

# A FEASIBILITY STUDY OF KANG BUDI CROCHET CRAFTS IN BARANGAY POBLACION, CATEEL, DAVAO ORIENTAL

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## 1. INTRODUCTION

Crochet is a perfect way to share creativity in crafts with family, friends, and kids. Handicrafts are handmade, often using simple tools, and generally artistic and in nature. They include objects of utility and objects of decoration (Jena, 2008; Ghosh, 2012). In addition, handicraft products are unique by nature, design, and materials used in them, and they also reflect the artistic interest and feelings of De Silver (2012). Since it is creative in a way that almost everything can be made from it, the demand increases, especially for that on-trend. It always stays in style. It is an art with significant social, emotional, and psychological aspects.

Handicrafts are highly preferred as gifts (Bal & Dash, 2010; De Silver, 2012). Handmade crafts are undeniably one of the best gifts one could give to their loved ones; it is something that is made in the thought of the person they are making it for, and as the saying goes, "it is the thoughts that count" indeed nothing can make a person happier than receiving a gift made just for them. Moreover, in some cases, if people like any handmade crafts very deeply, they pay a premium price for that product even if it exceeds the normal price of it (Dash, 2011 De Silver, 2012). There are only a few crocheters in Cateel, where the business will be located, and most think of it as something other than a means of earnings. Although many people patronize such products, also there might be a few who think of it as a business, but it still needs to be fully established.

Hence, the business partners choose to take this line of business. Kang Budi Crochet Crafts is a partnership business operated by two proponents who are passionate and dedicated to making crochet because it is a kind of art that is fun and creative, to develop innovative, creative, quality handmade crocheted items, such as flowers, bags, tops, and set of clothes for toddlers, as well as house necessities like potholders, placemats, crocheted plant covers and others which are accordingly to the preferences of customers while giving the best possible services. The management will improve all aspects of the business and continue providing satisfaction. It will offer various quality crocheted products at a competitive price to everyone who loves these with no age or status limit. Kang Budi Crochet business will be established in the locality of Cateel, Davao Oriental. Kang Budi Crochet Crafts owners will contribute funds and skills.

### 1.1 Objectives of the Study

The general objective is determining the feasibility of Kang Budi Crochet Crafts in Cateel, Davao Oriental. The specific objectives are the following:

- To determine the target market
- To determine the strategic location
- To conduct a market survey
- To identify promotional strategies
- To identify the distribution channel
- To identify personnel requirements
- To formulate a business model
- To determine the capital requirements of the business

- To project financial statements
- To compute financial ratios (ROI, Payback period, ROA, Net profit margin)
- To draw conclusions and recommendations

## 1.2 Products/Services

Crochet crafts is a handicraft type of business where yarn is the primary material to make a patterned fabric by looping it with a crochet hook. The company will sell crocheted tops, flowers, bags, kids' wear sets, and house necessities; where these crocheted products will be made of three different yarns; milk cotton, shine endophilin, and soft endophilin (yarns that are way more regular than acrylic yarns). Kang Budi crochet crafts will offer products that are affordable to the customers, and the assurance in terms of their preferences will be our first concern because we believe that client satisfaction is top of our priority as well as the quality, sizing, color variation, and specification.

## 1.3 Technology

**Table 1. Equipment and Functions**

Equipment	Functions
Printer	Used to create tags and notes the customer plans to include in the box. However, the business intends to use crochet machinery in the long run.
Computer/laptop	They are used for social media updates like posting new designs, exploring trends, and receiving orders from online customers. It also lays out business logos, tags, and notes.

**Table 2. Materials and Functions**

Materials	Function
Yarn/s	Yarn is a continuous, often plied strand composed of natural or artificial fibers or filaments used in weaving and knitting to form cloth (Merriam Dictionary). Crochet yarn is typically used to describe excellent cotton thread, primarily by crocheters to make blankets and other projects.
Crochet Hook/s	A crochet hook is a type of needle, usually with a theme at one end, used to draw thread through knotted (Oxford Dictionary). The hook part of the tool is used to pull the yarn loops made along the handle, allowing you to create a huge array of crochet stitches.
Yarn Needle	A yarn needle is a short needle with a long eye and a sharp point (Merriam Dictionary). Yarn needles are used in knitting and crochet to weave in the yarn ends left from joining new thread, changing to a different color yarn, or when you finish your project and want to hide the tail(s).
Stitch Markers	A stitch marker is a mnemonic device that distinguishes important locations on a work in progress. (Wikipedia). Crochet stitch markers are used to mark certain stitches for attention. A reminder to change colors, start a new type of stitch, or keep count of rows or individual stitches
Scissors	A scissor is a cutting instrument having two blades whose cutting edges slide past each other.

## 1.4 Intended Market

Crochet Crafts are done by hand and are manufactured exclusively for the customer who requested the product. Thus, the target market for this business is households that are interested in the products and services that the company provides. The business's primary target market is residents of Poblacion, Cateel, and Davao Oriental,

where the store is located; nevertheless, the firm also serves customers outside Brgy. Poblacion but only within the municipality of Cateel. The business will be accessible for the target market to visit and avail themselves of the services offered.

