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Amal Plastics S.a.r.l

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Abstract

The present work focuses on the development of a business project in order to act as a distributor in Morocco. This idea is designed in two stages and a middle/long-term period of time. In the first stage, the company will act as a distributor of oxo-biodegradable plastic bags in Morocco, importing them from Játiva, a Valencian city. This will be directed to small companies to satisfy their supply needs regarding this product, and to face the new Moroccan government regulations banning the commercialisation of plastic bags made with non-deteriorative materials. Once these are set up in the sector, having acquired the necessary competences, and being sure about our purpose, the next stage will take place. The second stage involves the construction of a manufacturing plant to cover all the market sectors where the company can compete.

Keywords: oxo-biodegradable bags, Morocco, polythene, importation, distribution, 2015 regulations

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INTRODUCTION

After studying several proposals for carrying out my bachelor's thesis, I have decided to direct it towards a current issue that affects in a negative way our society, and more specially our environment.

Polythene plastic bags are easy to made, with a short shelf life, but take a long time to disintegrate. The vast majority of these bags end being thrown away uncontrollably, polluting cities and natural ecosystems. Moreover, it is known beforehand that plastic bags and their by-products kill birds and animals in general. We can see how whales, turtles, dolphins and seals end up being preys of polythene plastic bags made by the human being. Once these bags are eaten, they cannot be digested or expelled, and thus they remain in the intestines. Besides, plastic can avoid the animal digestion and causing it a slow and painful death.

According to the negative aspects of this type of bags, I have developed my business project in order to find a solution against the effects of polythene plastic on the environment. Therefore, I am going to commercialise and distribute oxo-biodegradable plastic bags characterised by their non-pollutant effects and their degradable nature. This problem is hard to fight, but if the society supports the cause then positive objectives can be accomplished.

Thus, the present business project focuses on the creation of a company which imports oxo-biodegradable plastic bags from Spain to Morocco for the subsequent distribution and commercialisation in the Moroccan market, specifically in the North area of the country. This idea emerged due to the new proposed bill sanctioned by the Moroccan government banning the production and commercialisation of plastic bags in the local market in order to limit the negative effects on the environment. Hence, the project has two phases in which the experience acquired in the first one will provide the basis for developing the second one.

First of all, we will act as a company distributing oxo-biodegradable bags to small and medium-sized businesses. Then, once the client portfolio has been created and the company has been perfectly settled in the country, the second phase will take place. This will involve the development of a plastic production plant, trying to cover all the sectors of the Moroccan market.

It is worth mentioning that one of the key motivational factors for the selection of this project is the fact that by studying the Business Administration degree, I have

acquired the appropriate knowledge and necessary abilities to detect business opportunities. Besides, with the growing Moroccan regulations, I have found an effective alternative commercialising the already existent product but made with less harmful materials to not affect the environment.

Another factor that has influenced my proposal is a family store, now inactive, where I could establish my own business. Thus, I am going to use this project as a personal business idea since the capital contribution is not an obstacle because it does not require a high inversion.

Finally, the goal of the bachelor's degree in Business Administration is to teach future entrepreneurs, providing them with knowledge and abilities to be able to detect business opportunities, and offering them innovative techniques and awareness about the internationalisation of markets. Regarding the present project, I offer a new and modern idea that reflects all the knowledge acquired during the degree.

1. OBJECTIVES

1.1. General objectives

Our actuation plan as a new company is to develop our activity as a middle-term distributor company, and once settled in the market, we are going to build our own production plant with a global view of the sector needs.

We have used a PEST analysis (Political, Economic, Social and Technological) to analyse the macro-environment of the company. In addition, we have carried out the Porter's analysis (Porter, M., 2009) to identify the main potential competitors, the threat of new or substitute products, as well as the customers and suppliers power over the company. With this analysis, our aim is to get a market analysis and thus try to adapt ourselves to our objective public needs. Based on the study carried out regarding both internal and external factors, the conclusions drawn have been reflected in the SWOT analysis (Miranda Oliván, T. 2004).

The following step is the marketing plan (Westwood, J., 2016) of our company, describing the mission, vision, objectives, key markets, and positioning and division of the market. The marketing strategies being adopted as a distributor company are included too. We have analysed the growth strategies regarding the environment and the customers, and we have chosen those which adapt better to our needs.

With regards to the marketing mix (Armstrong, G., 2003) we have detailed the product that we are going to offer, the price, its distribution, advertising and communication. Besides, an analysis of the products has been done in order to understand better the purpose of our company, as well as the social benefit originated by the acquisition of our product.

Dealing with the distribution, we have design the best strategy to bring our products to Morocco, analysing all the steps for their transport, the documents needed for going through customs, and the means of transport that is going to be used.

Finally, concerning the operational plan, it is going to be explained in detail from the acquisition of the product to the point of sale. Then, the second stage of the plan will involve the way of production, the process, the equipment, and its cost.

1.2. Specific objectives

The proposal of the present business project has been developed in two stages. In the first place, we are going to direct our activity to the importation of Spain and the subsequent commercialisation of oxo-biodegradable plastics for all kinds of retail stores in North Morocco (Tangier-Tetuan).

The second stage would be implemented after having detailed information about the market and having acquired the competences regarding the business areas by previous commercialisation experience, with a deep view of the market, and a client portfolio that allows economic flexibility. This stage consists in building a production plant and involving more niche markets, aiming to compete in all the national market.

One of the factors influencing the chosen location is the important economic growth taking place in this part of Morocco, which is mainly due to state policies seeking to help the establishment of companies in the area and to increase their economy in order to support the city of Tangier to stay among the three more important cities of the country. Added to all this is the geographical proximity to Spain and to the Tangier-Med port, which will make the company more efficient in terms of logistics during the first stage and reducing the transport costs of the product.

Both the area of operation and the physical location will be in the same area because there are industrial zones created by the state and directed to new companies, offering them different types of grants, especially those related to the environment. During the past two years, the Moroccan government has been fighting against the negative effects over the environment by implementing large-scale projects regarding renewable energies. An example of the Moroccan involvement is the opening of the first stage of the world's largest solar power plant¹ some months ago collaborating with Spanish companies.

Importing a product from a country that supports the renewable energies and defends the environment as it is the case of Morocco, is the proof that the product's vision and impact will be favourable. In the case of Morocco, there is a need to adopt relevant measures. For instance, polythene plastic must be replaced by biodegradable

¹ http://www.elconfidencial.com/tecnologia/2016-02-05/planta-solar-marruecos-uarzazate_1146721/

bags due to the lack of sensitivity among the population and the negative effects in the country.

According to the information of the Moroccan government, Morocco is the second country that consumes the most amount of plastic bags in the world.² The estimates made by the Mawarid³ association of environment and technology show that in the country there is a waste of over 3 million plastic bags per year, with an average of 11.7 kg/year per inhabitant⁴.

The livestock sector has been taken into account too, since it is affected by this disastrous situation caused by the “use and throw away culture” which kills the livestock. On the other hand, there are lots of small businesses, corner or grocer’s shops, known as souks (bazaars), that give plastic bags to their customers for free. This results in dirty streets, and bags that take about 100 years to biodegrade, harming our ecosystem.

Therefore, this project is directed to the common good, producing oxo-biodegradable plastic bags using renewable resources as potatoes, which are 100% natural and not harmful⁵. Those companies producing this product can create these bags in order for them to decompose faster, using non-chemical products (ecological and recycled).

² <http://www.bladi.net/sacs-plastiques-maroc.html>

³ <http://www.ecologie.ma/tag/association-mawarid/>

⁴ <http://www.efeverde.com/noticias/marruecos-prohibe-el-uso-de-las-bolsas-de-plastico/>

⁵ <https://www.veoverde.com/2013/02/la-papa-como-materia-prima-del-bioplastico/>

2. EXTERNAL ANALYSIS

2.1. PEST Analysis

In this section, we are going to carry out an analysis of the environmental factors that the company has to take into consideration. It is a key step taking place before the SWOT analysis, that will give us a better understanding of the market, the business position, and the influence of those factors in the implementation of our project in Morocco.

The factors included in the PEST analysis are:

- Political factors
- Economic factors
- Sociocultural factors
- Technological factors

2.1.1. Political factors

Morocco is a North-African country separated from the European continent by the Gibraltar strait. Its king is Mohamed VI and the head of government is Abdelilah Benkiran, the leader of the Justice and Development Party. Regarding the stability of the country, Morocco is one of the most secure countries in Africa, characterised by both political and economic stability with high growth rates, with a 3.5% average increase in the past four years⁶.

