

Setting up a ... **Biblically Based Business;** a proven guide in using God's principles to build successful small businesses

Workbook 1
Version 1.6

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reconxile.org

Michael Clargo

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www.reconxile.org

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Note: The material in this guide has been developed as an outworking of our Christian faith, but it has been written to benefit all those in need, whatever their belief system. We are therefore pleased to work with sincere and caring followers of all faiths or none. We hope that this proven resource will be of some use in your own efforts to push back against the tragic consequences of global poverty, and that you will bear with the spiritual reflections which are, for us as Christians, an integral part of our insight and understanding.

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Reconxile is a Christian organisation who take 2 Corinthians 5:18 as their inspiration and seek to work out their ministry in practical ways through building reconciliation between: people and their dreams; the dispossessed and the economy; organisations and their potential; in the earnest hope of enabling individuals to reclaim their identity and build steps to their reconciliation with the creator who gave it to them.

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1. Introduction

Hello, and may God's blessings be upon you.

This book is a short and simple guide to setting up a small business.

It was written for people who live in countries where there is a lot of poverty, and therefore for people who may not have had a lot of schooling. Primarily, it is written to help and guide people who would like to set up a small business to earn money so that they, their families, and maybe some of their friends and neighbours can live and eat, and send their children to school. But it can be read by anybody who would simply like to understand the basics of setting up a successful business, for whatever reason.

Do you want to know how to set-up a successful business? Do you want to set up your own small business? Or do you have a friend who you would like to help?

If you do, then this book is written for you, and we hope and pray that it will help you to set up a good business and save you from the pain and sadness of having your business fail.

Setting up a business is not difficult, but it is hard work, and it does need you to think about things carefully. Jesus had a business before the three years of His public ministry, and many of His disciples had businesses before they were called away by Him. Saint Paul used his business to help him spread the gospel. People have been setting up businesses for thousands of years, many of them with no schooling at all. Some have succeeded, some have failed. Those who have succeeded followed a few important rules, either by accident or by planning, and those who failed, often did not follow those rules. If we want to succeed, it is very important that we learn from their experience.

Entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity and are able to turn both to their advantage

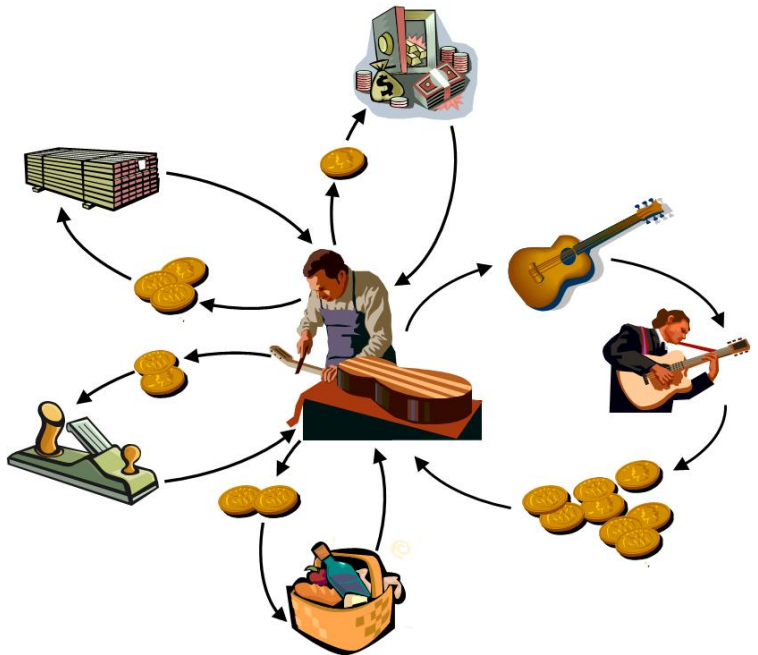
Victor Kyam,
American Businessman

The people who get on in this world are the people who get up and look for the circumstances they want, and, if they can't find them, make them.

George Bernard Shaw
English Writer

What we can learn is, that those who succeeded in business:

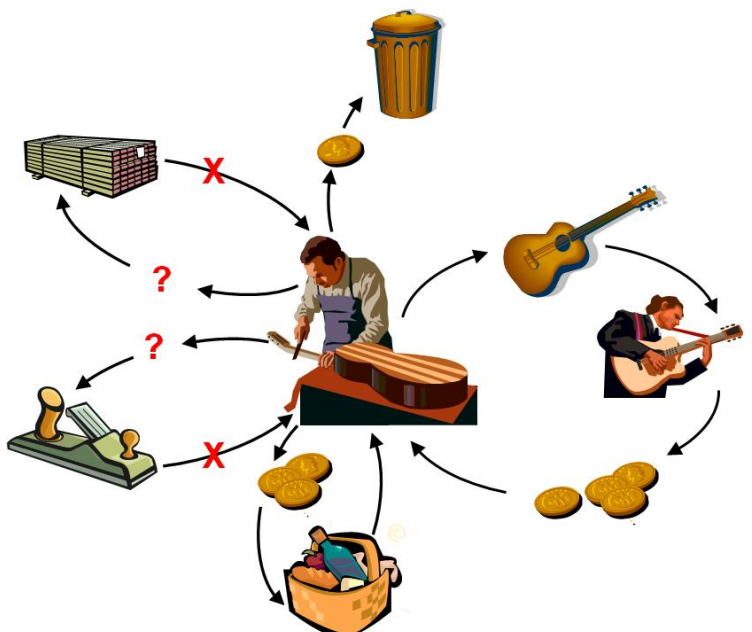
1. Made something or did something that people wanted so much that they were happy to pay for it
2. Did it well enough, often enough, that people came to them to buy it from them, rather than going to someone else
3. Made it or did it in such a way that, even though it cost them some of what people paid for it, they always had a little left over
4. Took care of the bits left over, and ensured they not only paid for food and shelter for themselves and their families, but also for replacing all the tools they were using in their business, usually with newer and better ones



And those who failed in business, failed to do one or more of these things, either at the beginning, or at some point later on.

At its heart, business is that simple!

This book will help you to think through and plan your business to make sure that you do not fail on the four points listed above.



But it is often the case that people's first idea for their business does not work out – they have a good idea, but they cannot make it succeed on every one of the four points. This is common and usual. People who are in business, are often in business on their third or fourth idea. Their first few ideas failed. For the more fortunate ones, their ideas failed at the planning stage, before it had cost them too much. But you will meet people who are on their third or fourth business – their first and second businesses failing after they had put a lot of effort and money into them.

But now those people are successful, they have learned from their failures, and not been put off. And that brings us on to another important point. Successful business people are 'resilient' – 'resilient' means that when they have been knocked over, they pick themselves up, they dust themselves down, and they start all over again.

Please do not be discouraged if the first business idea you work on through this guide does not work out. In our experience this is very likely. The guide may need to be used a number of times before you come up with the right business idea for you. You too will need to be 'resilient'. But the guide will help you to make sure that your early failures are only on paper, in the pages of this book, where at worst it will cost you time and thinking. In real life, such failures would cost you hard work, money, sleepless nights, and embarrassment. Jesus expects us to think our business projects through carefully before we try them out in real life – his words recorded by Saint Luke (Chapter 14, verses 28 and 29) say: "If one of you is planning to build a tower, you sit down first and work out what it will cost, to see if you have enough money to finish the job. If you don't, you will not be able to finish the tower after laying the foundation; and all who see what happened will laugh at you."



Exercise 1

Who do you know who has a successful business?

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Why is it successful?

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Was it their first idea?

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Who do you know who has failed in a business?

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Why did they fail?

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What have they learned about making a successful business?

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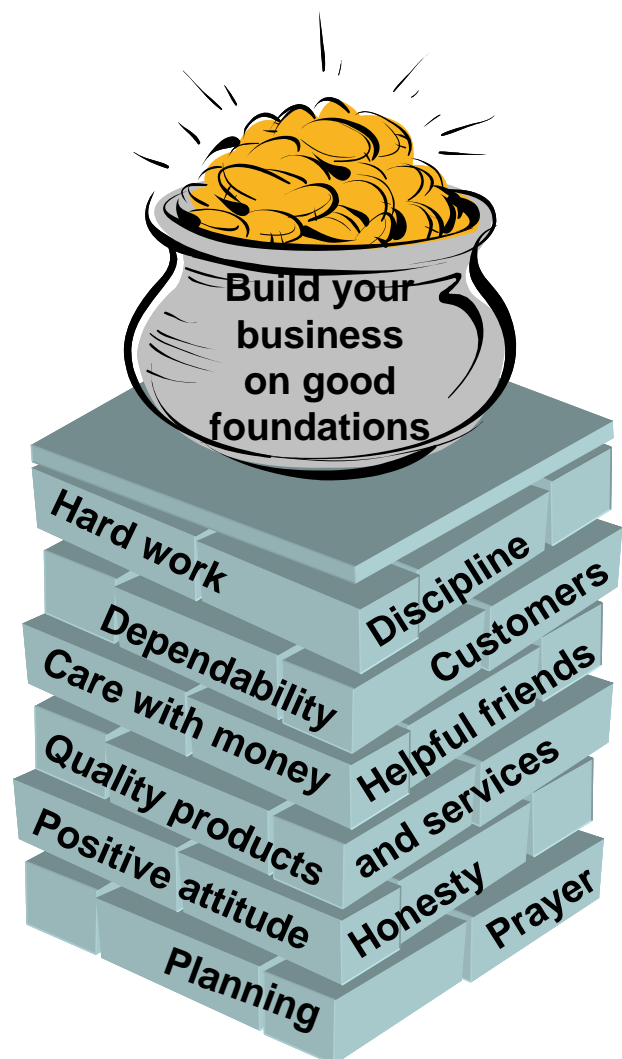
So that is what this book is about. It is about planning to build a business, a business which is strong, and with good foundations, that people will admire. We hope that it is written for you. And we offer up our prayers that the book will help you to think through and set up a successful business that will help to feed and sustain you, your family, and your friends.