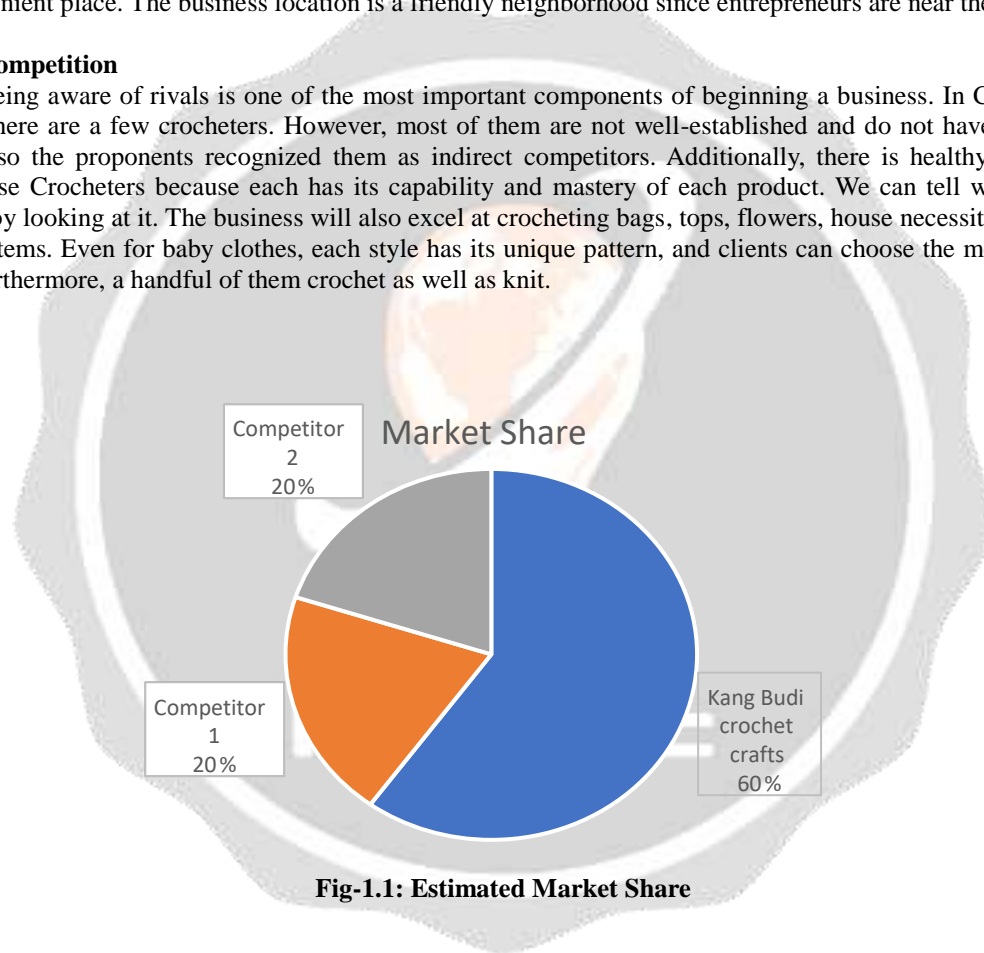
### 1.5 Environment

The legal business environment significantly impacts the firm's success rate. As one of its regulatory initiatives to safeguard consumers and business owners, the local government imposes taxes on commercial activity. Human resources, capital, machinery, raw materials, and management round out the typical internal environment. If a company's governing body decides to alter its policies, it can do so by transforming how they are implemented and moving forward with increasing profitability. A specific enterprise cannot control the external factors affecting a business firm. Taxes, laws, social events, and economic activities are all examples of governmental policies.

Kang Budi Crochet Crafts will be located behind St. James the Apostle Parish convent in Cervantes St., Poblacion, Cateel, Davao Oriental. It is accessible and easy to identify with our dear customers since it is a wide and very convenient place. The business location is a friendly neighborhood since entrepreneurs are near the store.

### 1.6 Competition

Being aware of rivals is one of the most important components of beginning a business. In Cateel, Davao Oriental, there are a few crocheters. However, most of them are not well-established and do not have a registered company, so the proponents recognized them as indirect competitors. Additionally, there is healthy competition among these Crocheters because each has its capability and mastery of each product. We can tell who made the thing just by looking at it. The business will also excel at crocheting bags, tops, flowers, house necessities, and other preferred items. Even for baby clothes, each style has its unique pattern, and clients can choose the most appealing design. Furthermore, a handful of them crochet as well as knit.



**Fig-1.1: Estimated Market Share**

### 1.7 Industry

Handicrafts and other art businesses are a major part of the Philippines, representing the culture and traditions. Due to increased globalization, handicraft products compete intensively with goods worldwide. Crochet, within the classification of a handcrafted effect, defined by the MDCI (2012), can be classified as a "traditional handcraft" as it consists of a set of cultural artifacts from a specific group, representing its traditions and everyday life. When the first descriptions of knitting and crochet were published in Sweden in the mid-19<sup>th</sup> century, such handiwork was described as the finest of all feminine handicrafts for the benefit and pleasure alike of the trend-conscious, diligent middle- and upper-class woman. Within a few decades, the patterns had moved into fashion journals. These days, in the early 21<sup>st</sup> century, knitting and crocheting are in fashion. Making things by hand is more popular than ever, which is also adopted by other countries. The special nature of the finished products derives from their distinctive features, which can be utilitarian, aesthetic, creative, culturally attached, decorative, functional, traditional, religiously, and socially symbolic and significant" (Shahi et al., C.P. 1997, cited in Ghosh, 2012).

Many things influence fashion. How clothing looks varies on the location, era, financial capacity, personal taste, occupation, social event, gender, and other cultural and personal preferences. Fashion is a very flexible form of self-expression. Even in countries and eras where clothing choices are restricted in terms of the amount of skin that is exposed, an individual still has the freedom to play with colors, designs, and mix and match their clothing according to their taste and capabilities. Fashion trends are influenced and created from the industry's supply and demand side by fashion cities, designers, old and new fashion media (including art fairs), trend forecasters, buyers, and urban and subcultures (Barrera, 2021). A fashion trend is complex and multifactorial; therefore, it is more likely to evolve from the interaction between suppliers' offers and buyers' demands. Instead of thinking about fashion as dictated by one or some of the actors, one should look at it as the product of a process involving many influences.

In today's generation, where Cateel is at an advanced social and cultural development stage, the Cateeleños' sense of fashion has also evolved. They have become more attentive to what they will wear and have been in the know of what is on trend. Locally, the business will serve handicrafts products made by dedicated and passionate crocheters ensuring the quality and efficiency of the company. Crocheting goes hand in hand with the most common yarn craft today, and makers everywhere choose these hobbies as a fun way to create apparel, accessories, and home goods within the growing crafting community. One part of a wide-spread network of knitters and crocheters of all ages, backgrounds, and experience levels. To sum up, the business will obtain more designs to convince the customer to patronize the products.

### 1.8 Business Model

Kang Budi Crochet Crafts aspire to provide high-quality products at an affordable price while remaining profitable and capable of exceeding customers' expectations in terms of service. It gives customers delivery services as well as a shop that is visible and accessible to everybody.

The business also wants to keep its clients happy by delivering them the desired goods. Because the products are handmade, most are customized, indicating that the company always considers the customer's wants. In addition, the business wants to create fresh styles and patterns that are trending.

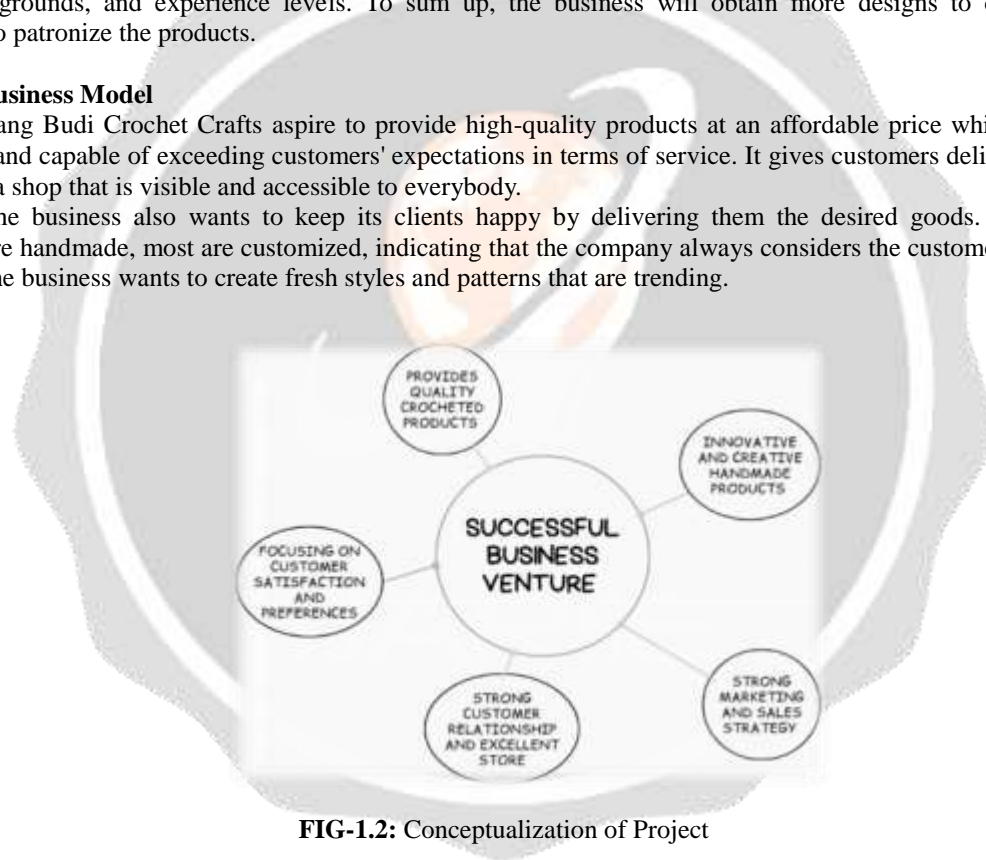


FIG-1.2: Conceptualization of Project

## 2. MARKETING AND SALES STRATEGY

Marketing is all about putting the right product in the right place, at the right price, at the right time. Kang Budi Crochet Crafts will use a marketing mix strategy: product, price, place, and promotion, also known as the "4Ps" developed by E. Jerome McCarthy (McCarthy, J.1960). He was the first person to suggest the 4Ps of marketing strategy. The marketing mix has defined as the 'set of marketing tools that the firm uses to pursue its marketing objectives in the market.