The Arab Spring did not go unnoticed and left strong protests (20 February Movement), without forgetting about the police repression against any disagreement. Nevertheless, the protests did not affect the country, as it did happen in the neighbouring countries, due to the policies adopted by the government, which extended the civil rights after the first protest.

Concerning the legal factors that can determine the development of our purposes in the country, we can say that there is no difficulty when creating a company, since procedures can be processed online, and the minimum capital is just 1 dirham (10 euro cents).

⁶ http://www.exteriores.gob.es/documents/fichaspais/marruecos_ficha%20pais.pdf

Regarding the type of companies that can be constituted in Morocco, we can highlight the following ones:

- S.A.R.L (Société À Responsabilité Limitée): amount of 1 dirham.
- S.A.R.L A.U (Société À Responsabilité Limitée Associé Unique): amount of 1 dirham.
- S.A (Société Anonyme): capital investment of 30,000 euros.

We have decided to operate as a S.A.R.L, working in both Spain and Morocco, complying with all customs formalities to introduce the products in the country. To do so, we use the ADIL system (Assistance au Dédouanement des Marchandises à l'Importation en Ligne) to assist and register online the imported goods. It is a readily available computerised procedure that helps companies with the importation process.

As for the level of corruption in the country, it is a factor affecting almost every sector, but thanks to the media, the society is mobilising to face this phenomenon using social networks. Furthermore, the policies carried out by the government are having an effect to, as for instance awareness campaigns with non-governmental organisations, and the opening of a green line for reporting cases of corruption. The government is aware that the fight against this situation is essential in order to have acceptable levels of security and not dispel foreign investors.

2.1.2. Economic factors

According to the African Economic Outlook (AEO) estimates, Morocco registered a growth rate of the DGP between 4.5 and 5% in 2015, with declining rates to the 3% in 2016⁷. Another relevant aspect is that Morocco began its opening procedure in 1987 with the accession to the GATT (General Agreement on Tariffs and Trade) and later to the WTO (World Trade Organisation) in 1994.

An equally relevant matter is the Association Agreement with the EU signed in 1996, for the continuing installation of a free industrial trade zone that ended in March 2012. Thanks to this agreement, any industrial goods (under 10 years) made in the EU can be exported to Morocco without importation rights.

⁷ www.lemonde.ma

Table 1 shows the growth indicators of the country during the past 5 years, and table 2 makes reference to the external and internal trade.

Table 1. Growth indicators of Morocco during the past 5 years

Indicadores de crecimiento	2012	2013	2014	2015	2016 (e)
PIB (miles de millones de USD)	98,27	107,24	110,01	103,08e	109,91
PIB (crecimiento anual en %, precio constante)	3,0	4,7	2,4	4,9e	3,7
PIB per cápita (USD)	3.022	3.264	3.316	3.077e	3.249
Saldo de la hacienda pública (en % del PIB)	-7,5	-5,6	-5,8	-5,4e	-4,4
Endeudamiento del Estado (en % del PIB)	58,3	61,5	63,4	63,9e	63,9
Tasa de inflación (%)	1,3	1,9	0,4	1,5e	2,0
Tasa de paro (% de la población activa)	9,0	9,2	9,9	9,8	9,7
Balanza de transacciones corrientes (miles de millones de USD)	-9,35	-8,49	-6,02	-2,42e	-1,80
Balanza de transacciones corrientes (en % del PIB)	-9,5	-7,9	-5,5	-2,3e	-1,6

Source: IMF-World Economic Outlook Database 2015

Table 2. External and internal trade of Morocco

Indicadores de comercio exterior	2010	2011	2012	2013	2014
Importación de bienes (millones de USD)	35.381	44.272	44.872	45.190	45.832
Exportación de bienes (millones de USD)	17.771	21.654	21.446	21.972	23.663
Importación de servicios (millones de USD)	5.660	6.713	6.578	6.418	7.983
Exportación de servicios (millones de USD)	14.329	15.486	14.947	13.935	15.948
Importación de bienes y servicios (crecimiento anual en %)	7,8	9,1	3,3	0,9	1,8
Exportación de bienes y servicios (crecimiento anual en %)	17,9	5,6	2,7	0,9	6,3
Importación de bienes y servicios (en % del PIB)	43,0	48,7	50,2	47,1	46,6
Exportación de bienes y servicios (en % del PIB)	32,2	34,7	34,9	32,7	34,3
Balanza comercial (millones de USD)	-17.318	-21.387	-21.885	-21.592	n/a
Comercio exterior (en % del PIB)	75,2	83,4	85,1	79,7	80,9

Source: IMF-World Economic Outlook Database 2015

Besides, we must highlight the launch of an industrial strategy in 2014 to attract the attention of foreign companies and fight against unemployment. This measure has had a 18,000 million euros' fund⁸.

2.1.3. Sociocultural factors

The population of Morocco has, according to the census, 33.1 million inhabitants, which is mainly characterised by its young population and low-skilled workforce. With regards to pre-school education, literacy is total nowadays, which will help us develop

⁸ <http://www.lemoci.com/fiche-pays/maroc/>

our business in a future because future generations will be more aware of the problem. Besides, illiteracy still affects around a 28% of the population older than 10 years.

Morocco is a Muslim country with a 99% of the population being of Muslim confession. In addition, it should be said that it is a traditional and conservative society. The population is known as being consumers where the modernisation of the country offers the creation of needs and a consumerist attitude.

2.1.4. Technological factors

With regard to the business that we are going to handle, the Moroccan government has been using a number of policies that can benefit us as a new company, and also in relation to the commercialisation of not harmful products to the environment.

The government offers a system of financial and fiscal incentives to the investment in the sector. These investments have a long-term horizon to encourage the economic activity in the country.

Among the measures adopted in the last years, we can highlight the following ones:

- National plans and projects regarding the environment
- National Strategy for Environmental Protection (NSEP)
- National Strategy for Sustainable Development (NSSD)
- *Maroc Vert* Plan
- National Plan for preventing the Global Warming
- Deposit and Management Fund (DMF)

All these measures are actions taken by the government with regards to the technological contribution and their contributions to the business activity.

We are going to analyse one of these measures, as for instance the DMF. This is an agreement to finance business projects of both Spain and Morocco. There is the opportunity to finance or guarantee investment projects for SMEs on both sides of the strait in order to promote the economic relations between both countries.

Once all the PEST analysis factors have been analysed, we can conclude that we have favourable aspects regarding the influence of those factors in the creation of our company. The large number of subsidies and grants that we have at our disposal

and the Free Trade Agreement (FTA) between Morocco and the European Union make the importation of this product quite attractive. In addition, the geographic proximity of both countries is also an advantage.

2.2. Sector analysis

The industry analysis is going to be carried out following Michael Porter's model (2009), which will allow us to analyse the sector where we are going to work. The external analysis will give us a clear vision regarding the level of competition and rivalry existing in the sector. This will provide us with the opportunity to perform the necessary marketing actions in order to overtake other companies.

Moreover, by analysing the sector, we will have a guide to detect threats in the sector that can affect the survival of our project. Therefore, we are going to examine current and future threats for developing preventive measures that will favour our global vision regarding the detection of existing opportunities in the market.

2.2.1. Threat of substitute products

First of all, we discard the competition with Moroccan plastic companies in short-term, since they have not adapted their technologies due to the recent regulation banning the commercialisation of plastic bags made with long-degradation materials as the polythene. Since we are dealing with retail businesses, we want to visit directly the customer, and offer him the product and a solution to the conventional plastic bags in order for him to participate in the eradication of these bags. There will always be the uncertainty that the biodegradable plastic bags will remain in the market, but we have a good perspective because the sector is still new to both the competition and the society in general, so that is why awareness actions will take place.

The threat of substitute products is quite low since the material must be oxo-biodegradable, and any substitute product to the conventional plastic bags must fulfil that condition.

2.2.2. Threat of new competitors

We will take into account any company that wants to orient its business line towards the distribution of oxo-biodegradable plastics, although the bags from the Asian market can be a threat. Regarding national companies, they are mostly in Casablanca (Morocco) and they carry out their business offering their products to multinationals

rather than to retail businesses, as for instance the Union Plastique Maroc⁹ company. An example of this is the list of customers of this company:

- Amendis: water and electric company.
- Irrys Sys: specialised in the irrigation of greenhouses.
- Ramsa: sanitation and distribution of water.