But for the guide to be effective in developing your understanding of business, it is very important that you commit yourself to doing the exercises, like the one on the previous page. We know that people often want to avoid this, but we know from experience that doing the exercises makes all the difference in really learning what you need to set up your own small business. Please do not be concerned about getting things wrong at first – the most important thing is that you have a go.

We have written this guide, and provided it for you to use, with only one purpose and for only one reason: Our purpose is to pull people out of poverty, and our reason is because God has blessed us by sending people to help us on our business journey too.

We have then only one request of you – that, once your own business is successful, you too help someone else, currently in poverty, to set up their own business.

May our God who can do immeasurably more than we can think or imagine bless you, sustain you and uphold you through this time.



Chapter Summary

Chapter 1: Introduction

Provides an overview of what is important in setting up a successful business, and explains how to use the book to help you to set up your own business.

Chapter 2: What will my business be?

Helps you to think through what a business actually is, and to think about the sort of business you want to set up and what products or services you want it to sell.

Chapter 3: How will I sell my products or services?

Looks at what makes customers buy some things and not others, and how to present your business to them in a way which will encourage them to buy from you.

Chapter 4: Planning your product or service

Explains the steps to planning out your business, and helps you to think through how you will provide the customers what they want, and what people and tools you need to do that.

Chapter 5: Making the figures add-up

Helps you to check whether your business plan will make you rich or poor, and to think through what you need to change in your plan to make your business make money.

Chapter 6: So now you are in business?

Provides some very basic guidelines and principles on running your business after you have set it up.

Appendices

Includes some additional guidance including a number of basic business ideas, sources of microfinance, and a blank business planning form which you can use to seek investment in your idea.

2. What will my business be?

The first question you need to answer is “What will my business do?”

To be successful, businesses have to do things that somebody else wants enough that they are willing to pay for it. These things tend to be either things we call ‘products’ or things we call ‘services’ or sometimes a little bit of both mixed in together.

A product is something you can touch and see and hold, which you can make or grow, and which you can simply pass on to someone else in the time it takes to blink an eye (and get paid for it) – for example: bananas, shirts, cakes, chairs, bricks.

A service is where you do something for someone else; where you provide effort and skill to do work for other people (and get paid for it) – for example: transporting them (like a taxi service), cleaning for them, mending things for them.

Your business can either provide ‘products’, or it can provide ‘services’. But:

1. Someone has to want what you provide, and want it enough that they are willing to pay for it
2. You have to have the ability and ‘resources’ (resources are the tools, buildings, and bits and pieces) to provide what people want, when they want it, and how they want it
3. You have to be happy, or at least content, to provide whatever it is that you do provide – it should not be something that you feel bad about doing (for example things that are against the law or that hurt another person in some way)



Exercise 2: What examples of products can you think of?

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And what examples of services can you think of?

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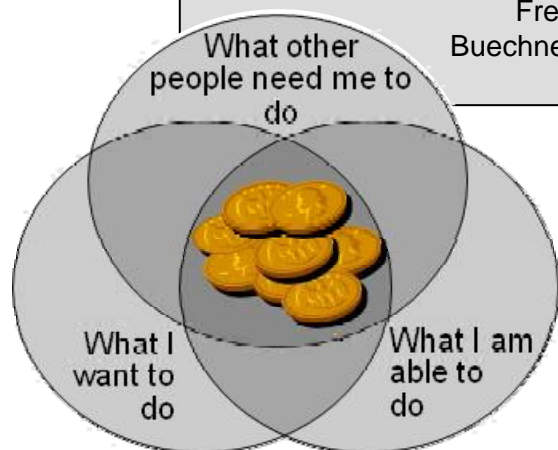
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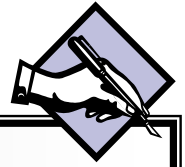
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The place God calls you to is the place where your deep gladness and the World's deep hunger meet.

Fred Buechner



So, let us use these statements to help you to identify your business idea. When you have been through this exercise at least once, you will find that you can work through the steps in any order, but for this first time through let us take the steps in the order of the statements listed above.



Start by thinking about what people need; what they need enough that they are willing to pay for it.

Page 3 ...	Childcare Transport
People in offices:	Cleaning Typing Couriers Lunches Laundry
Tourists	Guides Food Places to stay Transport Entertainment ...

With practice this is likely to grow into a very long list. I expect that you know about lots of people: your church; your neighbours; people in your community or the nearest town; perhaps even people in other countries – and each of these people has a long list of needs: food; clothing; transport; education; health; things that make their work easier; things that make their lives more enjoyable. Write down all of the ideas you have about who they are and what they need. Because this is going to be a long list, you might find it easier to get a few friends to help you to think about all of the needs that could go on the list. Try writing the list now before you proceed any further with the book, and please don't stop until you have filled at least 2 sheets.

Exercise 3: What people need...

People

Needs

This image shows a full page of handwriting practice paper. It features two vertical columns of horizontal dotted lines, designed for tracing and independent writing practice. On the left side, there is a light blue rectangular box containing the Chinese character '七' (seven) written vertically. The rest of the page is filled with the repeating pattern of dotted lines.

Please continue on one or more separate sheets of paper

Before we leave this list, I would like to make a very important point. The point is about the difference between a business and a charity. A business has to make money; it has to have income to survive, while a charity can do things for people who have no money, and who are unable to give that income. Because they have no income from their work, charities need to get their money from donations, and at some point that money has had to come from successful businesses – businesses that know they have to charge money for what they do. Without businesses that are disciplined about getting the right level of income for their work, charities could not exist or survive. Charities are dependent on businesses being ‘businesslike’.

The reason I make this point is not to deter you from charity – the Lord calls us to be charitable – but to urge you to separate your charitable decisions from your business decisions. You can only be charitable to the extent that your business gives you the money to be charitable. Your business can only give you the money to be charitable if you make sure it gets paid for its work. By keeping these two things separate, business thinking and charity thinking, I promise you that you will increase, not reduce, your ability to be charitable. While Jesus was on Earth he did not feed all the poor or heal all the lame – He kept his focus on his first task; to do the business of His Father who sent Him (to reconcile man to God), and He was charitable only to the amount He could afford to be without damaging that business. If He had not done so, we would all be worse off. If you do not apply the same discipline to running your own business, those you seek to help will also be worse off, in the long run.

So, although you will probably find this difficult, I urge you to go back through your list and cross out all of those needs that people cannot afford to pay you for. But please pray for those needs, and if God moves your heart, move them to a new list of what you want to give back once you do have a successful business.

The story of Samuel

Samuel was a good man, and from a young age he had an interest in boats. It used to upset him that local fishermen would scrap their boats rather than repair them. So he decided to set up in business, buying broken boats, repairing them, and then selling them back to people. He borrowed \$500, and with that money he bought a broken boat for \$100, spent \$400 on the parts he needed, and then sold the repaired boat for \$1500.

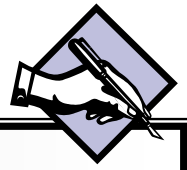
With his \$1500 he paid back the loan, and bought another broken boat and the parts to repair it, and sold that boat also. He now had \$1500 and the tools he needed, and he owed nothing.

But his daughter needed medicines, his brother owed money for his children's schooling, and his sister was getting married and needed some money. He was a very kind man, and so he did everything he could for them. With the \$200 he had left, he bought his next broken boat, but did not have the money to buy the spares he needed. That was two years ago, and the broken boat is still broken. His wider family still needs more money, but Samuel is not in a position to give it to them – he is struggling to feed himself and his children.

So what is the moral of the story?

Read Ecclesiastes 3, and think about this: Samuel had a good business, a generous business, a business which had its own needs for survival – its own seasons of sowing and reaping. At the right season, it would have given Samuel all he needed. If it had a voice it would have pleaded for its own survival, for patience, for the fact that the money belonged to the business and not yet to Samuel. But the only voice it had was Samuel's – its creator and guardian – and Samuel was not listening.

The second step is to make a new list. This list is a list of all the needs you have the 'ability' (strength, skills, talent, knowledge, health) and 'resources' (materials, tools, and similar things) to meet. Write down all of the things you are able to provide either as a product or a service. The following questions might help you to write this list:



Exercise 4:

What do I have the ability and resources to do?

1. What have you ever made or grown? Or what work do people say you do well?
2. What do you see people around you doing, that you could do also?
3. What could you be trained to do? What could you be helped to do? (Your business could be about doing things with the help of your family and friends, or other people you know)
4. How could you change (or transport) what exists around you into what people need elsewhere?

At the back of this guide (page 49) is a list of all the businesses we have seen people successfully set up in economically developing countries – you might find this helpful in thinking about what you can do.

Page 7 ...

- Cooking
- Sweeping/cleaning
- Mending clothes
- Selling fruit
- Building ovens
- Sharpening knives
- Repairing walls
- Filling in forms
- Looking after children
- Playing instruments
- Cycling

Please feel free to continue on separate sheets of paper.

When you have finished your list of what you are able to do, compare it with your first list of what people need, and see how many matches there are between what you can do and what people need. If there are very few matches, do not be discouraged (remember, good business people are 'resilient') but try the following two exercises:

1. Work through your list of needs one-by-one, and use each of these needs to help you to think of other things that you are able to do to meet these needs, even if only in part – and then add these to your list of what you are able to do
2. Work through your list of things that you are able to do one-by-one, and use each of these abilities to help you to think of other needs that could be met by you, even if only in part – and then add these to your list of needs

As you work through these exercises, you will find the number of matches that you have between what people need and what you are able to do increase.