### 2.1 Product

Kang Budi Crochet Crafts offer a variety of designs, including tops, bags, flowers, swim wears, sets for kids and flowers. The business will also provide products according to customer preferences and specifications. The



company will see to it that the product they provide meets or even exceeds the expectations of their customers and will listen to the customer's feedback to improve the quality of the product to produce.

## 2.2 Price

The business will offer prices that are affordable to everyone. However, considering the economy and the fact that it can always change, the costs of the materials needed for production can also vary. However, the business will ensure that the price suits their desired product quality.

In addition, the business will also offer discounts and freebies to loyal customers. The company will provide affordable prices, and to do so, the business will use a brilliant pricing strategy where the cost of every product is low but will remain profitable. It will aid the company in attracting customers because it aims to provide quality products at a reasonable price.

## 2.3 Promotion.

Attracting customers is one of the challenges that every business may face. Kang Budi Crochet Crafts will build a shop accessible to everyone, and since most people use social media, it is much easier and accessible to everyone if promoted online. Thus, the business will utilize social media platforms like Facebook and Instagram. The business request about the product and receives orders to post updates about the company, such as new items, designs, and available products for certain events like Valentine's Day, Christmas seasons, teacher's Day, and many more. The business will also consider radio advertisements in local stations at least thrice a week for the first year of business and will promote sales on seasonal occasions.



**Figure 2.1 Business Logo**

## 2.4 Place

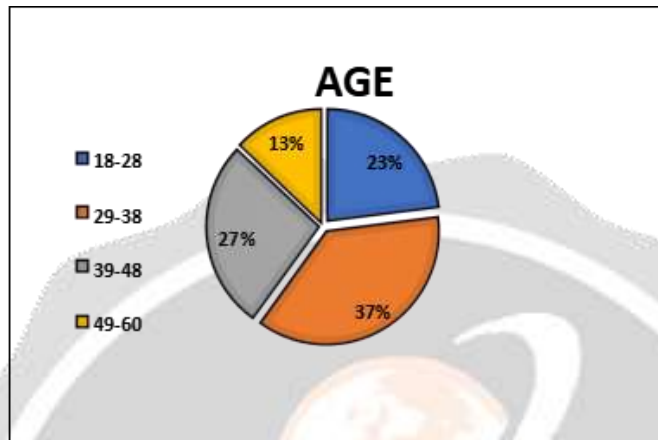
The business will choose to build a shop that is accessible to everyone. Kang Budi Crochet Crafts is located behind St. James the Apostle Parish convent in Cervantes St., Poblacion, Cateel, Davao Oriental. The shop is easily visible and accessible to all customers because it is located along Cateel's major route.



**Fig-2.2: Business Market**

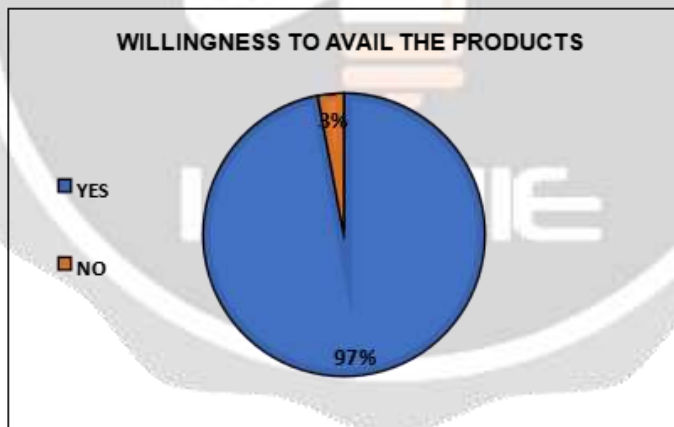
**2.4 Market Survey Analysis**

According to the Market Survey, 101 respondents out of 2 024 households in Brgy. Poblacion, Cateel Davao Oriental. The 101 respondents result from the Slovin formula based on the chosen location, as it was conducted accordingly— survey results achieved at Brgy. Poblacion shows 23% of respondents are 18-28 yrs. Old; 23% are ages 29-38; 27% are 39-48, and 13% are 49-60.



**Fig-2.3: Frequency according to respondents of age**

It was found that out of 101 respondents, 97% are in favor and willing to avail of the products in the crochet crafts business, and 3% are not interested.



**Fig-2.4: Willingness to avail the products.**

The survey result showed that the customers usually avail of crochet products on a seasonal basis with 53%; some of the customers surveyed said they wanted to help with the products occasionally, and 44% and 3% depended on when they want to avail.

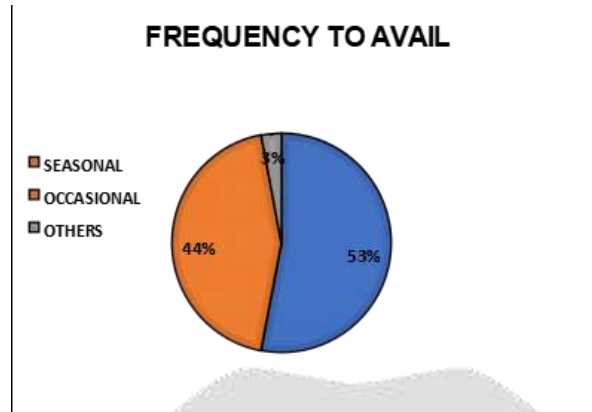


Figure 2.5. Frequency to avail

The loyalty survey of customers shows that many are positive and fond of crochet products. The survey indicates that 77% of the total number of surveyed customers gave positive signs of loyalty to availing products in the shop. The rest of the customers suggested a negative response which shows 6%; the 17% result of the survey came from the customers who responded with either negative or positive signs of reactions on availing of crocheted products.

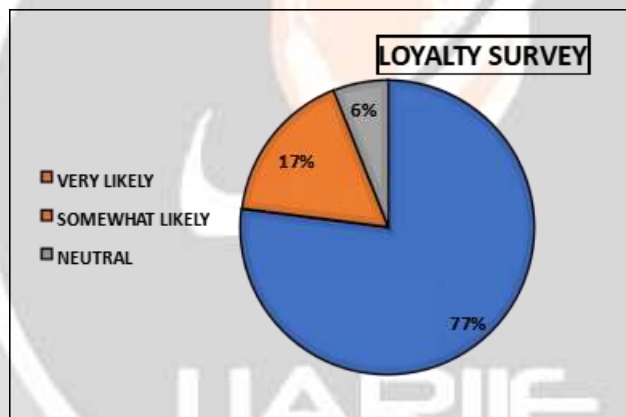


Fig-2.6: Loyalty survey

Kang Budi Crochet Crafts offers different products that our customers would love, which they can choose randomly. 29% of respondents were willing to purchase flowers; 22% are bags, 14% are tops, and 11% are set for kids. The following products can be customized or ready-made, and they can choose according to their preferences and specifications.