Since the retail businesses are not taken into consideration, we see the situation as an advantage to introduce our product in this market although there is a big threat regarding new competitors because the dominant companies reinvent themselves quickly and adapt their technology in order to commercialise similar products. The threat of products from Asia should be taken into account too because they are characterised by their low prices.

2.2.3. Negotiation power of the competitors

The possibility of a forwards-integration of the suppliers must be also borne in mind because they can also provide products to the final customer. In our case, since we have a small budget, we have at our disposal a number of potential suppliers and we will buy the product to the company selling the cheapest one.

On the other hand, we will promote loyalty to our customers given them a product according to the standards established by the regulations. We will also make them aware that they are supporting the environment, creating a good relationship to increase the degree of loyalty. Therefore, we face a minimum threat because the plastic companies in Spain are very developed, and thus we have a large number of potential suppliers.

2.2.4. Negotiation power of the purchasers

The Moroccan society uses plastic bags even when buying a baguette because they are reluctant to show what they acquire, and thus, they will always need plastic bags to try to hide what they buy. Almost all the citizens go to the bazaars (street markets) for the daily shopping and in the area where we are going to act, the supermarkets are far from the city centre.

⁹ <http://www.unionplastique.com/HistoryAndOutlook>

Therefore, we will offer our products in the bazaars, where there are more customers. This indicates that there is almost no threat because the Moroccan society is going to need these plastic bags for their daily shopping.

Figure 1. Street market in Tetuán



Source: secondary

2.2.5. Market rivalry and competition

Since the new regulation suggests the change to biodegradable bags, this implies a big investment to national plastic companies and time to adapt to the environment needs. Now, they do not accept this change and they still commercialise non-degradable bags. For this reason, we have seen an opportunity to offer a new product with positive future expectations to try to provide positive aspects to the ecosystem and to society in general.

Thus, there is a high threat regarding market rivalry and competition because lots of people try to take advantage of others' business ideas to develop their own company. Since this project does not require much investment, it is easy for others to copy the idea. Moreover, the already established companies will try to cover the market costs that they had before the new regulations.

The conclusion to which we have come is that we face a low threat that will help us achieve a high competitive position in the sector.

3. INTERNAL ANALYSIS

In relation to the internal analysis, we will analyse the resources and abilities that we have which can help to reach an effective development and add value to our business idea. First, the scarcity of producers and distributors of a similar product, due to the current regulation banning non-degradable plastic bags, implies an advantage to our company because it is not available to everyone.

The relevance of our product adds positive value too because we are going to offer a new product, different from the rest, that benefits the environment and respects the law. Another key aspect is the acquisition of a business premises because we would have to focus just on the expenses regarding the activity development.

The amount of money to create the company has implied a minimum investment, just 1 dirham (10 euro cents). Moreover, the Morocco-EU Free Trade Agreement is a positive factor because it eliminates the barriers and implies less money wasted when taking the product to Morocco.

4. CONCLUSIONS: SWOT

Based on the previous data, we are going to carry out a SWOT analysis of the situation of our company that will help us to focus our business idea on the future.

4.1. Weaknesses

- First, we emphasize the importance of the price, since offering a biodegradable product increases the price compared to the conventional plastic bags made with polythene.
- Secondly, the difficulty to obtain customers from department stores: in the later stage to the creation of our company we are not going to have a list of customers buying our product in big lots (in supermarkets, clothing shops, etc).
- Logistics costs: the costs of importing the product can be a weakness for a new company which does not have many financial resources.
- Competition: plastic companies must adapt the product to the legislation if they want to stay in the business. In addition, if they adapt their technology in the production of biodegradable plastics, it would mean more competition in the market.

4.2. Strengths

- An attractive aspect of Morocco is the workforce cost, because we can hire workers for distributing the product to a quite low price, compared to the European salaries.
- Another key aspect is the rise of the middle class, which implies an increase of the consumption market.
- The country's banking system is well developed, so we will not have problems in the payment to the suppliers.
- There are many reforms that support investment.
- Political stability as a result of the Arab Spring that led to the reform of the Constitution in 2011.
- Good economic situation of the country despite de international crisis.
- Our product is made from non-pollutant materials.
- Reusable products

4.3. Opportunities

Our business will become one of the innovating ones in the area regarding the protection of the environment. The support opportunities offered by the government are shown below:

- National plans and projects regarding the environment
- National Strategy for Environmental Protection (NSEP)
- National Strategy for Sustainable Development (NSSD)
- *Maroc Vert Plan, Rawaj 2020 Plan.*
- National Plan for preventing the Global Warming
- There are several reforms supporting investment.
- The fiscal incentives and advantages offered by the country to new companies and foreign investment.
- Progressive liberalisation of the economy and improvement of the business environment.
- Excellent geostrategic situation and the Morocco-EU Free Trade Agreement.

Among the opportunities offered, we are going to analyse a proposal developed by the government, which is the Rawaj 2020 Plan¹⁰, in which we highlight:

- Establishment of 600 large and medium-size surfaces.
- Construction of 15 shopping centres, taking in over 3,100 shops as franchises.
- Creation of 15 outlets
- Growth of the distribution sector by an 8% annually.

4.4. Threats

- Informal competition: although the law bans to those not obeying the regulations, there will always be companies that will continue producing normal plastics, illegally.
- Competition increase caused by the arrival of foreign companies due to the economic crisis in Europe.
- Excessive energy dependency.
- Commercial liberalisation that pushes the companies towards the superior links in the production chain.
- Few entry barriers to marketing companies.
- Products from the Asian market.

5. MARKETING PLAN

5.1. Mission

The mission of our business project is the importation, commercialisation and distribution of biodegradable plastics to retail stores in Morocco.

The idea is to satisfy our potential customers offering them all the necessary products to develop their activity according to current regulations.

Our mission is to distribute plastic bags to small stores, clothing shops, and people selling in the retail. This also implies a way to raise awareness in the use of non-pollutant products.

¹⁰ <http://lavieeco.com/news/la-vie-eco-carrieres/rawaj-vision-2020-un-plan-pour-booster-les-franchises-100-marocaines-14279.html>

5.2. Vision

Once established in the market, the second stage will consist in setting up a production plant, offering all the varieties of the product in order to try to cover a high market share, focusing on department stores, locally, nationally and continentally (Africa).

A long-term vision would be to become a model company in the sector, as well as competitive and innovative, committed to its customers, workers and the environment.

5.3. Objectives

The main objective is the commercialisation of oxo-biodegradable plastic bags in the Moroccan market. Some key aspects are:

- First, acting as a distributor
- Then, building a plant for this material in order to cover all the existing sectors in the market.

5.4. Reference market

The reference market, in this case, will combine the products market and the geographical market. In this reference one, we are going to satisfy the stores' needs providing them with oxo-biodegradable plastic bags that obey the current regulations established by the Moroccan government protecting the environment. Our challenge is to cover the basic needs of our potential customers, without excluding the possibility of other product line in medium-term depending on the market needs.

5.5. Relevant market

We are going to offer a new and original product in the country, environmentally responsible and obeying the required regulations.

Our specialisation strategy is based on the technological dimension since we offer a new product where the plastic production companies have not invest technologically to adapt themselves to the change.

Moreover, our products are going to be attractive to our customers. There is a lot of competition in the regional market of conventional plastic bags made with polythene, but we are going to enter the sector offering something different, which will give us advantage over the others.

5.6. Competition analysis

The Moroccan plastics industry sector is represented by 650 companies and generates 45,000 direct jobs and 300,000 indirect ones. Moreover, it should be noted that 71% of the existing companies work in the production of the product, and the 29% work in the distribution¹¹. Besides, according to the Ministry of Industry, Trade and New Technologies, Mounia Boucetta, the turnover fluctuates around 900 million euros¹².

Nowadays, 550,000 tons of this product are produced, which manage to cover around 60% of the demand. The Moroccan plastic companies distribute their total production as follows:

- 38% of the total production to plastic packaging
- 14% to agriculture
- 14% to construction
- 10% to technical equipment
- 28% other

Now, we are going to carry out an analysis of the most competitive companies in the Moroccan sector.

