

A business plan to introduce clean city Ltd



This document serves as a Business Plan to introduce Clean City Ltd, a registered Limited Company that was formed in January 2010. The sole purpose of Clean City's business will be to solely engage/enforce the sorting of garbage, its collection, transportation and delivery/disposal to recycling plants and dumping sites, our main focus being recycling plants. What is Waste Management? Waste management is the collection, transportation, processing, recycling or disposal, and monitoring of waste materials, while Recycling is the process of re-using a given product (beyond its intended use), or producing a new product from a recyclable material.

Nairobi's population is approximately 4 million, 44% Kenyans fall below the poverty line, meaning approximately three quarters of Nairobi's population falls under the urban poor category. In Nairobi, approximately 1, 530 tonnes of garbage is generated daily and as illustrated in the Pie Chart below, approximately 1, 130 tonnes of garbage rots uncollected close to its source, or is burnt in homesteads, dumped at illegal landfills or dumpsites or is collected by Non Governmental Organisations and Community based groups.

Due to economic hardships and the high rate of unemployment, we have seen an increase of people migrating from rural to urban areas in search of better prospects to support their immediate families and/or dependants, and more often than not, most of these people eventually reside in low class areas such as the Kibera Slums or Peri-urban areas such as Gachie, Ongata Rongai, etcetera. Approximately half of the Kenyan population is based in Nairobi, and most of these migrants find themselves close to fragile areas such as rivers, valleys, steep slopes and adjacent to sewers or dumps.

Nairobi City Council whose mandate is to provide and sustain a clean and

healthy environment in Kenya has been unsuccessful due to its failure to formulate and adopt clear and comprehensive strategies that take into account all aspects of waste management; its reluctance to involve stakeholders and to educate the general public on taking responsibility for their garbage disposal; and its manner in which it has disseminated information on the inherent dangers of inadequate attention given to waste management, or lack thereof. The Council's Systems and Methods adopted to manage solid waste have failed to conform to the minimum requirements stipulated in the Environment Management and Co-ordination Act (EMCA) 1999, Part 11, Section 3(i). Generally it is poor governance.

It is very sad indeed to witness adult pedestrians, motorists and passengers' alike, ditching rubbish on footpaths, streets and roads without giving a second thought to the negative effects of their actions and having no regard for the beauty of Kenyan's Capital, the Green City in the Sun. Majority of our young citizens, that is, our children, who are our leaders of tomorrow, innocently litter anywhere and everywhere outside their homes and/or school premises, and in many instances this habit grows uncorrected because these young impressionable children mirror what many of us adults do resulting in a vicious cycle. Many of Nairobi streets and footpaths are littered with rubbish ranging from maize cobs, cigarette butts, fruit skins to plastic papers.

City Council of Nairobi owns and operates Nairobi's only official landfill disposal site that is located in Dandora's high density residential neighbourhood where a quarter of low income voiceless Kenyans reside. The Dandora landfill is currently filled with approximately 1.3 million cubic

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meters of waste spread over approximately 30 acres. Dandora is approximately 7.5 km away from the Central Business District, out of sight out of mind. This has serious health consequences to the dwellers and the urban environment at large. In addition, low income areas are largely affected by uncollected rubbish due to poor infrastructure or geographically inaccessible areas and also due to the residents inability to pay for garbage collection services rendered by the Private firms.

With the burgeoning population or in this case urban escalation, there is an urgent need for an operational mechanism to be put in place by the Council with the backing of the Kenyan Government to enable the formulation of structures that will encourage the participation of the private sector and the general public in waste management initiatives.

Clean City's main objective is to act as a catalyst towards the "green movement", to eradicate the negative effects of environmental degradation where it will promote a cleaner, air pollution-free, urban environment and habitat by equipping the Public with facilities, knowledge and tools, in order to effortlessly segregate their garbage at source, meaning to sort out their garbage at the point of disposal; basically to make this practice a part of their lifestyle.

Recyclables are treasures buried in our landfills and Clean City's underlying desire is to promote the re-use, to enhance well organised and structured recycling systems instead of waste being burnt or dumped in landfills.