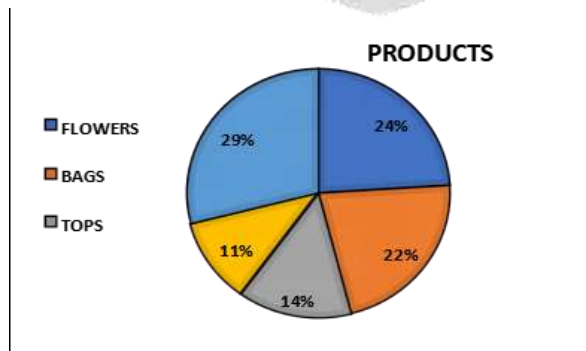


Fig-2.7: Products

Figure 6 shows different prices our customers preferred, which they can choose randomly. The survey results show that the following prices are tolerable and affordable 12% of respondents can afford Php50, Php100, and Php120, and 10% of respondents can afford Php200; 11% of respondents afford to pay Php250; 9% are Php350; 8% are 450; 6% are Php550 and Php280; 4% are Php400 and Php500 and 3% are Php850 and Php950. The figure also helped the business in terms of pricing strategy.

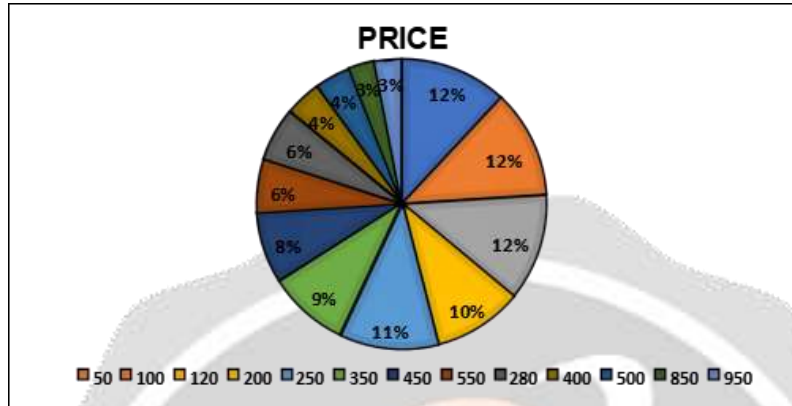


Fig-2.8: Frequency of preferred price

According to the customer survey, these items show that they will avail crocheted products monthly, representing a percentage level of 65%. 30% of them said they will avail products quarterly, and 5% of customers will avail yearly.

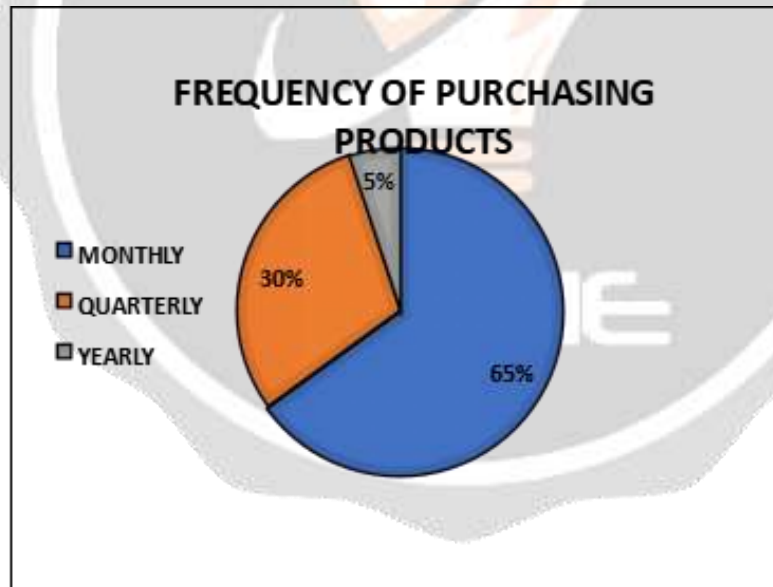


Fig-2.9: Frequency of purchasing products.

### 3. PRODUCTION PROCESS AND OPERATION REQUIREMENTS

#### 3.1 Production Process

Crocheting in business is about meeting a customer's demand by doing it exactly how they want it to be. Since it is handmade, it does not require much equipment, the same with the production process, unlike any other business. The raw materials needed are also accessible within the area, making purchasing easier. Although there are only a few tasks to do, the company still provides an organized process to maintain the quality of the product. The



first is to receive/entertain orders, the second is the crocheting process or the making of the product, the third is finalizing, the fourth is packaging, and the last is distribution.

**Table 3. Production Schedule**

Product	Time spent in production
Flowers	10 pcs a day
Bags	1 and a half days per piece
Tops	1 day per piece
Set of kids' wear: Dress type	1 day per piece
Swimwear	Half a day per piece
Swimwear (adults)	1day per piece

The production schedule is shown in Table 3. It illustrates how many products may be produced in a day and how much time is required to produce each. The number of items that can be completed in a day, as shown in the table above, is the estimated number of items a crocheter can complete in a day.

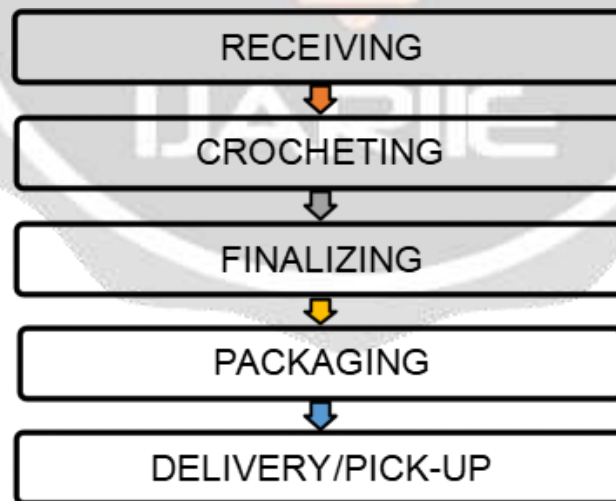
**Receiving.** Since all the business's products are customized, gathering the necessary information for the production, such as sizes, colors, designs, and other specifications, as well as the preferred style intended to include, is important.

**Crocheting/Production.** Upon receiving orders from customers and knowing all the necessary information to produce the item, the next part of the process is the making. This is where the designs that the customer wants are attained.

**Finalizing.** Before packing all the products ready to be sent out to the market, it is important to double-check and finalize the product to avoid conflict and maintain the image and stand of the business among its target market.

**Packaging.** Packaging is the last step in the production process. Maintaining good packaging is important in attaining a good positioning of the business. Thus, the company will provide extra work in packing the product to avoid conflict upon delivery.

**Delivery/Pick up.** The final step is delivery or pickup. Customers may always pick up their orders in the shop because the business has its accessible shop. However, it also provides a delivery service, which means that once the package is ready, it should be sent to the customers if they request it.