- Unibag Maghreb. It is a oxo-biodegradable plastic bags factory of approximately 5,000 m². It acts as a supplier of large and medium-sized supermarkets and offers employment to 60 workers. Besides, its monthly production ranges the 600 tons of plastic bags for consumption, industry, advertising, and so on.
- Union Plastique Maroc. Plastics company created in 1968. Its long-term presence in the Moroccan market has allowed it to meet and attend the needs of the market, which allows it to anticipate and understand the needs of its customers. The company helps its customers to choose the product that best meets those needs, especially those related to the agriculture and construction sectors.

Its main customers are big companies such as: Amendis (water and electric company); Irrys Sys (specialised in the irrigation of greenhouses); and Ramsa (sanitation and distribution of water).

¹¹ <http://plastiques-caoutchoucs.com/Le-Maroc-terre-de-plasturgie.html>

¹² <http://www.maghrebemergent.com/economie/maroc/46412-maroc-casablanca-accueillera-en-juin-le-plus-grand-salon-africain-de-la-plasturgie.html>

This does not imply an important threat to our business because they direct all their energies to meet the needs of potential customers that we are not interested on.

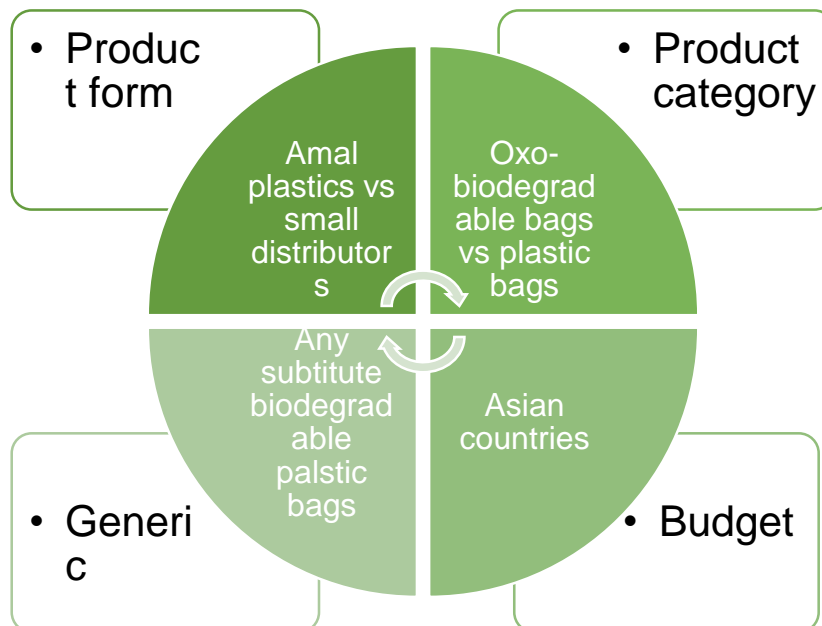
- Cmb Plastique Maroc. Its activity is directed to the food and agriculture sector, and among its products, we highlight: stoppers and washers (plastic and rubber stoppers); packaging and their plastic materials (bottles); plastics in transformation (injection moulding, blow moulding, mechanical plastic production); quality certificate ISO 9000.

We could analyse all the companies of the sector, but the main peculiarity among them is that they compete among themselves to satisfy the needs of important customers with high turnovers and an interest on other product lines, showing no interest in oxo-biodegradable bags and retails stores.

As a result of the level of competition study, we have analysed our possible closest competitors, and thus we underline four forms of competition (Ignacio Cruz Roche, 1999) that we are going to face as a new company:

- Competition in the form of product
- Competition in the product category
- Generic competition
- Competition at the level of budget

Figure 2. Levels of competition



Source: own elaboration

Regarding the competition in the form of product, we are going to face to companies that distribute the same products. The new regulation that bans the commercialisation and distribution of polythene plastic bags is a positive point for us because national producers have not adapted their technology to the environment, so we will have a strong competition in a short-term.

Concerning the competition in the product category, there is always the uncertainty of unfair competition, offering plastic bags made with polythene and not oxo-biodegradable bags. On the other hand, the generic competition refers to every product form or category that meet the basic needs of the customers (substitute products). In this case, we have as possible competitors, any substitute of our biodegradable bags, so the actions that we are going to perform will be offering a wide range of products to cover the customers' needs and try to minimise the competition.

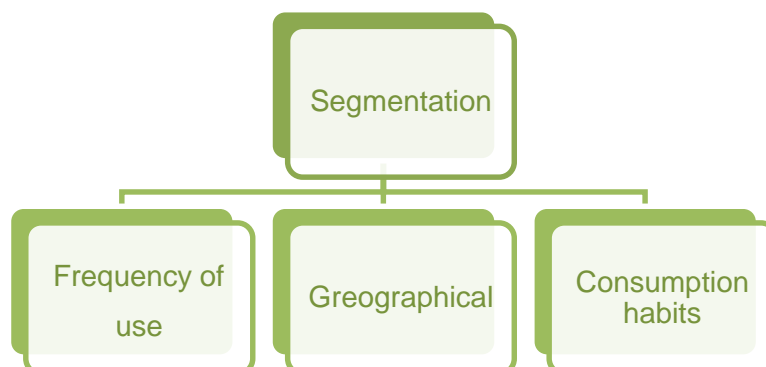
Finally, the competition at the level of budget refers to those products or services that fight for the same consumer's budget. We can always face problems regarding budget, finding new distributors that import the same bags but from Asian countries. Besides, the unfair competition regarding the conventional plastic bags would result in a problem because the production cost is lower, so as the sale.

5.7. Segmentation

In Amal plastics, we have decided to divide the market into three different forms (Armstrong, Gary, 2013) to increase our chances of success, although they are related to each other and to the sector we are directing to. The three forms are:

- Segmentation for frequency of use
- Geographical segmentation (Tangier-Tetuan)
- Segmentation for consumption habits

Figure 3. Market segmentation



Source: own elaboration

5.7.1. Frequency of use

The Moroccan society is characterised by daily shopping since they look for fresh products, and because they have a negative opinion about frozen products.

5.7.2. Geographical

The area where we are going to operate is Tangier-Tetuan, with 2,586,000 inhabitants and a surface area of 11,290 km². The region, in North of Morocco, is bathed by the Atlantic Ocean and the Mediterranean Sea, and it has border with the autonomous city of Ceuta in the North. A characteristic of this area is that it is not the benchmark industry of the country, so people depends on agriculture. This point is in our favour, because the farmers themselves sell their products in the markets and thus, they will be our potential customers. Moreover, it is also an area where there is a lot of food smuggling from Ceuta, so there are small supermarkets and grocery stores that could be potential customers too.

5.7.3. Consumption habits

The Moroccan society is characterised by its consumerism and resistance to change because, although there are more and more supermarket chains, their daily shopping keeps being traditional, avoiding the supermarkets and buying from small businesses.

5.8. Positioning

The strategy to position ourselves in the Moroccan market is given by the competitive advantage provided by our differentiating product. this will allow our customers to adapt themselves to the legislation requirements and, at the same time, to provide them with greater social benefit products. The strategy to position ourselves in the mind of the customers is thanks to the benefits of the environment impact that the attributes of our product have, such as 100% oxo-biodegradable and reusable.

Since the market has been already segmented, we know that our company is going to compete thanks to the differentiating of the product, because it has been technologically developed to meet needs. Although there are large plastic companies, they are more interested in covering other market sectors related to industry. Besides, our three key attributes would be:

- Quality

- Affordability
- Location

The quality offered by our product, together with the affordability regarding prices, is a positive point for us since we are offering an innovative and beneficial product at a price that is not that different from the conventional plastic bags' price. Regarding the location, we have established our company in North Morocco, trying to supply products to all our customers.

5.9. Marketing strategies

First of all, and before talking about the strategy followed as a company, it is worth mentioning that the trade sector in Morocco is developed in two lines: the traditional market, and the modern market (more European style). The modern market is characterised by large and medium-sized stores, such as supermarkets, but since we are going to work with the traditional one, we are not going to go into detail regarding this line because it does not fit within our sector of interest.

Regarding the traditional market, there are figures that stipulate that there are about 850,000 points of sale, bazaars, municipal markets and street vendors. 88% of these represent the traditional trade, so we have a broad margin for operating, because they are small stores scattered around the neighbourhoods of the city offering all kinds of products.