Recycling is a pollution-reduction strategy and at the same time will save land that is currently being used as landfills. There is an urgent need for the

public to unlearn the poor garbage disposal habits and to internalize that the sorting out of Garbage is a proactive approach to a clean habitat that will ultimately be beneficial to them at different demographical levels.

1. 1 Objectives

Clean City Limited's endeavour is to have established a fully fledged

Garbage sorting business by the year 2012 that will have incorporated the following Objectives:

To run an ethical business that involves Corporate Social Responsibility in all aspects of our business activities.

To aim for a return on investment of at least 15% yearly

To achieve an operating profit of 10% of our total sales

Incorporate or win the favour of the public and private sector in promoting waste management in Nairobi

To advocate for the withdrawal of Dandora as a landfill plus other illegal dumpsites within Nairobi and to reallocate them to isolated land away from residential areas; and to convince the Council to allow privately owned landfills.

To expand our horizons in the wider part of Nairobi and eventually to Kenyan major towns like Mombasa, Kisumu and Eldoret and to further penetrate regionally to our neighbouring East Africa such as Uganda, Tanzania and Rwanda.

To exemplify to Kenyan citizens the benefits of garbage sorting.

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To educate Kenyans on the benefits of untapped or low key recycling business that can be used as a source of income, where scarce natural resources can be obtained, which are currently hampered by the landfill dumping.

To introduce Leaf-it Depots where organic waste such as garden waste, grass, food, leaves, wood shavings can be deposited for composting

Most importantly, to reinforce Nairobi's slogan, The Green City in the Sun and to encourage and educate Kenyans on the paramount importance of living in a clean and healthy environment.

1. 2 Mission

Clean City Limited's mission is to provide a garbage sorting framework that will encourage and promote effective and efficient methods of disposing of garbage by using our garbage sorting systems that would eventually enhance the current skeletal recycling business. Our labelled coloured/categorized recycling dustbins equipped with appealing advertisements and educational campaigns will be used as a conduit to achieve this mission.

2. 0 Our Business Idea

Currently, there are a few privately owned Garbage collecting firms that collect garbage once a week. These firms distribute between 8 - 12 bags per household for the month's use and their charges range from between Kshs. 400 - Kshs. 800. 00. The current system involves households paying a monthly fee for garbage collection through their monthly service charge contributions to either an external management company or to their internal

management committee, whom in turn organise for garbage collection services. Standalone/Bungalows would directly pay to the service provider.

Once the garbage is collected, it is directly delivered to landfills where human scavengers sort out the garbage and sell to recycling plants. The vehicles used for collection and transportation are Lorries without canvas or any other material that can cover the back, therefore the back is left open with the stinky garbage out in the open for all to see and garbage spillage on the roads.

Where does Clean City come in?

Clean City will deliver an efficient and effective collecting/transporting service but at a premium cost. We shall diffuse in the minds of our clients the idea of an organised disposal/collecting/transportation system, a value for money service that will be a valued added benefit.

We shall provide communal huge categorized Dumpsters that will be stationed on communal ground of households that constitute more than 6 units in a compound, where full thrash plastic bags from individual households can be disposed of for collection.

We shall also provide our residential clients with service contracts stipulating the standards of proper sorting and disposal. Also included in our contract will be the probability of our refusal to collect garbage that has not been correctly sorted.

2. 1 Target Market - Residential and Commercial in Upmarket Areas

Residential - We have taken into consideration that not many apartments are provided with a provision for waste bins which normally is situated in the laundry/balcony area next to the Kitchen and if they are, the space is too limited to accommodate 3-1 recycling bins. However, we still intend to approach apartments and suggest they use 1 bins with compartments, that is, for glass/metal/plastic recyclables and the other for organic/wet and paper, and others. Please see images below.

Standalone/Town Houses/Maisonettes have the advantage of spacious verandas and balconies for storage.

Shopping Malls, Major Airports, 3-5 Star Hotels, Hotel Apartments, Golf and Social/Sports Clubs and Shopping Complexes - we shall place huge Dumpsters in strategic positions - please refer to images below.