**Fig-3.1: Process Flow**

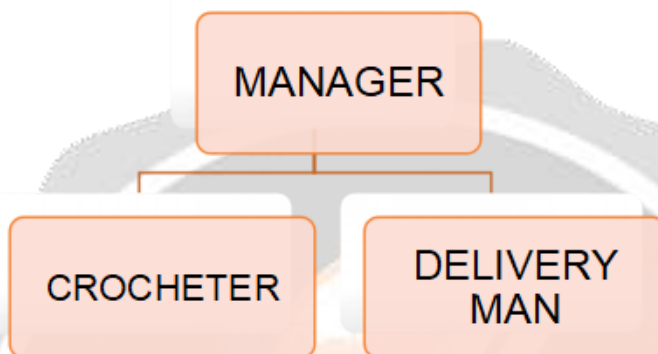
**3.2 Operation Requirements**

Kang Budi Crochet Crafts will use high-quality yarns, and the materials used in making the products will be purchased in Davao City. The business operation will start from 9 am to 5 pm every Monday to Saturday. The business will secure permits, licenses, and human resources to make the business viable and operate well.

**3.4 Management and Personnel Requirements**

To always operate consistently and successfully, all business organizations must understand their human resource requirements. It assists in determining the employees' ability and capacities to fit into the business flow and having clear jobs and responsibilities. Basic qualifications help ensure business operations run smoothly when hiring and selecting staff.

**Organizational chart.** The business to be established is in the form of a partnership, and since it is a small business, the two owners agreed to operate the business independently. The other owner will be the manager; she is the one who will supervise the operation, while the partner will be the one responsible for the production. However, the two will work interchangeably and will help each other harmoniously. Regarding product delivery, the one available can do the job and will only hire personnel (delivery man) when needed.



**Fig-3.2: Organizational Set-up**

**Table 4. Personnel Responsibilities and Qualifications**

Personnel	Responsibilities	Qualifications
Manager	<ul style="list-style-type: none"> <li>• Knowledgeable on how to plan, control and evaluate. Monitor stocks</li> </ul>	<ul style="list-style-type: none"> <li>• Excellent communication, leadership, coaching, and conflict resolution.</li> <li>• Ability to analyze, process, and inform.</li> <li>• Identify problems and trends and develop effective solutions and strategies.</li> </ul>
Crocheter	<ul style="list-style-type: none"> <li>• Responsible for producing products offered by the firm. You should be able to make all the necessary products in the allotted time. Ensure that the product is the same as the customer's demand.</li> </ul>	<ul style="list-style-type: none"> <li>• Able to crochet different products with different designs.</li> <li>• Able to come up with their designs</li> </ul>
Delivery man	<ul style="list-style-type: none"> <li>• Establish and maintain excellent relationships with customers. Take good care of the products upon delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• Excellent communication and organizational skills Valid driver's license</li> <li>• Familiarity with local streets, neighbors, and routes</li> </ul>

### 3.3 Regulations/Environmental Issues

The business ensures to follow all the guidelines and complies with restrictions. The company will also set rules and regulations for employees, including practicing proper waste disposal. Furthermore, the business will also use paper bags and boxes instead of plastics. Kang Budi Crochet Crafts will offer good working conditions and the safety of the clients and the workers. To make the operations legal, the business will secure permits and licenses, barangay clearance, and certification from fire, health, and residency that the local government will serve to engage business operations, and the business will also strictly follow the rules and regulations.

### 3.4 Critical Factors

**SWOT Analysis.** A strengths, weaknesses, opportunities, and threats (SWOT) analysis has become a fundamental tool for organizations to evaluate their position in the market and is widely used to analyze the internal and external environments of organizations during times of indecision (Rozmi et al., 2018; Wu, 2020). The four components identify either internal or external considerations. Strengths refer to the interior elements of an organization that facilitate reaching its goals, while weaknesses are those internal elements that interfere with organizational success. Opportunities-external aspects that help an organization achieve its goals are positive environmental aspects and opportunities to address gaps and initiate new activities. Threats, on the other hand, are aspects of the organization's external environment that are barriers or potential barriers to reaching its goals (Aldehayyat & Anchor, 2008; Fleisher & Bensoussan, 2003; Lee & Lin, 2008; Shrestha et al., 2004).

Table 5. SWOT Analysis

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Accessible location</li> <li>• Potential customer through marketing strategy</li> <li>• Good customer service relationship</li> <li>• The durability of the product</li> <li>• New product designs</li> <li>• Low starting capital</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• It cannot produce a volume of products in a day.</li> <li>• Not being able to come up with new designs.</li> <li>• Crocheters still need to be equipped in terms of complex designs.</li> </ul>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Crafts are easy and cost less.</li> <li>• People get easily attracted to good promotion and creativity.</li> <li>• Seasonal occasions</li> <li>• Has no direct competitors</li> <li>• Can innovate products through customer demand</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• New entrants to the industry</li> <li>• Need help keeping up with indirect competitors.</li> </ul>

**Strengths.** One of the business strategies is to decide the best possible location for the business. It would be advantageous for the company to have a more accessible and convenient place for locals. By using social media to send an update on new products, the business can employ a marketing strategy to connect with new potential customers. Also, good customer experiences are the cornerstone of good customer relationships, and excellent customer relationship management will promote quicker business growth, attract new clients, and keep existing clients. Due to the manual nature of crochet, crocheters are free to explore new patterns and express their creativity by coming up with fresh and new products to offer customers. Thus, creating recent trends generates income for current and future activities and keeps customers happy.

**Weaknesses.** Businesses, especially those with an on-demand product, sometimes need help to meet the demand of their consumers. The crochet business considered time management as one of its weaknesses because it could affect the business's reputation in terms of meeting the deadline for a particular product, considering that crochet takes much time, depending on the number and type of items to be made. Furthermore, the crocheters still need to be fully equipped with complex designs, making it more challenging for the business to satisfy customers' demands. The other weakness the company may have needed is to develop new strategies depending on the trend, which can be an opportunity for indirect competitors.

**Opportunities.** The business has some opportunities, one of which is that crafts are easy and cost less. Crochet is easy to make, and only a few materials are needed that are affordable and available within the area where the business operates, making it an opportunity for the company. People are easily attracted to how the business promotes its products as well as the designs it offers. Crochet is mostly given as gifts, making it more advantageous on seasonal occasions like summer and Valentine's Day. Through customers' demand and feedback, the business will be able to innovate new products that will likely be in demand and patronized by customers. Lastly, it is a big opportunity for a company to have no direct competitors because most of the customers will choose to patronize the ones that are accessible than the ones that are not well-established within the locality.

**Threats.** One of the primary threats to the business is the potential of new entrants who may open the same crochet businesses in the same location. The familiarity of the product might also be a concern because indirect competitors may imitate the offered products. They will likely compete to win over the available market. Another is the change of trend, which, like any other trend, may fade too quickly.

### 3.5 Porter's Five Forces

Porter's Five Forces is a business Analysis model that helps to explain why different industries can sustain different levels of profitability. It is a strategy for determining the industry's vulnerability and strength by identifying and analyzing five competitive forces that define every business. Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating a business organization's competitive strength and position.

**Supplier Power.** High. Acquisition of raw materials will be fine since it is available within the store's area, making it highly advantageous for the business. However, the company intends to purchase quality materials at a lower price. Raw materials for production will be purchased in advance from numerous suppliers from Davao City, where the business can use negotiating power to extract higher prices from the firm. The company will build an efficient supply chain with multiple suppliers.