The third step is to look through the list of matches, and to cross out what you are unwilling to do, and to circle those things that you most want to do. But before you undertake this third step we would encourage you to pray, and search God's heart, and ask Him to search yours. Whatever you choose to do now, if successful, you will be doing it for a long time, and it is very important that you try to seek God's will and make yourself open to Him to guide your decision. As you look through the list of matches, offer each one up to God, and ask Him to help you to see which are most in line with His purposes for your life.



Exercise 5:

What new ideas do you get for 'what you can do' when you look through the list of needs?

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What new ideas do you get for 'what people need' when you look through your list of abilities?

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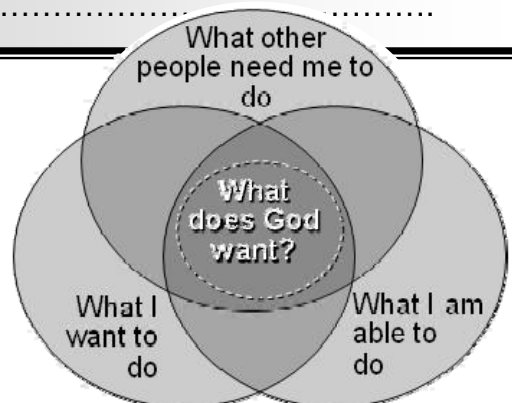
From your list of matches, which do you want to think about further?

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Within the list that remains, and particularly among those items on the list that you have circled, we hope will be your idea for your new business. We cannot select that idea for you – you have to select it for yourself. We suggest you do this through further prayer and discussion with your friends. Prayerful discussion with those who care about you will not ensure your choice will automatically be successful in worldly terms (although God may use it to teach you something – Romans 8:28 “All things happen for the good of those who love the Lord”) but what it will ensure is that your work life need not be separated from your spiritual life. Business brings with it difficult decisions and a number of temptations (“The love of money is the root of all evil” 1 Timothy 6:10) and it will be easier for you to maintain close harmony with God if your business does not continually put you in the position of having to make a choice between doing what will be good for your business, or doing what would be good for God. There are many people in the world who have made the choice to grow rich at the cost of their spiritual life, but “What profits a man if he gains the whole world, but loses his soul?” (Mark 8:36) – before you leap to copy other ‘richer’ business people, consider the real price that many of them have paid for their wealth.

As you work through the rest of the book, you are likely to find you have to return to this chapter from time to time, to pick up another business idea. Probably because your earlier ideas didn’t work out as you began to plan them into businesses, but just possibly because your first business is really successful, and now you want to start up another one.



Exercise 6:

Think about the choices you have made:

Did you feel led in any particular way toward or away from these choices through prayer?

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What do your friends say about your choices?

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What do you really want to do, and why?

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Will God be happy with that choice?

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When you revisit the chapter, please feel free to re-order the steps:

1. You could start with what you want to do as a list, and then cross out those things that you are unable to do (even with training) and those things that there is no need for
2. You could start with those things that you are able to do (or could be trained to do), and then cross out those things that you don't want to do and which there is no need for

One very effective way of finding a new business idea is to find a new (or at least rare) way of adding value to what already exists – for instance turning fruit into jams, sweets, soaps, wine, ... The appendix (page 49) contains a number of examples of such businesses and the Reconxile website includes a creative supplement to this workbook to help you think of more ideas.

Another is to identify things that are currently imported into the country, and develop local alternatives to them.

The advantage of these business ideas is that you are initially moving into an area where you are unlikely to be pushing someone else **out** of business!

When you have selected the business idea you want to use, move on to the next chapter.



Notes:

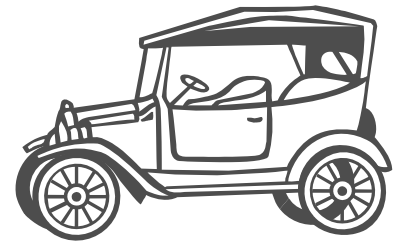
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My business idea is:

1.
2.
3.

3. How will I sell my products or services?

Henry Ford, the person who started the Ford Motor Car Company, once said: "Build a better mouse trap and people will beat a path to your door". What he meant was 'good products sell themselves'. I wish that were true. My own experience is that, even if you have the best product in the world, you need to place it in the middle of a busy highway with lots of flags around it, and even then most people are likely to avoid you and complain about the space you are taking up.



To be fair to Henry Ford, once they know you have the best product; once they have bought your product for the first time, they may well beat that path — but the question is "How do you get them to know — How do you get them to make that first buy?"

To sell your products and services requires two things:

1. That your product or service really is 'better'
2. That enough people know your product or service really is 'better'

So what do we mean by 'better'? We mean that your product or service meets the needs of your customers more than the products or services of anybody else.

Pause for a minute, and think about what you buy, who you buy it from and why you buy it from them (all of the reasons) — make a list — then look at your list, and see what you think is 'better' as a customer. Get some of your friends to make a list and see what they think is 'better' when they are customers. If you and your friends choose who to buy from in this way, then it is likely that other people will too — including the people who will be your customers.



Exercise 7: What do I buy?

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Who do I buy it from?

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Why do I buy it from them?

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What would cause me to buy it elsewhere?

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What do I mean by 'better' in this case?

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For most customers, better means:

1. More consistently (more reliably) – people find that your product or service meets their need equally well, each and every time that they use it – it is never less than good
2. More completely – people find that your product or service meets more of their needs and wants than anybody else's product or service
3. More economically – it costs less (overall) for people to use your product or service than for them to use somebody else's product or service – this could be because your offering is cheaper, but it could also be because it does more, or because it is easier for them to buy
4. More conveniently – people can get your product or service at the times they need them, and in the place they need them, without going out of their way
5. More enjoyably – people find that the experience of buying your product or service from you is something that brightens up their day and makes them feel good about themselves
6. More ... – what else do you have on your list that you want to add to this?

Your product or service does not have to be better than your competitors' products or services on all of these things at once ('competitors' are the other people who are also selling the same products or services) BUT it does have to be better on enough of them to be seen as better overall – and the better it is, the more successful you are likely to be.



Exercise 8:

How can you make your product or service to meet your customer's needs:

More consistently?



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More completely?



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More economically?



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More conveniently?



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More enjoyably?



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And better in any other way?

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Please feel free to continue on a separate sheet of paper.

Better Boda Boda Taxis

Clean and looks safe
Helps with my bags
Knows where to go
Comfortable seat
Not smelly
Not noisy
Polite driver / friendly
There when needed
Avoids bumps
Reasonable prices
Someone I know
...

The first step for you, is to work out exactly how good your product or service has to be to be 'better'. To do this you need to talk to your (soon to be) customers, and you need to look carefully at your competitors. We call this step: 'Market Research'.

Let us start by understanding very clearly who will be your customers? The following questions will help you to think this through – please use them to think carefully about your customers. Use each question to try to widen your thinking and open your mind to new ideas. Use the questions also to spot where your first ideas may be unrealistic, and where you may need to find easier or more simple answers.

Write down a list of your answers for each question:

1. Whose needs will your product or service be fulfilling? Who are all the people who have this need? Is there anything common about them – What is your 'customer profile'? (A customer profile is a word picture that describes your most likely customers – for example the customer profile for this book is 'English speaking Africans, both male and female, who are hard working and determined, probably poor, and probably in a church with a supportive pastor')
2. Which of these people do you think are the most likely customers for your product or service, and why?
3. How far away from your place(s) of business do they live or work? Do other people with the same need live or work further away? What 'geography' (areas on a map) will your customers come from?
4. How do they currently have their needs met? From whom or where do they get what they need – and in what way?

Please note: The exercise on the preceding page helps you to understand what 'better' means for you. But harsh experience has taught us that it does not always mean 'better' to our customers.

We will do similar exercises later in this chapter, but only after you have spoken to your customers about them. It is their view that will determine your success.



Exercise 9:

Whose needs will your product or service be fulfilling?

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Which are the most likely customers for your product or service?

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What 'geography' (areas on a map) will your customers come from?

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How do they currently have their needs met?

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Please feel free to continue on a separate sheet of paper.

This last question will help you to identify your 'competitors' – the people who currently meet the needs of your customers. They may do so poorly, but the truth is: they are in business, and you are not – so they must have got some things right; there must be some experience that they have that you can learn from – and it is normally a lot cheaper to learn from somebody else's experience than from your own.

Experience is a hard teacher – She gives the test first, and the lesson afterwards!

Source unknown

Step two then, is to identify all of your competitors, and to understand what they have already learned. Start by making a list of the people who currently meet those needs of your customers that you want your product or service to meet. And then go out & seek to learn what they have learned.

If possible, go and watch them at their place of work, and look for the things that make them successful. See if you can answer the following questions by watching them work:

1. How do they appear to get their customers to talk to them – what do they do to make themselves known (attract customers)?
2. How do they treat their customers when they are speaking to them – what do they talk about, and what do they say that seems to convince their customers to buy from them?
3. What is similar about different competitors' products or services, and how do they differ?
4. What can you see or hear that might be a clue as to why some of your competitors are more successful than others? Is it because of differences in the products or services (and if so, what differences?) or is it because of differences in how they deal with the customers and provide their products or services? (And if so, what?) Or is it both?
5. Who would you buy from, and why?



Exercise 10:

General Competitor Research

Who are your competitors?

.....
.....
.....

How do they attract customers?

.....
.....
.....

How do they treat their customers?

.....
.....
.....

Similarities between competitors?

.....
.....
.....

Differences between competitors?

.....
.....
.....

Clues to success?

.....
.....
.....

Please feel free to continue on a separate sheet of paper.

If they allow you to, try and speak to your competitors (perhaps by buying a product or service from them) and ask them these questions, and see what their answers are. Ask them what they think makes them successful, and what other customers see as important when they buy from them. Remember to make notes as soon as you can (while remaining polite and courteous), and remember, your competitors should not be your enemies – they may be a source of help and advice in the future.

Exercise 11: Specific C

Competitor	Price
.....
.....
.....
.....
.....