Schools - Of paramount importance is to educate the young on the benefits of disposing of garbage in an organised and hygienic manner and to enlighten them on recycling materials.

Upcoming Housing - we shall also keep a keen eye on upcoming apartments so as to educate developers/real estate dealers on the need to have provisions in households for storing bins. We shall also approach newly completed apartments/standalone housing to enable us incorporate our services before tenants occupy them.

Recyclers - We have approached 4 major recycling companies

PET Recycling Company - for plastic waste

Central Glass Industries – for glass waste

Roll Mill Limited – for metal waste

Pan Africa – for paper waste

Community based groups – for organic matter

However, we shall not limit our sale of recyclables to the above mentioned companies.

2. 2 Business Model

Once we have equipped our clients with the necessary bins and accessories, our Business model which is solely manually based will involve the following process:

Each weekday will have a designated Zone or Region for Waste for once a week collections.

We shall start off with 3 rear load trucks that have been equipped with a rear hydraulic conveyor lift that will lift Thrush bags into the main hold of the truck. Each truck will have a driver and two support staff, who will assist each other to lift the bags onto the hydraulic conveyor. All the 3 trucks will be dispatched together at any one time to their different zonal schedules. All waste will be delivered to our Waste Holding Site in Karen, where Waste will undergo a final segregation phase. Purchasing hydraulic trucks is a massive investment however this expenditure will compensate for the reduction in labour expenses in the long term.

Classified Recyclables will be purchased and collected from us by Recycling Plants on a weekly basis while non-recyclable waste will be dumped at official landfills.

Staff Working Hours

Working hours will be from 8 am to 5 pm from Mondays to Saturdays. We do not foresee overtime issues, however, in the event of overtime, staff shall be compensated accordingly.

No of Supporting Staff - 3 drivers

6 staff to accompany drivers

4 staff to be based at our holding site

Main Equipment/Accessories

We have identified 3 reconditioned Trucks from the United Kingdom, model

Personal Protective Equipment

Bins and Dumpsters

Plastic Garbage Bags

Occupational Health and Safety Measures

To avoid any job site hazards, we shall comprehensively train our staff on health and safety measures while on duty and also provide them with Personal Protective Equipment that will consist of the following:

A pair of heavy duty gloves - Jungle Green

A pair of high top heavy duty boots/shoes - Jungle Green

Light weight safety helmet (for comfort due to tropical weather) - Lime Green

Safety Vest - Lime Green

Overalls - Jungle Green

The table below shows the total cost of the safety equipment.

ITEM

QUANTITY

COST PER UNIT

TOTAL COST

Gloves

13

100

1300

Boots

13

500

6500

Helmet

13

750

9750

Safety Vests

13

500

6500

Overalls

13

600

7800

The Bins will be sold to residential clients while the Dumpsters that come in big sizes will be on rental to commercial clients.

The dominant green colour will speak for itself, “ Clean City’s Green Footprint” and the same principle will be applied to our trucks.

Our Logo and Corporate colours

The following Recycle symbol will be our logo and brand that will be pasted on all our equipment, uniforms and stationery. Our corporate colours are green and white.

Our Offices

We shall be located in Karen on a 1 acre plot that will be on rental, where most operations will take place. The site will consist of an Admin Office while most of the land will be an open air field with a shed, for sorting purposes. The monthly rental for the 1 acre office in Karen will be Ksh. 75, 000/=

3.0 Management Team

City Clean is owned by 3 partners, namely Regina Maru, Sheily Shah and Maureen Adhiambo, in the capacities of Managing Director, Financial and Human Resources Director and Sales, PR and Marketing Director, respectively. Once we have our operations running we shall bring on board an Office Manager.

Structure, Ownership and Intellectual property

City Clean is owned by 3 partners namely Regina Maru, Sheily Shah and Maureen Adhiambo

Flat Structure

Managing Director

Finance & Human Resource Director

Sales, PR & Marketing Director

Accounts Clerk

Sales Representative

Admin Manager

Support Staff

Managing Director

4.0 Industry Analysis – 5 Forces Model

Threat of new entrants - Already the market is flooded with waste collection businesses that are not following the Waste collection regulations, and the National Environment Management Authority has introduced more stringent regulations and measures to our competitors. NEMA further assured us that they shall not allow new entrants until the Clean City's sorting/recycling concept has been fully established.