**Customer Power.** Medium. In business, it is inevitable to have a customer who demands discounts. They want to buy the best offers by paying the minimum possible price. In the long run, this puts pressure on business profitability—the customers' higher power and ability to seek increasing discounts. Customers can demand, and the management can make a deal for a more efficient producer-customer relationship.

**Competitive Rivalry.** Low. The rivalry among the existing players in an industry is low since there are no direct competitors. Kang Budi Crochet Crafts could produce quality products and services based on their preferences, making them return or come back to avail of our goods and services. By building a sustainable differentiation and by building scale so that it can compete better.

**Threats of Substitute.** High. Industry profitability suffers when a new product or service meets a similar customer's needs differently. The threat of a substitute product or service is high if it offers a value proposition uniquely different from the present offerings of the industry. Although the business has no direct competitors, the threat of substitutes is still high. Bags and flowers, for instance, as one of the company's products, could be replaced by the ones sold by retailers within the area where the business will operate. Thus, the business will be service oriented rather than just product oriented. Will be able to understand the core need of the customer rather than what the customer is buying and increase the switching cost for the customers.

**Threats of New Entry.** Medium. New firms in terms of crochet are always expected to come out to win over the available percentage of the market. New entrants in the crochet business bring innovation, new ways of doing things, and put pressure. Through lower pricing strategy, reducing costs, and providing new value propositions to the customers. The management has prepared and managed all these challenges and built effective barriers to safeguard its competitive edge. Kang Budi Crochet Crafts will keep defining the standards regularly. It significantly reduces the window of extraordinary profits for the new firms, thus discouraging new players in the industry.

### 3.6 PEST Analysis

It is believed that PEST Analysis was first introduced under the name ETPS by Harvard professor Francis J. Aguilar. In the 1967 publication "Scanning the Business Environment," Aguilar presented the economic, technical, political, and social factors as major influences on the business environment. These four factors can get the best analysis for the business to be competitive and stay in a long-term operation. Every industry emerges faster than many others with time. And so, the competition. Therefore, market players need to analyze their business performance periodically. Furthermore, update the strategy whenever required. Analyze all the risks before entering any new market and make informed decisions.



**Political Factors.** These are all about how and to what degree a government intervenes in the economy. This includes government policy, political stability or instability, tax policy, and labor law. It is clear from the list above that political factors impact the ease of doing business. The business will be able to respond to the current and anticipated future legislation and marketing policy accordingly. Legal factors include health and safety, equal opportunities, advertising standards, consumer rights, product labeling, and product safety. Business firms need to know what is and is not legal to succeed.

**Economic Factors.** The economic factors that most affect the demand for consumer goods are employment, wages, prices/inflation, interest rates, and consumer confidence. The emerging economy of Cateel has proved that it can withstand such circumstances. Crocheted crafts are affordable for anyone, but with the threat of inflation, the prices of raw materials may increase, affecting production. However, the business ensures that the quality of the products and prices will remain suitable for the items.

**Social Forces.** Society's culture and way of doing things impact an organization's culture. Shared beliefs and attitudes of the population play a great role in how business marketers succeed. The growth of businesses is affected by the social and cultural values of the market. Consumers are changed socially, and Cateelinos' taste in terms of fashion has also improved. They have become more conscious of what they wear and more open to new designs that are on trend; with this, the business assures to offer unique designs and innovations to satisfy consumers' preferences. To earn a good reputation and build a good image. The company should consider the following factors: population growth rate, attitudes, leisure interests, religion and culture, and customer behavior.

**Technological Forces.** Although technological considerations have little impact on the business because the products it produces are handmade, it would only be convenient with them because some consumers shop online. It is highly beneficial in promoting the business.

#### 4. FINANCIAL ANALYSIS

This chapter provides comprehensive data with numerical figures and financial assessment for Budi Crochet Crafts as it describes the ability and capacity of the proposed business to sustain and survive the operation in the next five-year calendar years from January 2023 to December 2023.

##### 4.1 Start-Up Schedule

The table below shows the list of the above-mentioned financial aspects, which begins with financial planning up to the actual operations of the partner's business endeavors. These are presented in the first-year calendar from January 2023 to December 2023.

able 6. Start-up schedule milestones

Activities	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec .
Project planning and approval												
Procurement of Initial Investment												
Registration of the business followed by renovation of space												
Purchase of raw materials and supplies												
Opening the store. Business operation starts												



## 4.2 Financial Projection

**Table 7. Capital Requirements**

Partners	Initial Investment
Estrella, Christie anna	50,000.00
Salvaña, Libra Jane	50,000.00
<b>TOTAL</b>	<b>100,000.00</b>

**Table 8. Purchases of Raw Materials**

Items	Quantity		Price per Unit	Annual Cost
	Monthly	Annually		
Yarn	50pieces	600 pieces	60.00	36,000.00
Crochet Hook	3 sets	3 sets	219.00	657.00
Yarn Needle	3 sets	3 sets	50.00	150.00
Stitch Markers	1 pack	1 pack	195.00	390.00
Scissors	4 pieces	4 pieces	25.00	100.00
<b>TOTAL</b>				<b>37,297.00</b>

**Assumptions:**

The purchase of yarns will increase by at least 3% yearly, depending on sales.  
The rest of the materials will increase in the third year.

**Table 9. Promotional Expense**

Particular	Cost	No. of Months	Annually
Radio Advertising	2,500.00	12	30,000.00
<b>TOTAL</b>			<b>30,000.00</b>

**Assumption:**

Radio Advertising will only be effective in the first year of the business.

**Table 10. Packaging Supplies**

Items	Quantity	Price	Monthly	Annually
Paper and cellophane wrappers (for bouquets)	50 pcs.	25.00	1,250.00	15,000.00
Kraft boxes	50 pcs.	35.00	1,750.00	21,000.00
Logo Stickers	100 pcs.	130.00	65.00	780.00
Tags	100 pcs.	100.00	50.00	600.00
<b>TOTAL</b>				<b>37,380.00</b>

**Assumption:**

Packaging supplies are estimated to increase by 2% annually.

**Table 11. Salaries and Wages**

Personnel	Monthly	Annually
Manager	8,000.00	96,000.00
Crocheter	6,500.00	78,000.00
Deliveryman	1,600.00	19,200.00
<b>TOTAL</b>		<b>193,200.00</b>

**Assumption:**  
The salaries of the manager and crocheter will be included in the income they will receive monthly from their Investment. Since the deliveryman's job is optional, the business has only projected an estimated amount that'll remain stable for five years.

**Table 12. Permits and Licenses**

Particular	Amount
Permit and licenses	4,000.00

**Assumption:**  
Permits and licenses are assumed to increase by 5% annually

**Table 13. Rent Expense**

Monthly Rent Expense	Annual Rent
5,000.00	60,000.00

**Assumption:**  
As per the agreement, the space rental will not increase for five years due to the renovation cost

**Table 14. Utilities Expense**

Particulars	Monthly	Annually
Internet Expense	1,500.00	18,000.00
Electric Bills	1,800.00	21,600.00
<b>TOTAL</b>		<b>39,600.00</b>

**Assumption:**  
Utilities Expenses will be stable for five years. An increase will occur in the next few years after that when the business is successful enough to use crochet machinery.