The idea of commercialising plastic bags has result from the number of stores in Morocco, where we can operate. In Spain, this type of establishments is known as corner shops. Analysing the markets where we are going to supply the product, we must point out that they are usually located in the city centres, where the number of customers can range from 300 to 1000, depending on the day. The explanation to this small traders' influx is that it does not require a specific training to develop the activity, neither a license. And because of the low initial investment. These traders are retailers who sell directly to the final consumer, so they will be part of our potential customers.

We know that in order to achieve a competitive advantage and overcome our competitors, wholesalers and retailers of plastic bags, we must differentiate ourselves from them. Thus, we are going to develop a focus or specialisation strategy. Our goal is to focus all our efforts on serving a few market segments. This will help us learn more about these segments and strive to be leaders, in prices too thanks to subsidies and agreements implemented by the government for new companies.

We are going to carry out effective marketing actions to meet our customers' needs appropriately, offering them a wide range of products, both generic and custom-made. The customised products are a great way of advertising and we believe that they would be attractive to our potential customers. Moreover, we should emphasise that, in Spain, having custom-made bags is normal, but, in Morocco, this trend has not been implemented by many companies and is an innovation that the customers will like. Finally, it is a way of contributing to our customers, both personally and legally, by helping them in their businesses' advertising and facilitating the regulations compliance.

5.9.1. Competitive strategy

5.9.1.1. Regarding the environment

Amal Plastics will act using an analysis strategy characterised by a constant attitude towards the pursuit of new opportunities, without forgetting the distribution of oxo-biodegradable bags, which is our main task. Furthermore, acting with this strategy will allow us to know the essence of our business, but without neglecting the potential opportunities that the environment can offer us. In addition, as we have already mentioned, our long-term aim is the construction of an oxo-biodegradable plastic production plan, hence the use of this strategy.

Moreover, we are well aware that companies using explorer strategies, which are the first to detect the market needs, have overtaken us. Nevertheless, this has not been in great volume because they have still not adapted their technology to create our product. However, we must bear in mind that they will be operating on the market in a medium-term to dominate it.

As a new creation company with low budget, and having studied the different options, we believe that this is the right attitude to consolidate ourselves on Moroccan soil in the long-term. For this reason, we will try to show a high level of flexibility with our customers, providing them with all the necessary mechanisms to develop their activity in good conditions. Besides, in order to act in the market using this strategy, one needs to have information about the market and trends in order to be able to carry out a process of constant innovation.

After analysing a product scarcity on the Moroccan market, we have seen the opportunity to cover the customers' needs with an innovative product in the country. Moreover, we are going to try to get one of the top distributors in North Morocco, using our unique, custom and competitive price product.

5.9.1.2. Regarding the competitors

Our goal is to specialise in the distribution and commercialisation of oxo-biodegradable bags for small businesses, and this strategy tends to be optimal when used to operate in a specific region, which in our case is the Tangier-Tetuan area.

We are going to operate, first, regarding geographical reasons, given that in the North of the country there is no industry facilitating the immediate purchase of the product. The products are usually purchased in the main cities of the country and then distributed by wholesalers and retailers in the North. In Amal Plastics, we are going to carry out the same task, but offering high quality products that are responsible with the society and the environment. Moreover, we have the exclusivity of having high technology products obeying the current regulations, with attractive prices.

5.9.1.3. Growth strategies

In Amal Plastics, we chose the development of products for current markets as a growth strategy, which is suitable when the company has outstanding R&D (Research and Development) resources. We are going to commercialise high-tech products, thus causing a positive impact on the environment. The alternatives that have conditioned the adoption of this growth strategy are that we are going to add other attributes to our products than the already available in the market, adding social awareness and better quality. Furthermore, our plastic bags can be reusable and they do not harm the environment. Our wide range of products, models, and sizes contribute to the adoption of this strategy.

5.10. Marketing mix

5.10.1. Product policy

The oxo-biodegradable bags that we are going to offer will have different models, designs and sizes. Besides, our products are composed of materials that decompose through a multistage process using chemical additives to initiate the degradation.

The products range that we offer is:

- T-shirt type bags
- Perforated handle bags
- Custom bags

We must emphasise that the range of products will be extended once installed in the sector, especially plastic bags for clothing shops, offering them a custom product.

The variety and versatility of our products are our strongest point. Depending on the function given to the bag and the material being carried in it, the customer can choose the product that best suited his needs. In addition to the oxo-biodegradable bags, there are also reusable bags according to the UNE 53942 norm, which are those commonly found in large supermarkets.

In Amal Plastics, we have focused the concept of our product on the consumers' needs, since, in our case, they are going to buy our products because of the problems these can solve.

'Our customers buy benefits, not products'

The products offered are classified as a convenience good because they are daily acquired, at a low price and with ease.

We are in the phase of introduction and growth of our products in Moroccan soil, whose market is in full increase and expansion of the products we offer, because of the regulations requirements and the lack of producers with the necessary technology. This whole situation will help us to achieve a competitive advantage in the short/medium-term.

5.10.2. Prices policy

We have included the products list of our supplier Plaset SL (company located in Játiva, Valencia) that we are going to commercialise in Morocco.

Figure 4. Variety of bags



Source: Boddy Castellon bags

Figure 5. Characteristics of t-shirt type bags

2.- Modelo Tipo “CAMISETA”



TAMAÑOS	GALGA	Precio €/ Millar
25x35 cms.	70	26 €
30x40 cms.	70	28 €
35x40 cms.	70	32 €
35x45 cms.	70	34 €
35x50 cms.	70	36 €
35x60 cms.	70	39 €
40x50 cms.	80	42 €
40x54 cms.	80	44 €
45x50 cms.	90	54 €
45x55 cms.	90	66 €
50x60 cms.	90	70 €

Se cotizan precios en plástico de BAJA PRESION color BLANCO OPACO, ya impreso a 1 o 2 tintas por cada cara.

Pedidos mínimos: Hasta 40x54 cms. inclusive: 10.000 bolsas.-

Tamaños más grandes: 7.000 bolsas por medida, como mínimo.

Figure 6. Characteristics of perforated handle bags

3.- Modelo Tipo “TROQUELADA”



TAMAÑOS	GALGA	Precio €/M
20x30 cms.	150	28 €
22x30 cms.	150	30 €
25x35 cms.	160	38 €
30x40 cms.	160	48 €
35x45 cms.	170	64 €
40x50 cms.	180	84 €
40x50 cms.	200	94 €

Se cotizan precios en BAJA PRESION color BLANCO OPACO, ya impreso a 1 o 2 tintas por cada cara. – Troquel: “sencillo”.

Se indican las “galgas” o espesores que se estiman convenientes para cada tamaño. –

Pedido mínimo: 10.000 bolsas.-

Figure 7. Custom, gift and reusable bags



Source: Plaset SL

Regarding custom, gift and reusable bags, we have contacted with a company in Castellón (www.bolsasbody.com) where we can find a great variety of ecologic products that will be taken into account when expanding our product line. In this case, we are referring to paper bags and gift bags that can be customised.

5.10.3. Distribution

In this section, we are going to deal with how the product is going to be taken to Morocco. We in Amal Plastics know that our product is sensitive to the price, so a good logistics policy has to be carried out to not face unexpected difficulties and raise the price of the product complicating our financial viability. As a new company, we must look for the adequate channel and design it to be more efficient when distributing the product to the final destination. In order to design our distribution channel, we have followed the following steps.

With regards to the method of payment to our suppliers, we take advantage of the agreement between the Spanish bank 'Banco Santander' and its Moroccan counterpart 'AttijariWafa Bank'. This agreement facilitates the international connectivity and supports companies in their international development¹³. Moreover, it allows the provision of services to clients of Banco Santander in Morocco and vice versa, thus giving support to all clients of AttijariWafa Bank, where the other bank operates. Our plan is to have two current accounts in those banks to facilitate all our procedures. A key aspect is the support that we are going to receive by these banks, which allow us to accelerate the customs procedures because they have staff responsible of part of the import process.

Concerning the import process of our products, we are required to sign a commitment on form "Commitment for import, import license, preliminary import declaration". This commitment must be issued in 5 samples and accompanied by a proforma invoice in 5 copies specifying¹⁴:

- The unit price expressed in ex-works value, FOB, FAS.
- Quantity expressed in units of appropriate measures.
- Trade description of the goods

Then, we must present it for domiciliation to our bank. After domiciliation, the bank gives us a copy and two more in a closed envelop intended for the customs office.