Threat of Substitutes - Clean City's existing competitors offer an inferior service. We shall charge our residential customers a one-off fee for the cost of the bins however our service, that is, collection of weekly garbage will be Kshs. 500. 00 which is similar to what most of our competitors charge per month.

Buyer Power - Bargaining power of our customers will be low as City Clean has no competitor offering a similar product and service.

Supplier Power - Bargaining power of our suppliers, in this case, Kenpoly Industries who specialise in plastic, will be low as we are able to source the

Bins and Dumpsters from other suppliers both locally and internationally, for example in China.

Rivalry - the degree of rivalry in the waste collection industry is low as City Clean is introducing a new and superior product and service.

5. 0 Marketing Plan

5. 1 Our Product and Service

Clean City is entering a niche market as this concept has not been introduced in Kenya, in fact countries worldwide that practice this healthy habit are few and far in between. It will be a new phenomenon in Kenya that we know will be received with mixed reactions; however, we are also very confident that we shall eventually have a good footing. Clean City will have a competitive advantage as no other Company in Kenya or even East Africa offers a similar product or service, neither do any of the other garbage collecting companies have automated hydraulic trucks that shall be in use.

Our marketing strategy focuses on differentiation due to its nature of providing a value added benefit, uniqueness, affordability, profitability, superiority and ultimately giving us a competitive edge.

Clean City is two-fold as it shall provide both a product and service. Our product has 4 facets that are interdependent of each other and these are the Bins, Garbage plastic bags, Dumpsters and Trucks while our service will involve the collection of pre-sorted waste that will be delivered to Recycling Plants and Landfills.

Clean City shall have 5 or more classes of beneficiaries/customers at both ends of its supply chain as follows. The following table illustrates that Customers falling under 2 will benefit from our product while the rest will benefit from our service.

Customer

Description of Benefit

1

Nairobi City Council

Gradually reducing the size of the Dandora Landfill and assisting and advocating for its reallocation.

2

Household and Commercial

Providing education and tools to sort waste

3

Compost Manufacturers

Providing pre-sorted green waste

4

Recycling Plants

Providing pre-sorted recyclable material

5

Animal Farms, example Pig Farms

Proving pre-sorted food waste

5. 2 Product Description

Our Bins and Dumpsters will be custom-made to match the quality of imported Bins that are used in developed countries; however, City Clean's will be available at lower prices. The Bins that shall be rectangular in shape will come in 2 varieties; either with 2 or 3 partitions for recyclable waste which will be influenced by the amount of storage space available.

A sample of Truck

Leyland truck each £6500. 00 CIF. The government has kindly granted us freight clearance charges and government tax subsidies.

Specifications

4 tonnes

6×2 midlift

Hydraulic lift

Vulture body

Double bin lift

Cummins engine

A sample of Dumpsters. Size Specifications for Dumpsters Length 72 inches, Width 16 inches, Height 40 inches -For General Waste, Organic/Food, Glass, Metal Cans, Plastic Bottles/Containers.

Each dumpster costs Ksh. 3500/=

A sample - Bins - we shall supply both the 3-in-1 and 2-in-1 depending on household storage space. The size specifications for the Bins per partition Length - 12 inches Width 12 inches Height 24 inches

Green will symbolize organic and food waste

Brown will symbolize general waste

Yellow will symbolize glass and plastic bottles/containers and metal example Metal and Aluminium Cans/Tins.

5. 3 Marketing Budget KES.

Designing and Printing of Fliers - 100, 000 500, 000. 00

Mazingira Advertisements A4 size - quarterly 80, 000. 00

Facebook Advertisements - 15 days per month for 3 months 7, 200. 00

Purchase of . com Website and Design 20, 000. 00

Roadshows - 4 times a month 40, 000. 00

5. 4 Costs of Official Launch of City Clean

To facilitate the official launching of Clean City, we have humbly requested the presence of Minister for Environment and Mineral Resources, Hon. John

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Michuki, the Environmentalist Activist and Nobel Peace Price Winner 2004, Ms. Wangari Maathai and the Director General of NEMA, Mr. Muusya Mwinzi and UNEP top officials, just to name a few.

