	Training needs
1	Skilled			
2	Semi-skilled			
3	Unskilled			
4	Owner's salary			
	Total:			

**Administrative and Selling Costs**

No.	Item	Quantity	Amount
	Total:		

### 3. Cost Calculation

#### Fixed Capital

No.	Item	Kshs		
		Initial	Depreciation	Actual
1	Land/Building			
2	Machinery/Equipment			
3	Furniture and Fixtures			
	Total:			

#### Working Capital

No.	Item	Duration	Quantity	Kshs
1	Raw materials stock			
2	Semi-finished goods stock			
3	Finished goods stock			
4	One year production expenses (utilities, administration, wages, salaries)			
5	Preliminary and pre-operative expenses			
	Total:			

### 2. Financing Plan

#### Financing

No.	Item	Kshs	Remarks
	Own funds		
	Fixed capital loan		
	Working capital loan		
	Other		
	Total		



*SCHEDULE A: PERSONAL LIVING EXPENSES*

<b>Family Income</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Total</b>
	Ks	Ks	Ks	Ks
Wages (take-home)				
Wages (take-home)—Spouse				
Interest and dividends				
Miscellaneous				
<b>Total Income</b>				
<b>Family Expense Budget</b>	<b>Month 1</b>	<b>Month 2</b>	<b>Month 3</b>	<b>Total</b>
	Ks	Ks	Ks	Ks
Vehicle expenses (petrol, maintenance, etc.)				
Vehicle insurance				
Vehicle down payment				
Beauty shop & barber				
Cable TV				
Child care				
Clothing				
Credit card payments				
Electricity				
Entertainment and gifts				
Groceries & outside meals				
Health/ Life insurance				
Home repairs				
Homeowner's insurance				
Income tax (additional)				
Laundry and dry cleaning				
Medical				
Mortgage payments				
Other debt payments				
Rent				
School expenses				
Telephone bill				
Vacations				
Water, sewer, trash collection				
Other (miscellaneous)				
<b>Total Expenses</b>				
<b>Net Cash Remaining (Needed)</b>				
<b>Total Schedule A</b>				

## Marketing of Agricultural Products

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A majority of the agricultural products are perishable and bulky in nature. Agricultural products are also seasonal. Consequently, they need to be sold and dispersed quickly and will need an effective marketing to ensure a ready market. This highlights the importance of planning your marketing strategy in advance. Let us use Mwalimu Njuguna's case to illustrate this point.

### Activity 4



Marketing (15 minutes)



Once again think back to the case study and in your journal record:

- The nature of the product *marketed* by Mwalimu Njuguna.
- How in your opinion Mwalimu Njuguna could improve on the product.
- The strategies that Mwalimu Njuguna uses to promote the product and how the strategies can be improved.
- The pricing strategies used by Mwalimu.
- The ways methods that Mwalimu can use to improve the distribution of the product.

Finally, reflect on how you might improve the marketing of your own produce.

## Conclusion

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In this lesson we have discussed how to develop a business plan and we have learnt how Mwalimu Njuguna could have improved his own business by having a business plan and using a better marketing strategy. Business plans are crucial because they provide you with a detailed *map* of how to move forward. It is critical in helping you make future strategic decisions.

## Summary

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In this lesson we have seen that a business plan has the following content. Namely,

- Products and/or services to customers.
- Organization structure.
- Goals.
- Identification of existing competition.
- Sales estimates.
- Estimate costs, revenue and profits.
- Identification of customer needs.
- What makes the business different from other businesses?

We also looked at the components of a plan document. The business plan contains the following sections:

- Cover page
- Name of the enterprise
- Contact Details
- Date
- Executive Summary
- Business Title
- Business opportunity
- Competitive Environment
- Business viability
- Entrepreneur experience and commitment
- Business Description
- Market Analysis
- Management
- Financial Projections

## Glossary

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### **Business plan**

A business plan is a formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals. It may also contain background information about the organization or team attempting to reach those goals. Business plans may also target changes in perception and branding by the customer, client, tax-payer, or larger community. When the existing business is to assume a major change or when planning a new venture - a 3 to 5 year business plan is essential.

[http://en.wikipedia.org/wiki/Business\\_plan](http://en.wikipedia.org/wiki/Business_plan)

### **Cash flow**

This is the movement of cash into or out of a business, project, or financial product. It is usually measured during a specified, finite period of time. Measurement of cash flow can be used for calculating other parameters that give information on the companies' value and situation.

[http://en.wikipedia.org/wiki/Cash\\_flow](http://en.wikipedia.org/wiki/Cash_flow)

### **Promotion**

Promotion is one of the four elements of marketing mix (product, price, promotion, distribution). It is the communication link between sellers and buyers for the purpose of influencing, informing, or persuading a potential buyer's purchasing decision.

[http://en.wikipedia.org/wiki/Promotion\\_\(marketing\)](http://en.wikipedia.org/wiki/Promotion_(marketing))

### **Pricing**

Pricing is the process of determining what a company will receive in exchange for its products. Pricing factors are manufacturing cost, market place, competition, market condition, and quality of product. Pricing is also a key variable in microeconomic price allocation theory. Pricing is a fundamental aspect of financial modelling and is one of the four P's of the marketing mix. The other three aspects are product, promotion, and place. Price is the only revenue generating element amongst the four P's, the rest being cost centers.

### **Distribution**

Product distribution (or place) is one of the four elements of the marketing mix. An organization or set of organizations (go-betweens) involved in the process of making a product or service available for use or consumption by a consumer or business user.

[http://en.wikipedia.org/wiki/Distribution\\_\(business\)](http://en.wikipedia.org/wiki/Distribution_(business))