**Table 15. Furniture and Fixture**

	Quantity	Price	Amount	Estimated Useful life	Depreciation expense
Office Table	2	1,320.00	2,640.00	5	422.40
Office Chair	2	635.00	1,270.00	5	203.20
Chairs (for customers)	2	385.00	770.00	5	123.20
Filing cabinet	1	2,500	2,500	5	400.00
<b>TOTAL</b>			<b>7,180.00</b>		<b>1,148.80</b>

**Assumption:**  
Furniture and fixtures will be replaced when these are fully depreciated.

**Table 16. Tools and Equipment**

	Quantity	Amount	Estimated life span	Depreciation Expense
Desktop with printer	1	25,000.00	5	4,000.00
<b>Total</b>				<b>4,000.00</b>
<b>Assumption:</b> Equipment will remain stable for the next five years of the business.				

**Table 17. Leasehold Improvement**

Particular	Amount	Depreciation
<b>Renovation cost</b>	<b>6, 270.00</b>	<b>1,003.20</b>

**Table 18. Depreciation Schedule**

	Cost	Useful Life	Salvage value	Depreciation
Furniture Fixture and Equipment	7,180.00	5	1,436.00	1,148.80
	25,000.00	5	5,000.00	4,000.00
Leasehold improvement	6,270.00		1,254.00	1,003.20
<b>TOTAL</b>				<b>6,152.00</b>

**Table 19. Transportation expense**

	Monthly	Annually
Transportation	2,000.00	24,000.00
<b>TOTAL</b>		<b>24,000.00</b>
<b>Assumption:</b> Transportation will be stable in the next five years of the business.		

**Table 20. Office Supplies**

Particulars	Quantity	Price	Annual Cost
Official Receipt	5	100	1,200.00
Pen	24	10	120.00
Notepad	3	100	1,200.00
Record book	3	150	1,800.00
Scotch Tape	3	200	2,400.00
<b>TOTAL</b>			<b>6,720.00</b>
<b>Assumption:</b> Office supplies are estimated to increase by 5% annually.			

**Table 21. Demand Schedule**

	Price	Quantity Demand
Flowers	100	34
Bags	250	15
Tops	200	23
Set For Kids	750	10
Others	50	16
<b>Total</b>		<b>98</b>

**Table 22. Sales forecast**

	Price	No. of Respondents	Monthly projected sales	Annually projected sales
Flowers	100	34	3,400.00	Particulars
Bags	250	15	3,750.00	45,000.00
Tops	200	23	4,600.00	55,200.00
Set For Kids	750	10	7,500.00	90,000.00
Others	50	16	800.00	9,600.00
<b>Total</b>		<b>98</b>	<b>20,500.00</b>	<b>327,000.00</b>
<b>Assumption:</b> Sales will increase by 5% annually				

The target market for the firm is made up of roughly 2,024 households. Using Slovin's Formula and margin of error, the proponents generated 101 respondents. Three of the 101 respondents declared uninterested in the products the firm planned to sell. With the remaining 98 respondents who indicated they were interested, the two proponents could predict the business's sales. Out of 98 respondents, 34 stated they would receive flowers each month, 15 for bags, 23 for tops, 10 for a set of children's clothing, and 16 for other items.

**Table 23. Partner's Distributive Share**

<b>2023</b>	<b>ESTRELLA, C</b>	<b>SALVANA, L</b>	<b>TOTAL</b>
Initial Investment	50,000.00	50,000.00	100,000.00
add: net income	22,731.80	22,731.80	45,463.60
<b>Partners equity. end</b>	<b>72,731.80</b>	<b>72,731.80</b>	<b>145,463.60</b>
<b>2024</b>	<b>ESTRELLA, C</b>	<b>SALVANA, L</b>	<b>TOTAL</b>
Partners equity beg	72,731.80	72,731.80	145,463.60
add: net income	36,142.54	36,142.54	72,285.08
<b>Partners equity. end</b>	<b>108,874.34</b>	<b>108,874.34</b>	<b>217,748.68</b>
<b>2025</b>	<b>ESTRELLA, C</b>	<b>SALVANA, L</b>	<b>TOTAL</b>
Partners equity beg	108,874.34	108,874.34	217,748.68
Add: net income	40,956.67	40,956.67	81,913.34
<b>Partners equity. end</b>	<b>149,831.01</b>	<b>149,831.01</b>	<b>299,662.02</b>
<b>2026</b>	<b>ESTRELLA, C</b>	<b>SALVANA, L</b>	<b>TOTAL</b>
Partners equity beg	149,831.01	149,831.01	299,662.02
Add: net income	46,019.69	46,019.69	92,039.37
<b>Partners equity. end</b>	<b>195,850.70</b>	<b>195,850.70</b>	<b>391,701.39</b>
<b>2027</b>	<b>ESTRELLA, C</b>	<b>SALVANA, L</b>	<b>TOTAL</b>
Partners equity beg	195,850.70	195,850.70	391,701.39
Add: net income	51,343.85	51,343.85	102,687.69

<b>Partners equity. end</b>	<b>247,194.54</b>	<b>247,194.54</b>	<b>494,389.08</b>
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#### 4.3 Projected Income Statement

<b>Kang Budi Crochet Crafts</b>					
<b>Projected Income Statement</b>					
<b>For the years ended January 31, 2023 - December 31, 2027</b>					
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Sales	327,000.00	343,350.00	360,517.50	378,543.38	397,470.55
Less: Cost of sales	(35,000.00)	(41,750.00)	(43,837.50)	(46,029.37)	(48,330.84)
<b>Gross profit</b>	<b>292,000.00</b>	<b>301,600.00</b>	<b>316,680.00</b>	<b>332,514.01</b>	<b>349,139.71</b>
Less: Operating expenses					
Utilities expense	39,600.00	39,600.00	39,600.00	39,600.00	39,600.00
Permits & licenses	4,000.00	4,200.00	4,410.00	4,630.00	4,861.50
Transportation expense	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
Rent expense	60,000.00	60,000.00	60,000.00	60,000.00	60,000.00
Advertising expense	30,000.00				
Salaries expense	19,200.00	19,200.00	19,200.00	19,200.00	19,200.00
Packaging expense	37,380.00	38,127.60	38,890.15	39,667.95	40,461.31
Office supplies expense	6,720.00	7,056.00	7,408.80	7,779.24	8,168.20
Depreciation expense	6,152.00	6,152.00	6,152.00	6,152.00	6,152.00
<b>Total operating expense</b>	<b>227,052.00</b>	<b>198,335.60</b>	<b>199,660.95</b>	<b>201,029.19</b>	<b>202,443.01</b>
net income before income tax	64,948.00	103,264.40	117,019.05	131,484.82	146,696.70
less: income tax (30%)	(19,484.40)	(30,979.32)	(35,105.72)	(39,445.45)	(44,009.01)
<b>Net income</b>	<b><u>45,463.60</u></b>	<b><u>72,285.08</u></b>	<b><u>81,913.34</u></b>	<b><u>92,039.37</u></b>	<b><u>102,687.69</u></b>