¹³ http://www.gruposantander.es/docs/exterior44_09.pdf

¹⁴ http://www.negociomarruecos.com/doc/cooperacion/guia_import_export_marruecos.pdf

This Commitment for Import is valid for 6 months as from the date of its domiciliation and facilitates our products to pass through customs. Finally, an application for exemption from customs duties ¹⁵ is necessary for the free import to be allowed as duty-free within the framework of the tariff and commercial agreements signed by Morocco and other countries for the products that have tariff quotas envisaged in the Association and Free Trade Agreement between Morocco and the EU, and between Morocco and the States of the European Free Trade Association (EFTA), and for products having tariff quotas envisaged in the Multilateral Agreements.

This application for exemption has to be made in 4 copies on a form entitled “Customs Exemption Application” and accompanied by a proforma invoice in 3 copies, specifying:

- The unit price expressed in ex-works value, FOB, FAS.
- Quantity expressed in units of appropriate measures.
- Trade description of the goods

This application has to be deposited in the Ministry of Foreign Trade and it is delivered after consultation with the concerned Ministry. The decision to accept or refuse the exemption is notified to the concerned party and then, the exemption is valid for a maximum of 6 months as from the date of the Ministry for Foreign Trade stamp.

Regarding the transport of our product to its destination, due to the geographical closeness between Morocco and Spain, we had the option of transport it by sea, from the port of Valencia. However, we have preferred the land transport until Algeciras, and then to the Tangier-Med port. We consider this option as more viable because our company is located at 25 km from the Tangier port.

As for the distribution way in Morocco, according to the ICEX Spain Exports and Imports, distribution channels are characterised by their weak structure, in which the number of intermediaries makes the channel to be 4 or 5 levels long. These are developed as follows:

Figure 8. Distribution channels in Morocco

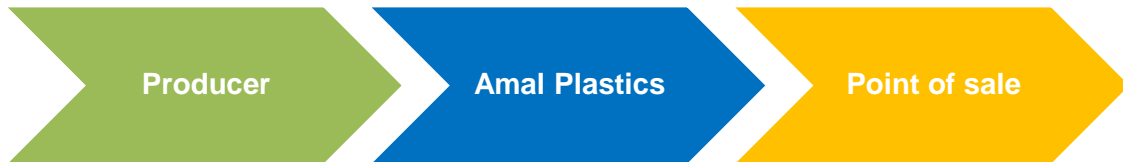


Source: own elaboration

¹⁵ <https://es.santandertrade.com/gestionar-embarques/marruecos/tramites-aduaneros-importacion>

In Amal Plastics, we are going to reduce these levels to 3, in order to have a wider margin of benefits and compete for prices if it is required by the market and competition. We will contact directly with the producer, acting as importers, distributors and intermediaries, and then we will provide the products directly to the point of sale. Therefore, the substitution of two levels will imply a competitive advantage.

Figure 9. Distribution channels of Amal Plastics



Source: own elaboration

We will act as retailers because we are directed to the final consumer. Moreover, we can also offer our products to any person that acts as retailer too. Finally, dealing with the distribution strategy, we will use a segmentation strategy, with an extensive and exclusive distribution since we offer an innovative product obeying the regulations.

5.10.4. Advertising and communication policy

Our main effort is to try to make our customers understand the quality of our products compared to the competition. We will present them the truths and the positive effect of these products on the environment, making them aware of the benefits and the economic sanctions in case of not obeying the law. Our way of acting will consist in introducing us as a oxo-biodegradable plastic commercialising company, at a reasonable price and a common benefit: protection of the environment.

We will go store by store presenting our products catalogue and offering our business card. As we are going to commercialise our products to Muslim customers mainly, we will mention what the Holy Quran says about protecting the environment. We think that this will be an effective strategy since it will make them more aware about the importance of purchasing our products.

As we are focusing on the traditional market, which is characterised by being conservative, we will introduce us as a local company concerned with improving the service of our clients and with the environment, aiming at establishing long-term relationships. We already have the first client portfolio covered since our first buyers are family and friends which will support us and advertise our products since, in the traditional market, the spread by word of mouth can help us to position ourselves in the sector.

6. OPERATIONAL PLAN

As we have previously described, we are going to commercialise and distribute oxo-biodegradable plastic bags. This is the first step where we establish a new company. Then, once established in the market, we are going to take the second step which has to do with the construction of a production plant.

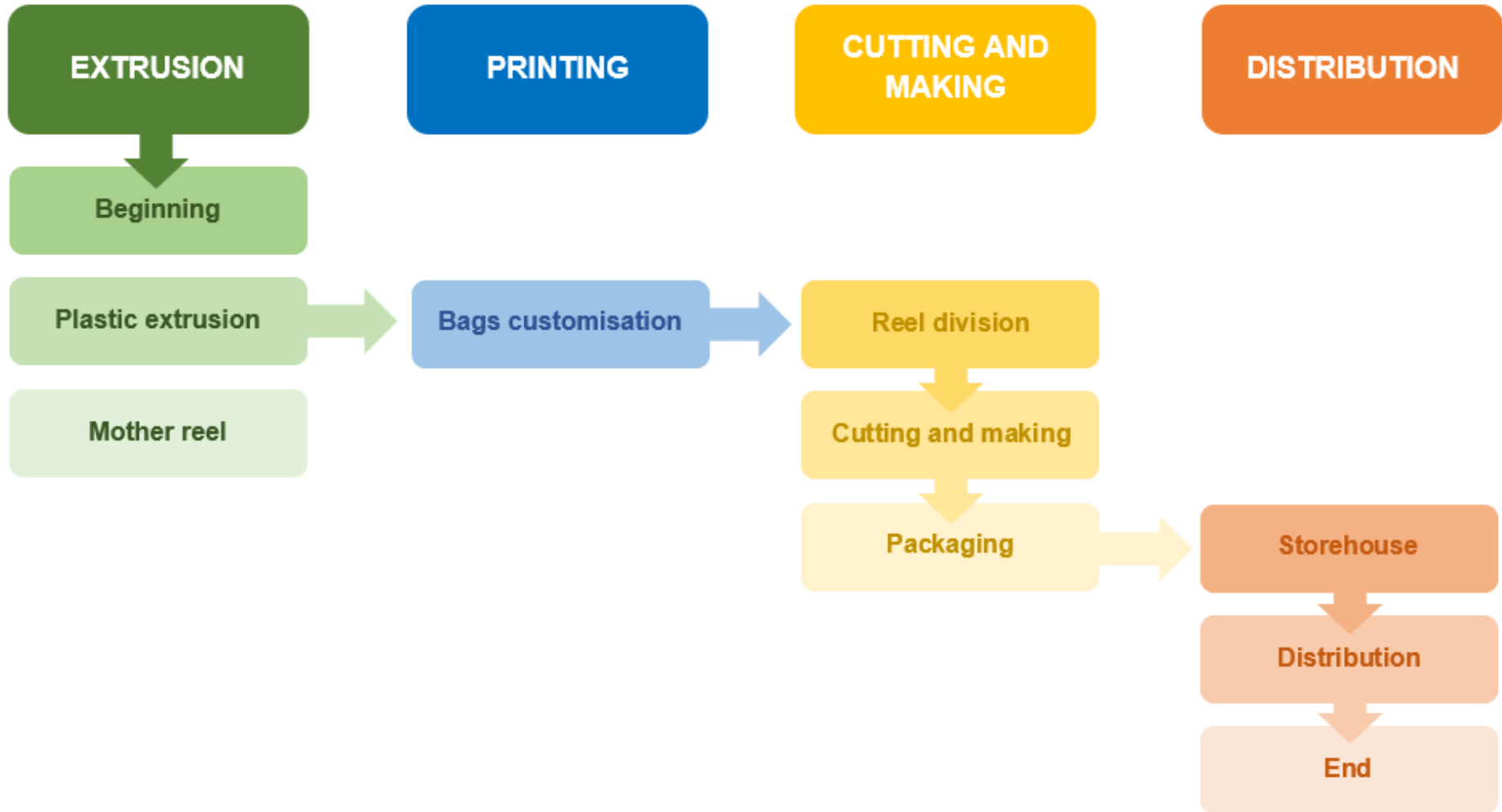
By acting as retailers, our operational plan is very simple, because we are going to act as a distribution channel of 3 levels, contacting with the producer and then offering the product to the final customer. Although it may seem very simple, our action plan implies a reduction of costs, since the distribution process in Morocco can have up to 5 levels. The elimination of two levels gives us more negotiation power by reducing the number of intermediaries, which in turn implies a competitive advantage and could help us to be different regarding prices.