The launch programme will be brief and will mainly consist of a few speeches and refreshments. The venue will be at our Karen site.

Costs of Tents 20, 000. 00

Refreshments 10, 000. 00

5. 5 Promotional and advertising plan

To build a customer database of a minimum of 2000 households within the next 12 months

To build leads of at least 50 households and 10 Firms per week

Advertise our services by distributing 1000 pamphlets/fliers to 50 households per week

Give a personal touch by sending seasonal promotional representatives to deliver our Bins and Dumpsters door to door and illustrate the use, features and benefits of the Bins and plastic bags to our customers, with an aim to minimise resistance.

Advertise our services on Facebook, Twitter Myspace and send out e-shots to a minimum of 50 per week

Launch our website [www. cleancity. com](http://www.cleancity.com) and invite internet users to join

Advertise on Environmental magazines such as Mazingira

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We have already received backing on financial sponsorships from organisations we plan to partner with, UNEP has so far given us a pledge.

5. 6 Pricing Strategy

The pricing strategy of clean city will be quite similar to those of the prevailing competitor firms. The following figures depict the pricing strategy. For the services the company will charge households Ksh. 500 per month and Firms Ksh. 800 per month. A pack of a month's supply for households bin bags will cost Ksh. 150 and those for firms will cost Ksh. 200. During the first month, households will have to purchase bins which will be sold in 2 varieties, 2 in 1 and 3 in 1. The 2 in 1 will be sold for Ksh. 700 and 3 in 1 for Ksh. 850. The firms will have to purchase huge dumpsters which will cost them Ksh. 3400. We will assure that the quality of all these materials is high and durable.

5. 7 Market Segmentation

Our target market is solely in upmarket areas that include residential homes, shopping malls, Cineplexes, 4 and 5-Star hotels and upmarket schools.

6. 0 Operations Plan

6. 1 Licensing and Registration Requirements

NEMA - The National Environment Management Authority, who is Kenya's Government Parastatal that has been given the mandate to act as Kenya's Environment Authority, has given us the required framework for all the licences and waste management policies, procedures and regulations. NEMA officials were very impressed and assured us of their full support. The cost of acquiring the licence and other regulations would be a total of Ksh. 65000.

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6. 2 Operating and Control Systems

In order to have the operating and control system in place, we will purchase 2 computers and software's. Our staff is already well trained in maintaining these systems and thus we will not spend on training more staff. Each computer will cost Ksh. 35000 and each software will cost Ksh. 10000

6. 3 Accounting and Cost Cutting Controls

We shall have computerized accounting systems with Software designed for book-keeping purposes. We also shall have an Electronic Tax Register that can calculate Value Added Tax and keep a record of our stock and daily sales.

Fuel Consumption - We shall sign contracts with only one fuel station close to our Site in Karen, where our Trucks will be fuelled using fuel cards, to avoid cash changing hands and to keep abreast with our fuel consumption. We shall also fit in all our trucks an anti-fuel theft device to stop any fuel siphoning.

The fuel cost per month will be Ksh. 30, 000 for each truck Therefore for 3 trucks a total of Ksh. 90, 000.

Mileage - We shall take down Mileage readings of our trucks on departure and arrival on a daily basis.

Performance Controls

Applying Total Quality Management by incorporating benchmarking, through regular collections and comparisons of customer data in form of surveys and focus groups

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For effective communication purposes, our trucks will be equipped with VHF radios and a base station radio at our Site.

Our trucks will undergo regular servicing to ensure effectiveness and efficiency

We shall adhere to all the Government's regulations and ensure timely licence renewals

6. 4 Financial plan:

Accompanied summary:

Company was formed in January and no revenue was earned during this period, therefore the financial projections commence from the month February 2010 when actual operations start.

Target of having a customer base of 2000 households in a year and 500 firms in a year.