But ultimately your competitors are your competitors, and to have a successful business you will need to understand them, and understand how to beat them. Use the table on the right to list out your competitors, their strengths and weaknesses, and also the price they charge for the products and/or services you will be competing against.

In researching your competitors, you also need to understand how the competition works. To what extent do competitors gain and keep customers based on price alone, and how much do quality and other factors play a part? Do competitors compete fairly, or do they tend to cheat and lie in order to get business? Are they competing individually, or is there some sort of teamwork going on to get supplies cheaper or to keep out new competition?

And, most importantly, can you find a way to beat them without resorting to cheating or lying yourself?

Exercise 11: Specific Competitor Research

[illegible]

Driving School Example

We were told that many driving schools in Kampala focus only on getting students their licence – which means that they can operate cheaply, but that there are more accidents and injuries due to unsafe driving practices.

A Christian-based school found it impossible to compete on price if they were to train drivers safely – but they now have a growing business because they are gaining a reputation by word of mouth, and caring parents are using them to ensure their children will gain experience in safe driving – which may one day save their lives.



Finding the clues to beating your competitors fair and square usually lies in gaining a better understanding of your customers than your competitors have. You need to find the customers that are not won-over by price alone, and really understand what other factors are part of their decision of 'what to buy' and 'who from'. You need to understand what they see in a 'better' product or service that encourages them to pay a bit more. The best way to do this is to talk to them and ask them, but this is not always possible and so you may need to ask people who know them (at least better than you do).

One way to begin to talk to them is to wait until they have just bought something (from one of your competitors) and then, begin by asking them something like: "That looks good, where did you get it from?" You can then carry on wherever the conversation takes you (try and keep it as natural as you can) but some good questions to throw in at different times may be:

1. "What do you look for when you are trying to buy a good ... <whatever the product or service is>?"
2. "Is that the best place to buy them from around here? ... What makes you say that?"
3. Or "I have been thinking about doing something like that myself, and I was wondering how I could do it in a way that was better – do you mind if I ask you if you have any ideas on that?"

The answers you get are likely to concern a number of things, and particularly price, quality, and ease of getting what you want.

Once again, please remember to write down everything you learn (as soon as it is polite) because this is very important information that

Note: Please do not attempt this exercise until you have **actually spoken to real customers**, or you will simply be repeating the exercise on page 16.



Exercise 12: Customer research

'Better' as my customers see it:

What is important to my customers?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

What do I have to get 'right' if I want to be better than my competitors?

.....

.....

.....

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.....

.....

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.....

.....

Please feel free to continue on a separate sheet of paper.



will cost you a lot if you have to relearn it through your own experience.

When you have a complete list of your customers, and what they see as 'better', use this to help you to describe exactly what your product and service needs to be like if it is to bring 'enough' customers to you and make you successful.

What do we mean by 'enough'? To answer this, we need to think about how big the market is for your product, (usually referred to as the 'Total Accessible Market') and what fraction of it you will need to make your business work (usually referred to as your 'Market Share').

The box on the right is designed to help you to think this through. However, you are likely to need to revisit your answers when you have completed Chapter 5 (page 33) – once you have a clearer idea of what 'revenue' you need, and how quickly you need it.

Terms & Conditions

When you think through your sales growth, bear in mind that you may not be paid at the point you deliver your service – understand the terms and conditions that you will need to work with, and adjust your sales growth accordingly >>>

Exercise 13: Calculating the Market

1. Total Accessible Market

How many customers (roughly) are there for your product or service in the areas you can physically serve?

How many times a month do they tend to buy your product or service (from you or your competitors)?

How much do they spend on the product or service each time, on average?

How much is the total market worth in your area per month?
(All three numbers above multiplied together)

2. Market Share

How much money do you need coming in every month to make your business work? *(This is called your revenue, and you may need to revisit your answers to this section once you have completed Chapter 5 – but for now, simply try to take a rough guess at it)*

What proportion is this of the total amount the market is worth per month? %
(Multiply the number above by 100 and divide it by the last number in part 1)

3. Competition

How many competitors are serving the same areas as you will be serving?

What proportion of the market does each competitor have currently? %
(This is likely to be a range, but you may not actually know the answer – in which case, simply divide 100 by the number of competitors to get a rough average)

How realistic is it that you will be able to get the share of the market you need?

4. Expected Sales Growth

How do you see your sales increasing over the first six months to achieve your market share?

1 2 3 4 5 6

.....

And now the big question. Do you think, if you really put your mind to it (and the minds of your friends) you can find a way to produce products and services as well as your customers need, at price that they will be willing to pay, in the quantities you will need to deliver them?

If the answer to the question is 'no', you may need to return to the previous chapter and pick another business idea.

If the answer to this question is 'yes', the next big question is how do you get your future customers to agree with you (see second bullet point on page 15). This is called 'advertising'.

Use the boxes on the right to think through exactly what you will need to do to communicate what you can do to your Total Accessible Market, such that you can get the market share that you need.



Exercise 14: Advertising Strategy

[illegible][illegible]

Carry over to Exercise 18 on Page 28 >>>

4. Planning your product or service

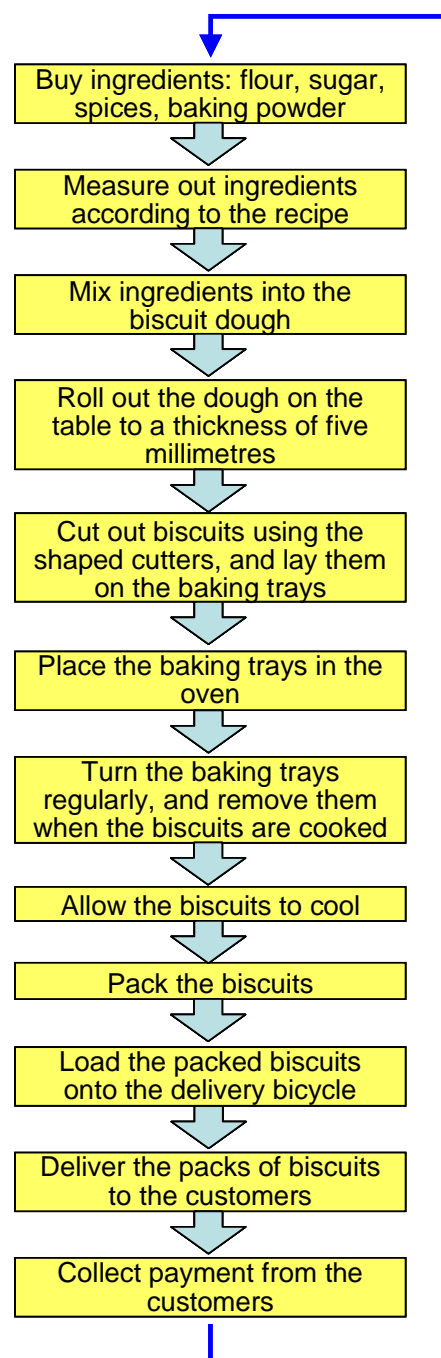
If you have got this far, you now have a clear picture of what you are going to do, how well you are going to need to do it, and you are fairly confident that you can find a way to make that happen. So the next step is to plan this out so that you know exactly how you will produce your products or deliver your service.

Let us start by trying to understand and list (in order) all of the things that will need to happen right up to the point that you have a happy customer. In business we call this the 'process flow'. It is a list of the activities that need to happen, one after another, from the starting point when things first come into your business, right up to the point that your product or service is delivered to the customer. The process flow can be represented in a Process Flow Chart like the one on the right.

The following real example of a biscuit-making business may help to explain this more clearly:

1. Buy ingredients: flour, sugar, spices, ...
2. Measure out ingredients according to the recipe
3. Mix ingredients into the biscuit dough
4. Roll out the dough on the table to a thickness of five millimetres
5. Cut out biscuits using the shaped cutters, and lay them on the baking trays
6. Place the baking trays in the oven
7. Turn the baking trays regularly, and remove them when the biscuits are cooked
8. Allow the biscuits to cool
9. Pack the biscuits
10. Load the packed biscuits onto the delivery bicycle
11. Deliver the packs of biscuits to the customers
12. Collect payment from the customers

Note: For simplicity, the emphasis on the examples in this section leans toward products rather than services. However similar service examples to the ones you see here can be found in the appendix on page 49.



Take a large piece of paper, and turn it so that it is wider than it is long, then split your paper into four equal columns by drawing three lines down the page. In the leftmost column of the page, list out all of the steps that you will need to go through in the process flow for your own business. Don't worry if a process step needs more than one line to write it out clearly, because you will almost certainly need to continue this over several sheets of paper

Process Step			
Allow the biscuits to cool			
Pack the biscuits			
Load the packed biscuits...			
Deliver the packs of biscuits			

Tip: It is important that you identify all of the steps in your process flow, so go over it a number of times, and even act it out, to make sure that you are not missing anything. Get your friends to help you – they will enjoy helping you to act it out – and don't treat any question as silly, because it could be the most important thing that you haven't thought of.

When you write down the steps in your process flow, keep your writing to the left-hand column of the page, because you will need to leave space to the right of each step (in the other columns) for the next task that you are going to do.

And that task is to think through, for each step of your process, what you need to produce the 'better' product or service that your customers need. To do this, label the three columns to the right of your process steps:

1. Doing 'better'
2. Tools and equipment
3. People and skills

Now take out your list of what your customers mean by 'better' (see page 20) and for each process step that you have written down, consider what you will need to do in that step to make your product or service 'better' in the ways that you have

Process Step	Doing 'better'	Tools & Equipment	People & Skills
Allow the biscuits to cool		Rack of shelves & wire trays	
Pack the biscuits	Do not chip or break	Packing table	Careful Packer
Load the packed biscuits...		As above	As above
Deliver the packs of biscuits	Deliver on same day as cooked	Boda boda with large	Driver

Tip: If you can observe your competitor's businesses, or if you know someone who has observed them, understanding their process flow may help you to develop your own.