## 4.4 Projected Cash Flow Statement

<b>Kang Budi Crochet Crafts</b>					
<b>Projected Cash Flow Statement</b>					
<b>For the years ended January 31, 2023 - December 31, 2027</b>					
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Operating activities</b>					
Cash received from customers	327,000.00	343,350.00	360,517.50	378,543.38	397,470.55
Cash paid to suppliers	(40,000.00)	(42,000.00)	(44,100.00)	(46,305.00)	(48,620.25)
Add; Depreciation expense	6,152.00	6,152.00	6,152.00	6,152.00	6,152.00
Operating expenses	(227,052.00)	(198,335.60)	(199,660.95)	(201,029.19)	(202,443.01)
Provision for income tax	(19,484.40)	(30,979.32)	(35,105.72)	(39,445.45)	(44,009.01)
<b>Net operating activities</b>	<b>46,615.60</b>	<b>78,187.08</b>	<b>87,802.84</b>	<b>97,915.74</b>	<b>108,550.28</b>
Investing activities					
Payment for equipment	25,000.00				
Payment for furniture & fixture	7,180.00				
Leasehold improvement	6,270.00				
<b>Net investing activities</b>	<b>-38,450.00</b>				
Financing activities					
Cash investment	100,000.00				
Net increase(decrease)	108,165.60	78,187.08	87,802.84	97,915.74	108,550.28
add: cash, beg		108,165.60	186,352.68	274,155.52	372,071.26
<b>Cash end</b>	<b>108,165.60</b>	<b>186,352.68</b>	<b>274,155.52</b>	<b>372,071.26</b>	<b>480,621.54</b>

## 4.5 Projected Balance Sheet

<b>Kang Budi Crochet Crafts</b>					
<b>Projected Balance Sheet</b>					
<b>For the years ended January 31, 2023 - December 31, 2027</b>					
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>ASSET</b>					
<b>Current asset</b>					
Cash received from customers	108,165.60	186,352.68	274,155.52	372,071.26	480,621.54
Inventory	5,000.00	5,250.00	5,512.50	5,788.13	6,077.54
<i>Total Current Assets</i>	<i>113,165.60</i>	<i>191,602.68</i>	<i>279,668.02</i>	<i>377,859.39</i>	<i>486,699.08</i>
<b>Non-current assets</b>					
Purchase for Equipment	25,000.00	25,000.00	25,000.00	25,000.00	25,000.00
Less: Accumulated depreciation	(4,000.00)	(8,000.00)	(12,000.00)	(16,000.00)	(20,000.00)
Tools & Equipment(net)	21,000.00	17,000.00	13,000.00	9,000.00	5,000.00
Purchase of furniture & fixture	7,180.00	7,180.00	7,180.00	7,180.00	7,180.00
Less: Accumulated Depreciation	(1,148.80)	(2,297.60)	(3,446.40)	(4,595.20)	(5,744.00)
Purchase for furniture & fixture(net)	6,031.20	4,882.40	3,733.60	2,584.80	1,436.00
Leasehold improvement	6,270.00	6,270.00	6,270.00	6,270.00	6,270.00
less: Accumulated depreciation	(1,003.20)	(2,006.40)	(3,009.60)	(4,012.80)	(5,016.00)
Leasehold improvement(net)	5,266.80	4,263.60	3,260.40	2,257.20	1,254.00
<i>Total non-current assets</i>	<i>32,298.00</i>	<i>26,146.00</i>	<i>19,994.00</i>	<i>13,842.00</i>	<i>7,690.00</i>
<b>TOTAL ASSET</b>	<b><u>145,463.60</u></b>	<b><u>217,748.68</u></b>	<b><u>299,662.02</u></b>	<b><u>391,701.39</u></b>	<b><u>494,389.08</u></b>
<b>LIABILITIES AND PARTNERS EQUITY</b>					
Estrella, Capital	50,000.00	108,874.34	149,831.01	195,850.70	247,194.54
Salvana, Capital	50,000.00	108,874.34	149,831.01	195,850.70	247,194.54
Retained Earnings	45,463.60				
<b><u>TOTAL LIABILITIES AND PARTNERS EQUITY</u></b>	<b><u>145,463.60</u></b>	<b><u>217,748.68</u></b>	<b><u>299,662.02</u></b>	<b><u>391,701.39</u></b>	<b><u>494,389.08</u></b>

#### 4.6 FINANCIAL RATIOS

**A. Return on Investments.** Return on Investment is the benefit achieved relative to the Investment made. ROI is used to judge the success of an initiative or project or to compare the relative worth of comparable projects. It is also used before the project as a sound decision for the company. Based on the data provided below, the proposed business is projected to have an ROI of 78.87%, which means that the investors will be able to get a higher amount of revenue from their investments, and the higher the ratio, the greater the benefit earned.

$$\begin{aligned} \text{Return on Investment} &= \frac{\text{Average Net Income}}{\text{Cost of Investment}} \times 100 \\ &= \frac{78,877.82}{100,000.00} \times 100 \\ &= \mathbf{0.78 \text{ or } 78.87\%} \end{aligned}$$

**B. Net Profit Margin.** A profit margin mainly shows how much revenue a company or business can keep as profit. The business will have a net profit margin of 21.82 %, indicating that it is efficiently managing its costs and showing profitability by generating sales.

$$\begin{aligned} \text{Net profit margin} &= \frac{\text{Average Net Income}}{\text{Average Revenue}} \times 100 \\ &= \frac{78,877.82}{361,376.29} \times 100 \\ &= \mathbf{0.21 \text{ or } 21.82\%} \end{aligned}$$

**C. Payback Period.** A payback period is the number of years a business or company needs to get back the initial cost of an investment. The given data below indicates that the business will recover its capital in the first year of the business.

$$\begin{aligned} \text{Payback Period} &= \frac{\text{Total Investments}}{\text{Average Cash Flows}} \times 100 \\ &= \frac{100,000.00}{96,124.31} \times 100 \\ &= \mathbf{1.04} \end{aligned}$$

**D. Return on Asset.** The return on assets is a way of measuring the profitability of a business concerning its assets. The company is projected to have a ROA of 0.25 or 25.46%, meaning it is managing its assets well enough to get a good profit.

$$\begin{aligned} \text{Return on Assets} &= \frac{\text{Net Income}}{\text{Total Assets}} \times 100 \\ &= \frac{78,877.82}{309,792.95} \times 100 \\ &= \mathbf{0.25 \text{ or } 25.46\%} \end{aligned}$$

#### 5. CONCLUSIONS

Kang Budi Crochet Crafts will be the first-ever crochet shop in Cateel, thus making it more challenging for the proponents. Upon conducting the study, the researchers found the best possible strategic location for the business; However, although many companies might sell ready-to-wear clothes within the area, there were still only some products that sell the same products the proposed business intends to sell. The researchers identified the target market for the firm and the best distribution channel to use with the aid of this study. They were also able to project the required capital for the business, which amounts to exactly 100,000 pesos. To project financial statements, the proponents of the survey determine the proportion of respondents willing to use the products. The business is projected to have an ROI of 78.87% and a net profit margin of 21.82 %, indicating that the company is more likely to be feasible.

Crochet is new to the economy, so it is challenging for the proponents. One way of achieving success with this kind of business is knowing that introducing new products means you must consider that not everyone will like it immediately. Crochet is an art; arts are flexible, and so should crochet. You must be flexible and innovative in creating new designs that your customers will love and continue to explore different kinds of them.

Ultimately, the proponents conclude it is a much more profitable business than they thought. With a higher ROI, ROA, and a payback period of only a year, the business guarantees success for the coming years. Although everything in the financial statements is just projected by the proponents with the study's support, it is certain that this idea of a business is profitable and can survive in the economy.

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