10 dumpsters will be purchased initially. Further dumpsters will be purchased as demand increases.

Utility costs include telephone, water, electricity and internet.

Salary Structure: 3 drivers @ 15, 000/= each, 6 support staff @ 12, 000/= each, 4 staff at holding site @ 12, 000/= each.

Each truck costs £ 6500; 6500×127.945449 (exchange rate) = Ksh831, 645/=

During the first month, we expect to have a customer base of 200 households and 10 firms; we expect these figures to gradually increase by 35% each month.

Households will be charged 500 a month and Firms will be charged 800 per month.

Sale of recyclables per Kg - Ksh 10/=. We assume each household accumulates waste of approximately 2kg everyday out of which 1.5kg is renewable. Each firm accumulates 10kg of renewable waste per day.

A pack of one Bin bag for households (medium size) that contains 30 bin bags for a month supply costs Ksh 150 /=

A pack of one bin bag for Firms (Large size) that contains 30 bin bags for a month supply costs Ksh 200/=

We assume each month half the new household customers purchase 2 in 1 bin whereas the other half purchase 3 in 1. Therefore initially we expect total households customers of 200; 100 will purchase 2 in 1, the other 100: 3 in 1. Consequently each month the 25% increase in customer base will follow the same trend. The 2 in 1 Bin will be sold for 700/= whereas the 3 in 1 will be sold for 850/=.

Dumpsters are purchased for each firm @ 3500/= per dumpster.

Break Even point i. e. when total revenue is equal to total costs and net profit is zero. After Break even point Clean City will start making profits.

From the graph, the Break Even point is marked as 5. 5 which is mid May 2010.

After the 1st year, in the projections for the 2nd and 3rd year, we expect the number of customer base for both households and firms to increase by 15% annually.

From the second year, we will depreciate the trucks and the office furniture on a straight line basis. The percentage annual depreciation will be 5%.

The fuel cost for the 2nd and 3rd year will increase by 15% each year. This is attributed to increases in oil prices as well as increased demand of services and therefore more distance to be covered by the trucks.

The initial cost of set up is presented in the table below:

Item

Quantity

Cost per Unit (Ksh)

Total cost (Ksh)

Hydraulic Trucks

3

831, 645

2, 494, 935

Gloves

13

100

1300

Boots

13

500

6500

Helmet

13

750

9750

Safety Vests

13

500

6500

Overalls

13

600

7800

Acre Plot in Karen

1

75, 000

75, 000

Purchase of website

1

20, 000

20, 000

Cost of purchasing office furniture

1

50, 000

50, 000

Cost of computers

2

35, 000

70, 000

Cost of software for each computer

2

10, 000

20, 000

Licensing and registration

1

65, 000

65, 000

Anti siphoning device for each truck

3

5000

15, 000

Cost of Launch

1

30, 000

30, 000

TOTAL START UP COST:

2, 871, 785

PROFIT AND LOSS ACCOUNT PROJECTIONS

YEAR

1

2

3

Revenue:

No of Households

15545

17877

20558

Price charged per Household

500

500

500

Total revenue from households

7772500

8938375

10279131

No of Firms

1013

1165

1340

Price charged per Firm

800

800

800

Total revenue from Firms

810400

931960

1071754

Sales of recyclables

7299150

8394023

9653126

TOTAL REVENUE

15882050

18264358

21004011

Expenses:

Rent

900000

900000

900000

Salary

1980000

1980000

1980000

Utility

84000

84000

84000

Security

60000

60000

60000

Administration Costs:

Stationary cost

24000

24000

24000

depreciation of office furniture

2500

2500

2500

loan repayment

565357

565357

565357

Truck expense:

Depreciation of trucks

124747

124747

124747

Fuel (30, 000 per month per truck)

1080000

1242000

1428300

servicing charges (10, 000 per truck)

360000

360000

360000

Cost of Purchasing Bin bags

2534350

2914503

3351678

Cost of purchasing Bins:

3 in 1

443275

990994

1139643

2 in 1

365050

816113

938529

Dumpsters

245, 000

531825

611599