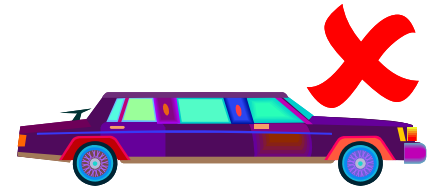
described. Write your answer in the column headed 'Doing better' beside the process step. (If you would like to think through this step in more detail, an alternative way of doing this, called QFD, is explained briefly at the back of this book)

The next step is to think through what 'tools and equipment', and what 'people and skills' you will need to do that process step as well as you have described, and write the answers to this in the last two columns, also in line with the process steps.

Exercise 15: >>

*When considering people and skills which are needed, please bear in mind that during 'start-up' of your new business, the 'people' is quite likely to be you and you alone.

As you do this part of the exercise, please bear in mind that you will have to pay for all of the tools, equipment, people and skills that you need, so keep a practical mind, and keep things as simple and as cheap as possible (but not so cheap that it becomes unreliable – sometimes the cheapest things can work out the most costly if they are not reliable or fully working – make sure that what you buy is suited to the task).



When you have finished this, you should have a clear picture of what you will need in your business in terms of the people (and their skills) and the tools and equipment they will use. Sometimes two (or more) different steps will need the same tools and equipment, but you may only need one set that can be used for both tasks. Wherever possible, use the same people, tools and equipment to do a number of different tasks. Think carefully about how much time each task will take, and whether the person (or equipment) used for that task can do another task while they are waiting. With this in mind, look back over your list of process steps and make a new list of exactly what tools, equipment, people and skills you will need in total.

Now is a good time for what we call a 'sanity check' – a check to see whether we are being sensible in our thinking. Compare your list of what you think you need in your business, with what you understand your competitors are using. If your list matches fairly closely with what you have seen them use, then your list is probably okay. If, on the other hand, your list is much bigger than what your competitors use, you may need to go back over your process steps and reconsider whether there are items of equipment or numbers of people that you can do without. You may be providing 'a better biscuit' but you are unlikely to sell many if they



Exercise 16: Keeping it simple & inexpensive

What do I really need?

Total tools & equipment

Simpler & cheaper options

.....

.....

Total people & skills

.....

.....

Consider also cheaper options for advertising on page 22

cost twice as much as 'a good biscuit'. Anything you can do to produce 'better' with simpler, cheaper or fewer tools, equipment and people will make your business more likely to succeed. And in some countries, where electricity is not supplied continuously, you will need to think seriously about using tools and equipment that don't rely upon electricity to work.

When you have refined your list down to what you really need, the next step is to think through where you will operate and keep it all – you need to consider what space, buildings and supplies (including electricity and water) that you will need.

And now the biggest step of all, you need to **plan** it all out. You need to work out where it is all going to be, how you are going to get it all together, and how you are going to get it running.

Did you know God has a plan? Our salvation is so important to Him that he worked it all out in advance. Now you might think that if our almighty, omnipotent, and all-seeing God takes the trouble to plan what is important to Him, he might just expect us to plan those things that are important to us? I'll take that as a 'yes' then!

You need to make a list of everything you need to do to set up the business, prepare any buildings you might need, obtain and put in place the tools and equipment, recruit and train the workers, buy your first lot of supplies, attract the attention of your customers, and sell them your first batch of products or services.

To plan this out, we have created a table on the next page, and to help you think of everything you need to do to set up your business, we have prepared some questions below:

1. Where are you planning to house your business?



Exercise 17:

Initial Planning Questions

Where can I get the facilities (e.g. premises) & tools & equipment I need?

.....

.....

.....

.....

Who will I need to help me operate & run my business? Where will I find them?

.....

.....

.....

.....

Who will I get my supplies from? And do I need to have a back-up?

.....

.....

.....

.....

Actions	Dates	\$
Buy framework & bricks	1 May	135
Build oven at back of shed	9 May	0
Build rolling table from 2 trestles & board	2 May	60
Buy mixing bowl & spoon	1 May	85
Buy trays	3 May	48
Build shelves for cooling	4 May	20
Modify Boda Boda	7 May	150
Train baker	3 Jun	30
...		



2. What will you need to do to prepare the buildings?
3. How will you get all of the tools and equipment that you need? (See page 27)
4. Do you need to prepare, assemble or install any of the equipment?
(See page 26)
5. How will you get your workforce? It may be just you on your own
(See page 27)
6. How will you ensure they are trained in their job, & to use the tools they will work with? (See page 26)
7. How will you get your supplies delivered?
(See page 27)
8. Where will you store things and how will you transport them?
9. Do you need to arrange any licences, banking or legal arrangements?
10. How will you attract your first batch of customers?
(See page 22)
11. How will you collect money from them, and what will you do with it?

Exercise 18: Planning the business

[illegible]

* Keep your costs as low as you can – your business may depend on it & remember to include advertising actions from page 22.

Continue on a separate page if required

Total of above costs:
Carry over to Exercise 20.



Once you have a complete list of actions, think through when you will do each of these actions, and put the date in the second column. Please remember to think through the order in which tasks will need to occur, for instance, you need to recruit people before you can train them, so be careful to ensure that things happen in the right order, and that you don't give yourself too much work on any one day. Ensure everything is planned out, right from getting the money you need to pay for setting up the business, all the way up to receiving payments from your customers and buying further supplies.

Planning out everything in detail will help to make sure things happen in the right order – but it will **not** ensure things do not go wrong. Things will go wrong! That is the nature of plans ... but ... the trick of good planning is to think through where the plan can go wrong in advance, and be prepared to prevent it or deal with it quickly. The exercise on the right will help you to think this out.

Exercise 19: Key risks & how to avoid them

How could my plan go wrong?

What will I do to prevent it going wrong, or deal with it when it does?

.....

.....

Finally, think through how much (if anything) you will need to spend to make each of the actions happen. Write this in the third column against each task and total the amount. This is called your set-up costs, and you will need it for the next section.

Exercise 20: My set-up costs are

S

For the next section you will also need to know how many months it will take you (e.g. 6 weeks = 1.5 months) from making your first payments for things you need to buy in order to set up your business, until you get your first payments from your customers who are buying your products and services.

Exercise 21: Time between first payments out and first payments in:

T

(months)

The letters 'S' and 'T' above will help you to find these numbers when you need them, later in the workbook. To see a complete glossary of all the letters used in the workbook, turn to page 48

5. Making the figures add-up

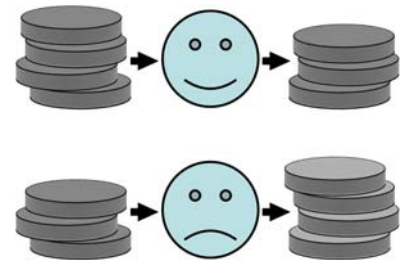
Mr Micawber, a famous character of the popular 19th Century novelist Charles Dickens, had a very simple, but essential view of business. In the film 'David Copperfield' he outlines his thoughts something like this: "Income: twenty shillings, expenditure: nineteen shillings and sixpence, result: happiness. Income: twenty shillings, expenditure: twenty shillings and sixpence, result: misery!"

In short, for our businesses to succeed, 'income' (the money coming in) must be more than 'expenditure' (the money going out). It is so simple a principle that it is easily overlooked – at a cost of many businesses, and the misery of many people. Never forget Mr Micawber!

In this section we look at whether income will be more than expenditure for your own business. We do it on paper (it is much cheaper that way). And we do it to ensure that you set off with a business that can work in terms of 'finance'.

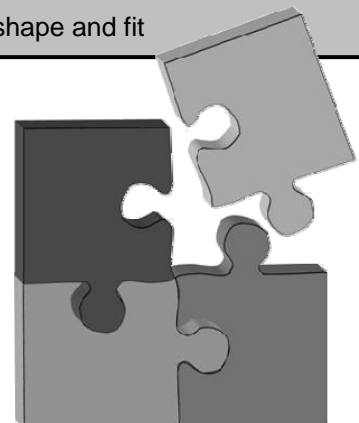
Finance can be a little difficult at first, because of all the different types of money that there are in a business, but it is very important that you understand it and get it right if your business it to succeed. More businesses fail because people do not understand and control their finances than for any other reason.

Working through the finance of your business is a bit like working on a jigsaw puzzle where you have to 'whittle away' (see explanation on the right) at the pieces in order to get them to fit together. When you first go through this chapter, it is quite likely that the pieces won't fit together at all, and you will have to go back through the chapter a number of times, adjusting each of the pieces as you go, until they make a complete picture with no gaps. If you can make a complete picture with no gaps, then you stand a good chance of your business succeeding, but if you cannot, then you will probably need to go back to Chapter 2 and pick another idea to work through.



'Finance' is the business way of talking about all the different types of money that relate to your business – cash, loans, income, expenditure, & the like

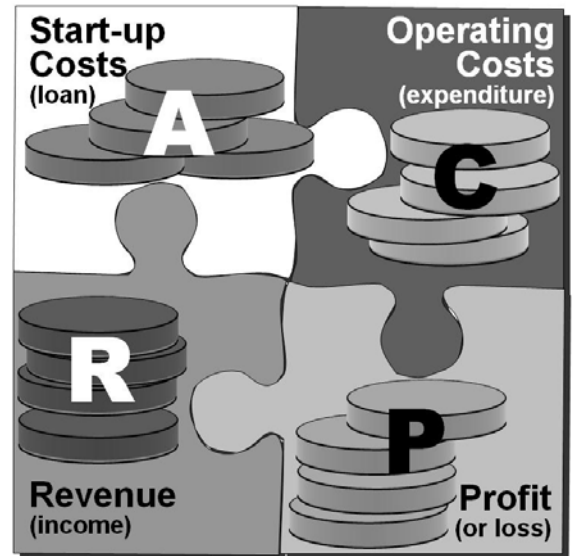
'Whittle' is to carve something out of wood, usually taking small cuts with a knife to get the right shape and fit



There are four main pieces to your jigsaw puzzle – four things that will determine whether your business is likely to make money or not; whether your business is what we call ‘viable’.