Now, we are going to explain the second stage of our business project. The availability of premises for the production of our product means a large reduction regarding the capital to invest, since it would suppose about 250,000 euros. The premises are equipped with all the necessary mechanisms for its operating, as well as with the proper license for the exploitation of a business activity. From the consulted information, we know that the oxo-biodegradable plastic production process consists of four phases:

- Extrusion
- Printing
- Cutting and making
- Distribution

The process of production is a simple process where the intervention of specific machinery is minimal and the workforce does not require great expertise.

Figure 10. Operational plan – second phase of the project



Source: own elaboration

6.1. Extrusion

First of all, we have to know the details of the bags that we are going to produce in terms of size, model, and so on. In the extrusion process, the raw material is added to the extruders' hopper in order to begin the process. Once programmed, the material mixes and additives are checked in order to carry out the order. To obtain a specific colour, other additives must be added since the raw material of the product is transparent.

Once mixed into the extruders' hopper, it passes through a nozzle, and here starts the process of extrusion, with the formation of a plastic balloon that comes out the next nozzle due to the force to which the material is subjected. As the input goes out the nozzle, it is cooled and collected in the form of a coil. This result receives the name of 'mother reel'.

For those products that have some sort of printing, the following process is the printing one, while generic bags go directly to the cutting process.

6.2. Printing

At first sight, this process seems simple, because it is a machine the one performing the printing in an automatized way. A film enters this machine with the printing format desired and thus the process begins.

The main disadvantage of this stage has to do with the previous training of the employees, since a variation in the ink proportions, speed or drying time, can cause a different result in the desired printing.

6.3. Cutting and making

Having printed the bags, the next step is to program the cutting machine to format the give format to the product in terms of size, dimensions, model, and so on (t-shirt type, perforated handle, envelop, etc.). After cutting the product regarding the specified programming, the making process depends on the desired final product, since a t-shirt type bag is different from a perforated handle bag, so each one is programmed in a different way. Then, having concluded the cutting and making process, the machine outputs the final product in packages that are later transported on a conveyor belt to the hand of the operator. Defective products resulting from the extrusion, printing and cutting and making processes are reused in the production of garbage bags.

Dealing with the distribution process, we will easily face this new challenge because of the prior experience that we have as importers. We would use the same channels that we used as distributors to bring our product to the final customer, but we would focus on large chains to promote our products. We would strive to promote our product as a company that protects the environment. The change implied by moving from a distributor to a producer company is a great leap, but we are optimistic because we have previous experience in the commercialisation of the product.

In relation to this second stage, we will rather focus on the advertising and communication of our company, making it recognizable through commercialisation actions. The actions regarding the advertising and the recruitment of potential customers will be the following ones:

- Webpage: the creation of a corporate website for those users that are interested in contacting us or knowing about our company and products. The website will be in French, because it attracts more attention, and with the option of selecting Arabic and Spanish. In addition, we will incorporate a section for the management of orders that can help the users to buy online.
- Direct marketing: we will devote part of our budget to position our company in specialised search engines that can help us to improve our presence on the Internet.
- Regular mail: this will facilitate the contact with potential customers, introducing ourselves as a national company, adapted to the needs of the sector and with an extensive experience in the sector.
- We will write a cover letter including our email address, location and phone number. Then, having established the contents, the next step will be sending a catalogue with our products and prices.
- Commercial visits are very important and thus we will strive to contact the potential customers by telephone for a posterior visit.

7. FINANCIAL PLAN

As for the balance sheet of the company, we have received a capital of 30,000 euros thanks to family support, to invest in the proposed business idea. Moreover, the fact of having an activity-enabled premises is an important capital reduction, and that is why we have not had to resort to banking loans. The amount of money for the purchase of stocks is 10,000 euros. 9,000 euros in fixed assets, acquiring a commercial vehicle for the distribution process, tools, supplies and furniture. The acquisition of a sales management program helps us to maintain a quality service and control the orders as well as the available stock. The amount remaining will be for provision of funds.

Now, we are going to explain in detail the calculations. Of the initial 10,000 euros for the purchase of stocks, the figure has been reduced when contacting with a supplier that offers fairly affordable prices.

Table 3. Balance sheet of Amal Plastics

INVERSIÓN	INICIAL	FINANCIACIÓN	INICIAL
ACTIVO FIJO		RECURSOS PROPIOS	30.000,00
Inmovilizado Inmaterial	1.500,00	Capital	30.000,00
Patentes, licencias y marcas		Subvenciones	
Derechos de traspaso		RECURSOS AJENOS	-2.900,00
Aplicaciones informáticas	1.500,00	Préstamos	-2.900,00
Otros		Proveedores de inmovilizado	
Inmovilizado Material	9.000,00	Otras deudas	
Terrenos		TOTAL FINANCIACIÓN	27.100,00
Construcciones			
Maquinaria			
Herramientas y útiles	500,00		
Mobiliario	500,00		
Equipos informáticos	1.000,00		
Elementos de transporte	7.000,00		
Otros			
Inmovilizado Financiero	0,00		
Fianzas			
ACTIVO CIRCULANTE			
Existencias	10.000,00		
Existencias			
Deudores	0,00		
Clientes			
Previsión de fondos	6.600,00		
Tesorería	6.600,00		
TOTAL INVERSIONES	27.100,00		

Source: own elaboration

We have earmarked approximately 8,700 euros to stocks, acquiring 150 units of t-shirt bags and 150 perforated handle bags during the first order. The price of each unit is 26 euros the first type, and 28 euros the second one. For the shipping and customs costs, we have added a value of 2 euros per unit whose sale price in Morocco will be 35 euros. (1 unit = 1000 plastic bags)

From the first order on, that will take us approximately a month to distribute, we consider an increase of a 5% monthly for the batch of our imported products.

Table 4. Result of the first order

Product	T-shirt bags	Expected returns t-shirt bags	
Unit cost (total)	26	Sales	5250
Non-unit costs (total batch)	300	Variable costs	3900
Variable costs in % (total)	0	Fixed costs	300
Total expected sales (units)	150	Total costs	4200
Proposed price	35	Result	1050
Product	Perf-handle bags	Expected returns perf-handle bags	
Unit cost (total)	28	Sales	5250
Non-unit costs (total batch)	300	Variable costs	4200
Variable costs in % (total)	0	Fixed costs	300
Total expected sales (units)	150	Total costs	4500
Proposed price	35	Result	750

Source: own elaboration

Beginning our activity in October of 2016, we think that during the first year we would have taken around 4,776 units to Morocco.

Table 5. Units sold during the first year

	Units sold
October	300
November	315
December	330,75
January	347,2875
February	364,651875
March	382,8844688
April	402,0286922
May	422,1301268
June	443,2366331
July	465,3984648
August	488,668388
September	513,1018074
Total	4775,137956

Source: own elaboration

Regarding the following years, we have stipulated that in the second year there will be a 20% of increase of our units over the previous year; a 25% the third year over the second one; a 35% the fourth year; and a 50% the fifth year because will be specialised in our sector. At the end of the fifth year, the approximate number of units imported will be 41,000 units approximately.

Table 6. Imported bags in 5 years

Value in units	Totals	T-shirt	Perf-handle
1 st year	4776	2388	2388
2 nd year	5731	2866	2866
3 rd year	7164	3582	3582
4 th year	9313	4657	4657
5 th year	13970	6985	6985
Total	40954,2		

Source: own elaboration

Now, we are going to calculate the expected cash flows of our investment project during a five-year period of time, without taking into account the variable and fixed costs.