The four pieces are:

1. Your start-up costs (A): These are the costs of setting up the business before any product can be made and before any service can be delivered. They include your initial set-up costs (the figure you calculated at the end of the last chapter), and any additional money you need to operate up until you start getting money in from your customers. In most cases these will be covered by a loan of some sort – either from a friend, or from a micro-finance organisation, or from a bank – which will need to be repaid out of your profits.
2. Your operating costs (C): these are the monthly costs to your business of making product or delivering service – it is everything you spend, every month, simply to stay in business.
3. Your revenue (R): this is the monthly income into your business from people paying you for your products or services
4. Your profit (P): this is the money you have left over after you have received all of your revenue, and paid all of your costs out of it. If it is a minus number (your costs are bigger than your revenue) we call this a loss – and it is bad news for your business



Exercise 22: The Accountants Puzzle

Three friends booked into a hotel room – on checking in they shared the cost of 30 dollars equally and went up to their room. One of the friends was later stopped by the hotel owner, who told him – sorry, I overcharged you for the room – the cost is actually 25 dollars – here is your five dollars change. This left the friend a puzzle – how could he split five dollars between three people perfectly fairly. In the end, he told his friends that the room was actually three dollars cheaper and gave them a dollar back each.

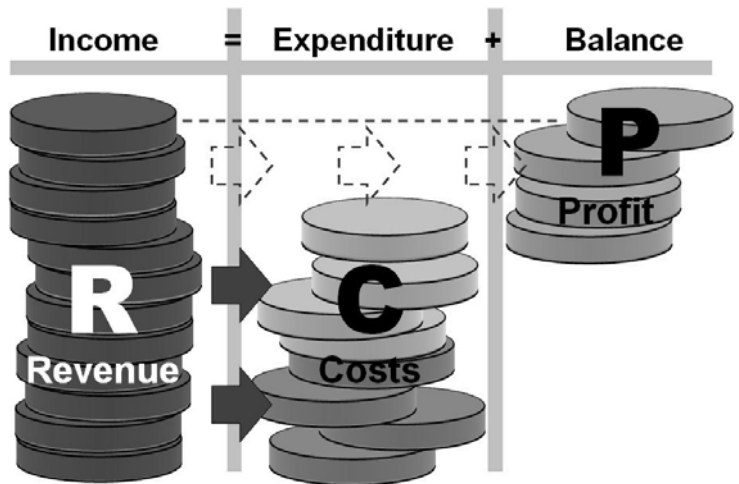
So now the tricky bit. Each of the three friends spent nine dollars on the room – three times nine is twenty seven, add on the two dollars the first friend pocketed, brings us up to 29 dollars – but they originally paid 30 dollars, so where did the extra dollar go?

Think about it for a while ...

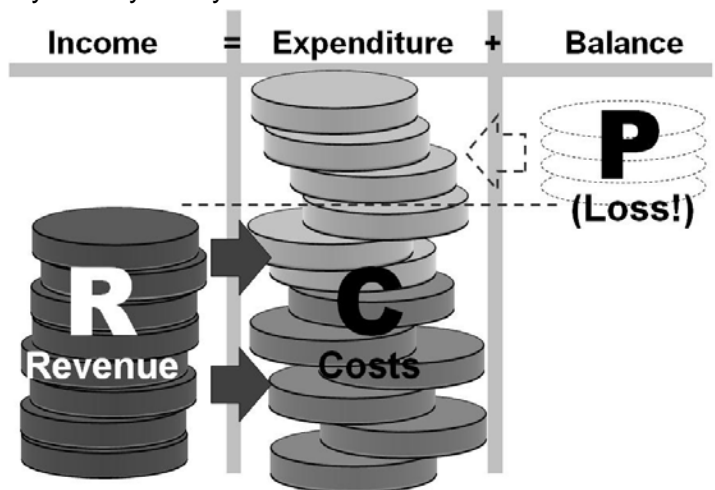
(The answer lies in not mixing up revenue & expenditure)

Finance is not complicated, but it is easy to get lost in it. To help you find your way about this section, we are using letters (such as the A, C, R and P on the previous page) so that you can more easily see where the various figures come from and what they relate to.

To be viable, your revenue (R) must be 'significantly' more than your operating costs (C). What we mean by 'significantly' is that the money left over after you have paid your costs out of your revenue should be at least enough to cover your monthly loan repayments in respect of your start-up costs (A). Think of it as something like the parable of the talents (Matthew 25:14-30) – where you need to use the money that you have been given (loaned) to make more money than you started with.



If your revenue (R) is less than your operating costs (C) you will be making a loss, and this will drain any money that you have until you are no longer able to meet your costs (or your loan repayments), and then you will go into debt, be unable to buy what you need, and your business will collapse. (See the diagram on the right) This is a deeply unpleasant experience and should be avoided if at all possible.



You might be able to see from the pictures above, that your costs do not have to go up a lot, or your revenue to go down by much before your profit disappears and your business is in trouble. This is why understanding and controlling your business finances is so important.

Let us start by working through your business idea, bit by bit, and see how things will work out for you. But please don't be alarmed if when you first work things out, it comes out as



a loss – this is usual, and can often be put right by some of the ‘whittling’ of the jigsaw puzzle pieces we referred to earlier.

Let us start with the nice piece; revenue (R).

To think this through you will need to identify what we call a ‘basic unit of

sale’ or ‘unit’ for short – this is likely to be one item of product (for instance a pack of biscuits, or a kilogramme of fruit, or a shirt), or one average delivery of service (for instance an average length taxi ride, or cleaning an average room, or a term of tuition for one student).

Next you have to estimate how many of these ‘units’ you expect to sell each month, and how much you expect to sell each ‘unit’ for.

This is where your ‘market research’ will be useful – in particular the work on page 21 – what did you learn from speaking to customers and observing competitors that will guide you on quantity and price? How many ‘units’ were your competitors selling per hour, or per day, and how much were they being paid? And in your conversations with customers: how many do you think would buy from you, how often, and at what price?

Use your ‘market research’ to think through how many ‘units’ you expect to sell each month, and the price you expect to sell them for, and write your answers to these questions in the box on the right. Please note, if your business provides a number of products or services (for instance, a retail shop) you may need to do this for each item, and then add the results for revenue (R) all together. Remember this is only our first pass – we may need to revisit this to ensure we get all the jigsaw pieces of our business finances to fit properly.

‘Basic Unit of Sale’:

Please read the text on the left carefully to understand what a ‘basic unit of sale’ is, before attempting Exercise 23

Exercise 23:

My ‘basic unit of sale’ is:

U

.....

My selling price will be:

W

My monthly sales quantity will be:

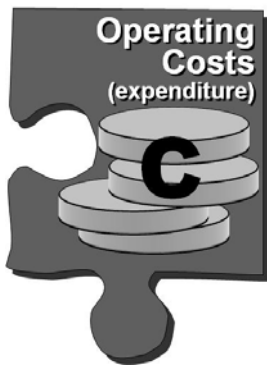
Q

Our monthly revenue (R) will be our selling price multiplied by our monthly sales quantity ($R = W \times Q$):

R

Revisiting Market Share:

Check back to page 21 to make sure that you relate the revenue you calculate here with the market share you calculated there



Next we will look at our operating costs (C). Operating costs vary by how much work you do – if you produce more product or service, you need more supplies, and so your monthly costs increase. On the other hand, even if your production dropped to nothing, you would still have the cost of paying your staff and

your rent and things like that. One way to think of this is that your operating costs arise from simply 'being' – holding everything together as a business from day to day; and also from 'doing' the work you need to do to serve your customers. In business language we call these two different types of costs 'fixed' (F) and 'variable' (V):

1. Fixed costs (the cost of 'being') are the things that do not change with the amount of work you do ('fixed' means unchanging). These will include items such as rent, the wages of full-time employees, and anything else which you have to pay whether you are working or not (Tip: Any payments that are regular with time e.g. a set payment per month, are probably a 'fixed cost')
2. Variable costs (the cost of 'doing') are the things that you have to pay only if you are working, in order to do that work (and therefore they 'vary' in proportion to your work level). Variable costs include items such as piece-work labour (people paid per piece of work) raw materials and supplies (Tip: Payments that are not regular with time and which go up and down with how busy you are, are quite likely to be a 'variable' cost)

Try the exercise on the right to work out which of your costs are fixed or variable.

Note: Please do not confuse the word ‘variable’ introduced here with the word ‘viable’ introduced on page 31 – they mean very different things! See this page for a definition of ‘variable costs’ and page 31 for an explanation of what we mean by ‘viable’ in business terms.

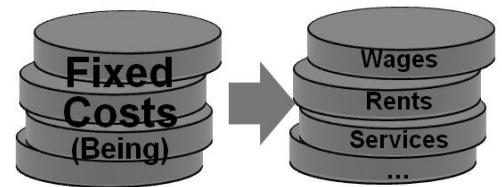
Exercise 24: Fixed & Variable Costs

[illegible]

One-off costs incurred at the start of your business, are set-up costs and should be included in Exercise 18 – not in this table.

using the explanations above.

Your total operating cost (C) is simply your fixed costs (F) added to your variable costs (V). $C = F + V$.



To calculate your fixed costs (F), make a list of all the things that you will need to pay out on a regular basis (monthly, quarterly, annually) whether you produce products or services or not. Then write down beside them how much each of these things will cost you per month (for

Fixed cost item
Rent
Water

Fixed cost item	Price	per ?	Monthly cost
Rent	\$120	Quarter	\$40 per month
Water			



instance: one twelfth of the cost of an item that is charged annually, one third of the cost of an item that is charged quarterly, all of the cost of an item that is charged monthly, or four and a third times the cost of an item that is charged weekly). A sheet like that on the right will help you, and you might also find the examples and exercises in the associated 'Maths for small businesses' booklet (available from the Reconxile website) useful.

Don't forget to include your own wages and the wages of your full-

[illegible]

time staff in this list.

When you have finished your list, add up all of your monthly 'fixed' cost figures, and write the total in the box on the right – this will be your fixed operating costs per month; the money you will have to find each and every month simply to keep the business going.

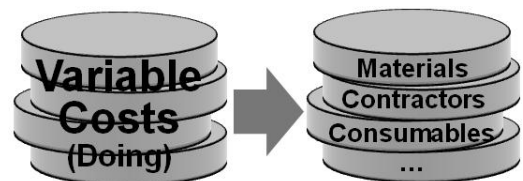
Exercise 26:

My total fixed costs per month will be:
(Total fixed monthly cost from Ex 25)

F

.....

To calculate your variable costs (V), there are a number of steps. Firstly we need to understand how much each 'unit' will cost us to make. Then we need to adjust this to take account of the likely wastage and spoilage we will get. And then we will multiply this number by the number of units we intend to sell each month to find our monthly variable cost (V).



To start, make a list of all of the things you need to pay out, over and above the fixed costs, for each 'unit of sale' (production or service). This would include any materials or items or goods used up in the production of the item or the delivery of the service, such as flour (if baking) or detergents (if cleaning) or petrol (if taxiing) or contract labour (if paid per piece of work). Once again, a sheet like that on the next page will help.

Variable cost item	Price	Units of sale covered	Cost per unit of sale
Flour (5kg bag)	\$6	30	\$0.20
Sugar (1kg bag)			

To calculate the 'cost per unit of sale', make sure you divide the total cost of the item by the number of 'units of sale' that item will cover. For instance, if you buy detergent in 5 litre bottles at \$30, and cleaning an average room (one 'unit of sale') consumes about 25 ml, then each 5 litre bottle will cover about 200 average rooms ('units of sale'), and the 'cost per unit of sale' is therefore \$30 divided by 200, which equals \$0.15 (or 15 cents).

Further support on the maths involved in this section can be found in the 'Maths for small businesses' booklet, which can be downloaded free of charge from the Reconxile website: www.reconxile.org

Note: Sometimes costs can be part fixed and part variable. For instance, electricity may be necessary to light your business whether you are serving customers or not, but you may also consume more electricity when you are working on serving customers, for instance to power ovens or machines.

For simplicity, and if the amount of money is relatively small compared with the other costs, you might want to ignore this and consider it all as fixed or variable (depending on which the biggest part is), but if the amount of money concerned is fairly large, you should consider splitting it up into what is consumed in 'being' and what is consumed in 'doing'.

Add up the column 'cost per unit' for all of the items to calculate the total ideal cost per 'unit'.

When you have calculated how much cost it takes to make one 'unit' of product or service if everything were to go perfectly – then we now need to be realistic about how often things will go wrong, and you will have to abandon your efforts and start over again (either because of mistakes, or because of damage, or age, or weather, or people not turning up – e.g. for driving lessons – or other things like that). You will need to adjust your costs per unit to account for this in order to get a more realistic figure.

To do this simply, use the following steps:

1. Calculate the cost to produce 100 'units' in ideal circumstances by multiplying the ideal variable cost per unit (I) by 100.
2. Estimate how many of the 100 units will probably end up unsaleable due to damage, waste or 'other reasons', and subtract these from the 100 to calculate how many saleable 'units' you will produce in every hundred (G). Please note that some of

Please ensure you read the bottom half of page 36 and understand 'units of sale' before working on this exercise



Exercise 27: 'Ideal' Variable Costs

[illegible]

Exercise 28:

My Ideal costs per 'unit of sale' will be

I

Add up the right hand column in Exercise 27 above to get the total figure.



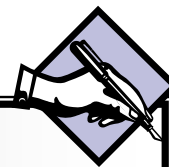
these 'other reasons' may be entirely intentional, as in the case of offering free school places to a proportion of students (for example, those with disadvantaged backgrounds). However it is important that you record G as only the 'saleable' units in every 100, because you will need to apportion your costs of producing 'waste', whether intentional or not, over the saleable units.

3. Divide the cost per hundred 'units' (H) you calculated in step 1 by the number of good 'units' per hundred (G) you calculated in step 2 to arrive at a more realistic cost per 'unit'

Use the box on the right to calculate out these numbers. You can now calculate your likely variable costs per month (V) by multiplying the real costs per unit figure you wrote in the line (X) by the monthly sales quantity you wrote on page 33 (Q).

It is very important that you consider all of the costs, both fixed and variable – anything you overlook can quickly turn what looks like a 'viable' business into one which quickly fails. Things that often get forgotten are maintenance costs, replacement costs, legal costs, security/insurance costs, marketing and publicity costs, costs of offering discounts on products or services, and waste costs. It is always worth looking back over your figures (and getting a friend to help you) to see if there is anything you have missed out – if you have missed anything out, simply update your figures and carry on.

You can now calculate your operating costs by adding your fixed costs (F) to your variable costs (V). ($C = F + V$)



Exercise 29:

My 'ideal' cost for making 100 units is:

$$H = (100 \times I) = \dots\dots\dots$$

I can be found on page 37

The number of 'saleable' units (those you expect to sell at full price) I expect out of every hundred is:

$$G = \dots\dots\dots$$

This figure (G) is technically known as the 'percentage yield' of your process.

My realistic costs per unit then is my cost for producing one hundred divided by the number of 'good' units that I can sell:

$$X = (H \div G) = \dots\dots\dots$$

Both H & G can be found above

My variable costs per month will be:

$$V = (X \times Q) = \dots\dots\dots$$

X can be found above, Q on page 33

Note: For a worked example, please see the next page ...>>>

Exercise 30:

My operating costs per month will be:

$$C = (F + V) = \dots\dots\dots$$

V can be found above (Exercise 29) & F can be found on page 36



And now the important test. Is your business idea 'viable'? Do we need to adjust the various jigsaw puzzle pieces of our model to make them fit. (Remember that if this is your first pass through, not to be alarmed if they do not fit – it is very likely that you will need to do some 'whittling' before they do.)

Your 'operating profit' (P) holds the answer to the question of whether your business idea is viable – it is your monthly revenue figure (R) less your monthly operating costs (C). Take your monthly revenue figure (R), and subtract your monthly operating costs (C) and write the number in the box on the right. ($P = R - C$)

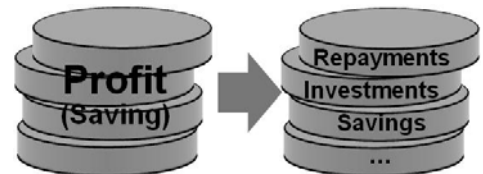
Exercise 31:

My operating profit per month will be:

$$P = (R - C) = \dots\dots\dots$$

R can be found on page 33 & C on page 38

If your answer is a positive number, then that is a good start. But it is not enough for the answer to simply be positive – your profit needs to pay for your loans (amongst other things) and we will cover that very shortly.

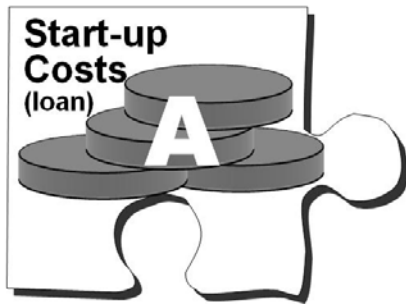


If your answer is a negative number, you need to look at how you can reduce your costs (C) or increase your revenue (R).

Worked example of variable costs:

In our biscuit factory, each biscuit produced (good or bad) costs us 2.3 cents (\$0.023) in terms of raw ingredients, fuel and contract labour etc. Out of every day's production of five hundred biscuits produced, an average of fifteen get broken, one tray (of about 20 biscuits) in every fifty gets over-cooked, and about two packs (of ten biscuits) in every forty go stale before they can be sold.

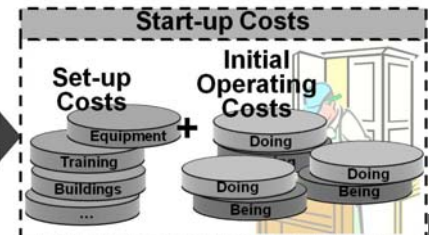
This means that for every 100 biscuits, costing \$2.30 in total (**H**), an average of three get broken, two get burned, and five go stale (if you do the maths), which leaves 90 as saleable (**G**). If 90 good biscuits cost us \$2.30 to produce, each biscuit realistically costs us \$2.53 (**X**). We sell 900 packs of ten biscuits a month (9000 biscuits), which means our variable costs are \$230 per month.



At the very least, your operating profit needs to be more than the amount of money you need per month to cover your loan repayments and pay back the capital and interest of

your start-up costs (A). So how much will this be?

Your loan repayments will depend on a number of things – the amount of money you borrowed, who you borrowed it from, how long you have borrowed it for, the interest you are being charged, and how the repayments are calculated.



Note: If you have a slow ramp-up to the revenue figure you used in page 33 (see page 21) – e.g. it takes several months to increase to that value – your start-up costs may be bigger than you have calculated because your initial revenue will not cover your costs. To adjust for this, replace the value T in your calculation with the time (in months) it takes to reach your break-even point (See page 42)

If you are working through this guide for the first time, it is likely that you will not yet know the answer to many of these questions – but there are some basic steps that we can work through which will help to guide you.

The first step is to work out exactly what you need to borrow – to work out your start-up costs. Your start-up costs (A) are built up out of two things: your set-up costs (which we calculated in the last chapter) and your initial operating costs: the money your business needs to 'be' ('fixed' costs) and to 'do' ('variable' costs) until you can cover these costs by what your customers are paying you.