Table 7. Cash flow - First year

YEAR 1	T-shirt bags	Expected returns t-shirt bags	
Unit cost (total)	26	Sales	83580
Non-unit costs (total batch)	4776	Variable costs	62088
Variable costs in % (total)		Fixed costs	4776
Total expected sales (units)	2388	Total costs	66864
Proposed price	35	Result	16716
YEAR 1	Perf-handle bags	Expected returns perf-handle bags	
Unit cost (total)	28	Sales	83580
Non-unit costs (total batch)	4776	Variable costs	66864
Variable costs in % (total)		Fixed costs	300
Total expected sales (units)	2388	Total costs	67164
Proposed price	35	Result	16416

Source: own elaboration

Table 8. Cash flow - Second year

YEAR 2	T-shirt bags	Expected returns t-shirt bags	
Unit cost (total)	28	Sales	100296
Non-unit costs (total batch)	5731,2	Variable costs	80236,8
Variable costs in % (total)	0	Fixed costs	5731,2
Total expected sales (units)	2866	Total costs	85968
Proposed price	35	Result	14328
YEAR 2	Perf-handle bags	Expected returns perf-handle bags	
Unit cost (total)	28	Sales	100310
Non-unit costs (total batch)	5731,2	Variable costs	74516
Variable costs in % (total)	0	Fixed costs	5732
Total expected sales (units)	2866	Total costs	80248
Proposed price	35	Result	20062

Source: own elaboration

Table 9. Cash flow - Third year

YEAR 3	T-shirt bags	Expected returns t-shirt bags	
Unit cost (total)	28	Sales	125370
Non-unit costs (total batch)	7164	Variable costs	100296
Variable costs in % (total)	0	Fixed costs	7164
Total expected sales (units)	3582	Total costs	107460
Proposed price	35	Result	17910
YEAR 3	Perf-handle bags	Expected returns perf-handle bags	
Unit cost (total)	26	Sales	125370
Non-unit costs (total batch)		Variable costs	93132
Variable costs in % (total)	7164	Fixed costs	7164
Total expected sales (units)	3582	Total costs	100296
Proposed price	35	Result	25074

Source: own elaboration

Table 10. Cash flow - Fourth year

YEAR 4	T-shirt bags	Expected returns t-shirt bags	
Unit cost (total)	28	Sales	162981
Non-unit costs (total batch)	9313,2	Variable costs	130384,8
Variable costs in % (total)	0	Fixed costs	9313,2
Total expected sales (units)	4657	Total costs	139698
Proposed price	35	Result	23283
YEAR 4	Perf-handle bags	Expected returns perf-handle bags	
Unit cost (total)	26	Sales	162981
Non-unit costs (total batch)	9313,2	Variable costs	121071,6
Variable costs in % (total)	0	Fixed costs	9313,2
Total expected sales (units)	4657	Total costs	130384,8
Proposed price	35	Result	32596,2

Source: own elaboration

Table 11. Cash flow - Fifth year

YEAR 5	T-shirt bags	Expected returns t-shirt bags	
Unit cost (total)	28	Sales	244471,5
Non-unit costs (total batch)	13969,8	Variable costs	195577,2
Variable costs in % (total)	0	Fixed costs	13969,8
Total expected sales (units)	6985	Total costs	209547
Proposed price	35	Result	34924,5
YEAR 5	Perf-handle bags	Expected returns perf-handle bags	
Unit cost (total)	26	Sales	244471,5
Non-unit costs (total batch)	13969,8	Variable costs	181607,4
Variable costs in % (total)	0	Fixed costs	13969,8
Total expected sales (units)	6985	Total costs	195577,2
Proposed price	35	Result	48894,3

Source: own elaboration

On the other hand, the cash flows during the five-year period will be:

- First year: **23,712 euros**
- Second year: **23,086 euros**
- Third year: **29,419.2 euros**
- Fourth year: **39,601.44 euros**
- Fifth year: **64,285.49 euros**

When calculating the price for selling the product, and deducting the fixed and variable costs, we have the following results:

Table 12. Net profits - 5 years

	Cash flows	Expenses	Net profits
1 st year results	33132	9420	23712
2 nd year results	34390	11304	23086
3 rd year results	42984	13564,8	29419,2
4 th year results	55879,2	16277,76	39601,44
5 th year results	83818,8	19533,312	64285,488

Source: own elaboration

The data included in the previous table implies sales of $16,716 + 16,416 = 33,132.00$ euros annual. Now we are going to deduct the estimated profit, the fixed expenses caused by our activity. The final annual result regarding the obtained profit would be: $33,132 - 9,420.00 = 23,712$ euros the first year, as it can be seen in the table, and the same would be for the previous years. It must be taken into account, that we have included an increase of the expenses in a **20%** annually.

Table 13. Fixed expenses

Fixed expenses	€
Wages, salaries and the like	300,00 €
Social Security	
Rent	0,00 €
Supplies (light, water, phone, gas)	150,00 €
Independent professionals (administrators)	
Advertising	100,00 €
Transport	200,00 €
Other	35,00 €
TOTAL FIXED EXPENSES - MONTH	785,00 €
CALCULATION OF ANNUAL ESTIMATE - ANNUAL	9.420,00 €

Source: own elaboration

Now, we are going to obtain the **IRR** (Internal Rate of Return) and the **NPV** (Net Present Value) of our investment project. By calculating the NPV, we have obtained a result of **99,302.41** euros, so the project is acceptable because our investment would get profits over the required profitability. Regarding the IRR, the result has been of **94%**, which helps us support and believe in our idea because the higher the IRR, the better profitability we get.

This data makes our business project quite attractive, it motivates us and makes us believe in the idea of distributing and commercialising oxo-biodegradable plastic bags. From the data obtained, we are going to analyse the recovery period of our business plan. In the following table, we can observe that the initial investment of **30,000** euros can be recovered during the second year, since we will have an accumulated cash flow of **46,798** euros.

Table 14. Investment recovery

Investment recovery	Net Cash Flow	Accumulated NCF
Year 1	23,712	23,712
Year 2	23,086	46,798
Year 3	29,419.2	76,217.2
Year 4	39,601.44	115,818.64
Year 5	64,285.49	180,104.13

Initial investment	30,000
Last flow	46,798
Recovery time	2 years

Source: own elaboration

From the fifth year on, we will develop the second phase of the project in order to expand our market. Our goal is to avoid banks, and thus finance ourselves. The accumulated profits during these five years will be destined to acquire machinery and raw materials as well as a second commercial vehicle.

We have decided to import the necessary machinery from China, given the quality/price relation. Regarding the transport of these machines, the selling company has contacts with Chinese chipping companies and it brings the product to any destination. The budget earmarked for the purchase of machinery will be around 50,000 euros, as the price of the machines that we are interested in is between 8,000 and 15,000 euros.

The budget to invest in raw materials must also be taken into account, and the amount of money for that investment will be 5,000 euros approximately. Moreover, Morocco is a country where agriculture is a pillar for the economy, so as a bags production company, our raw material will be vegetal, taking advantage of the national market. The process to generate this raw material is very simple and we will hire a chemical engineering for carrying out that work.

Finally, the acquisition of a second commercial vehicle and increasing the number of employees, represents an extra cost.

8. CONCLUSIONS REGARDING THE PROPOSED OBJECTIVES

The idea for carrying out this business project has emerged as a result of the new bill in Morocco banning the commercialisation and distribution of polythene bags in order to limit their negative effects on the environment. The existence of a great consumption in the country, due to the conservative character of the population and its purchasing habits, has been a key aspect in the choice of this idea.

An alternative to these bags are the oxo-biodegradable ones, that are made to degrade in a limited period of time without harming our environment. In the absence of action by the large plastics companies in Morocco, we have seen an opportunity to establish our company as distributors of oxo-biodegradable plastic bags.

The initial investment was 30,000 euros, without resorting to bank loans, and devoting a third of our capital to the acquisition of our product in the Valencian town, Játiva. The development of the project in two stages is a key factor for the success of this idea, since, with previous experience in commercialising and distributing, we can invest our profits in the second stage.

Having made the calculations to predict the viability of the project, the data obtained are relevant and allow us to believe in this project. With a positive NPV, the investment would produce profits above the required profitability, so the project would be accepted. Moreover, the IRR has been of 90%, which means that the profitability we are going to get will be attractive, and thus we will be motivated to work and achieve our objectives, as well as having confidence in the viability of the project.

The recovery period is very short, two years approximately, so we have a positive attitude towards this idea. Moreover, having ready premises has resulted in a drastic reduction of the investment capital because, if not, the recovery time had not been reached distributing the materials.

As a conclusion, I would like to mention that by studying the Business Administration degree, I have acquired the necessary knowledge to undertake a project, and this business idea has been an opportunity for me to put into the practice the competences acquired during these years. Thus, we will achieve our goals with effort, patience and organisation.

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