To work out your start-up costs (A) you need three main pieces of information – the first two from your plan from Chapter 4; your total set-up costs (S) and the time (in months) it will take you from first getting your loan to first getting paid by your customers (T), the third from your calculation of your monthly operating costs (C) in this chapter.

Your start-up costs (A) are then your operating costs per month (C) multiplied by the time in months (and/or fractions of a month) to first customer payment (T), all added to your set-up costs (S). $A = C \times T + S$. Use the box on the right to work this out for your business.

Exercise 32:

How much I need to operate until the first money comes in:

C x T

C can be found on page 38 & T on page 29

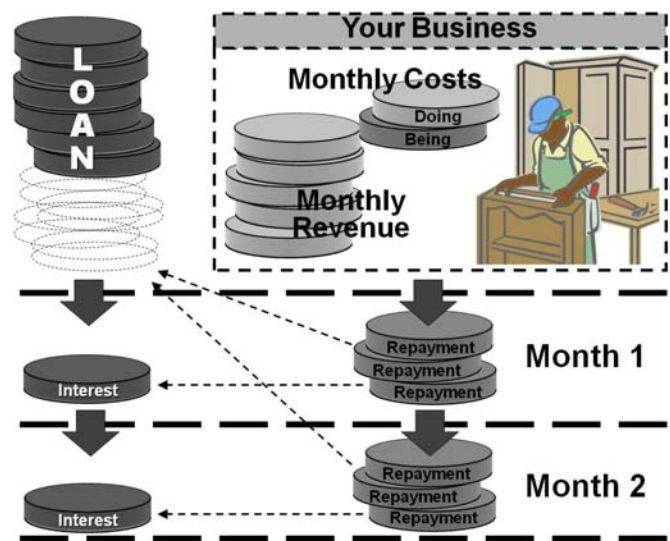
My start up costs are my set up costs (S) added to the figure above:

A = CxT+S =

CxT is above & S can be found on page 29

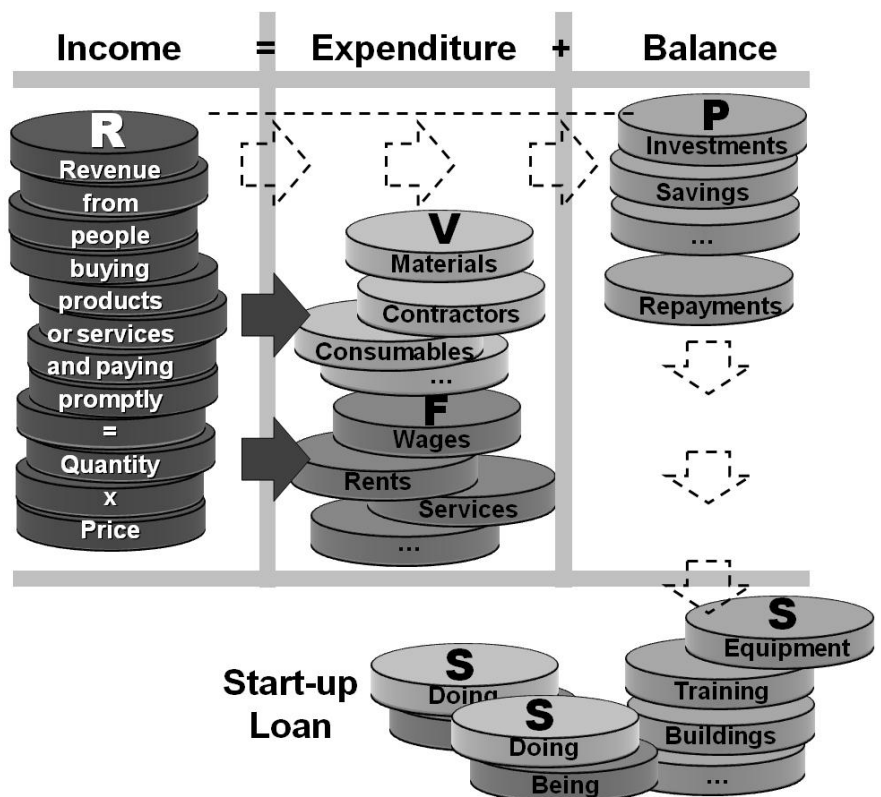
Loans are often limited in poorer parts of the world, but sometimes there are sources of micro-finance available (see Appendix). These will offer small (usually up to US\$200) short-term (usually up to 6 months) loans at a reasonable interest rate (usually about 40%). In terms of repayment, they tend to expect you to begin paying the money back within eight weeks (so you need to have your first customers pay you by then) in five equal monthly instalments, each of about one quarter of your start-up costs.

On this basis, for your business to be 'viable' under a micro-finance scheme, you need to produce a monthly profit greater than one quarter of your start-up costs. If they are not, and this is usually the case, now is the time to start whittling the pieces of your jigsaw to make them all fit together.



Let us start by looking at the different pieces of the jigsaw all in one place.

The goal of 'whittling' is to make your profits (P) greater than a quarter of your start-up costs (S) – this gives us the options of reducing (S) our start-up costs or increasing (P) our profits. In turn, increasing (P) our profits gives us the option of increasing (R) the revenue we obtain from our customers, or reducing (V) the costs of *doing* our work or reducing (F) the costs of *being* a business.



At this point, you should have a breakdown of each of these things, and all you need to do is work through each one to identify item by item where you might improve things. The following points may help you to do this:

1. Increasing the revenue (R) we get from selling our products or services can be achieved by selling more, or selling the same but at a higher price. Think through where you might find further customers, or what you might offer those customers that will make your product or service more valuable to them, and therefore worthy of a higher price (but remember to check out your conclusions by 'market research')
2. Reducing the costs we expend on producing our products or services (V) can be achieved by reducing the amount of wastage, or by increasing the efficiency of your labour (utilising their time better to get more of the work done), or by negotiating discounts for the materials and supplies you are using
3. Reducing the costs we expend on simply staying in business (F) can be helped by only employing the full-time staff you need, by not renting premises or equipment that is more expensive than you need, and by keeping non-production activities to a minimum
4. Reducing the amount we needed to borrow to set-up in business (S) can be achieved through borrowing or repairing equipment and premises wherever possible, by only training people in the essentials (the key things they need to do their job), and most importantly by keeping the time between taking up the loan, and the first customer payment to an absolute minimum.



Exercise 33:

What ideas do you have for:

Increasing the revenue (R)?

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Reducing the costs of 'doing' (V)?

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Reducing the costs of 'being' (F)?

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Reducing the costs of setting up (S)?

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Reducing time to get money in (T)?

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Please feel free to continue on a separate sheet of paper.



With this in mind, we encourage you to go back through your figures, keep your costs to a minimum, do things as quickly as possible, borrow and repair wherever possible, buy only what is essential and only hire (or contract) the people you need and can trust. Through perseverance we hope that you can whittle the pieces of your own jigsaw puzzle until they fit.

One key piece of information that you will find useful, both in getting your business to be 'viable' and in subsequently ensuring that it remains viable, is something called the 'break-even point'. The break-even point is the minimum quantity of product or services that you need to sell (at the planned price) in a month, to cover all of your costs and any loan repayments. To calculate the break-even point, subtract the 'real variable costs per unit' (X) from the selling price (W) and this will tell you how much each sale will contribute toward meeting your monthly costs. By dividing this figure into your fixed costs you will know how many sales you need to cover these, and by dividing it into the value of the loan repayments you can find out how many further sales you will need to cover your loan. The two figures added together will tell you the total (break-even) sales you need per month during start-up. See Exercise 34 on the right. Knowing this number is very useful to work out how practical it will be to be 'viable'.

If through whittling the figures in this section, you can deliver a 'viable' business, you can proceed on to the next chapter (although you might want to spend a bit more time double checking things in this one, just to make sure, and perhaps looking for where you can adjust things to make even more profit). But if you cannot make things fit, this might be a good time to return to Chapter 2 and select your next business idea.

Exercise 34: What is my break-even point during my start up period:

How much money does each unit of sale contribute - selling price per unit, less real costs per unit: (W - X)

$$Y = (W - X) = \dots\dots\dots$$

W can be found on page 33 & X on page 38.

How many do I need to sell to cover my fixed outgoings each month?

$$M = (F \div Y) = \dots\dots\dots$$

F can be found on page 36 & Y above.

What are my likely loan repayments each month?

$$L = (A \div 4) = \dots\dots\dots$$

A can be found on page 40. If you have already spoken about a loan and have agreed the monthly repayment figure, use that figure here instead of the (A÷4) calculation.

How many more do I need to sell to cover my loan repayments each month?

$$N = (L \div Y) = \dots\dots\dots$$

L & Y can both be found above.

Break-even point during the period you are repaying your loan: (M + N)

$$B = (M + N) = \dots\dots\dots$$

M & N can both be found above.

Note: Look back at your expected sales growth on page 21 (*question 4 in Exercise 13*) and determine at which month you will reach your break-even point (*remember to convert B from quantity to value to do this*). If your break-even occurs more than one month after your first sale, you may need to adjust your start-up costs (*see Page 40*) to reflect this. To be cautious, you can replace T with the time to reach sales of M (*above*). The next exercise on cash flow will help you to think about this.

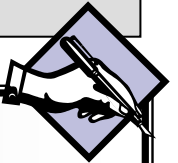
Before we leave the area of finance however, we need to look at three important issues. The first concerns cash-flow, the second concerns raising finance to start up your business, and the third concerns reinvestment to keep it going.

Cash-flow is money remaining after you have received your income (revenue) and paid your outgoings (costs), and it is the lifeblood of your business – when it runs out, your business dies. For this reason, you need to map out, month by month, what your income and outgoings are, and what your cash situation will be. Watch out very carefully for situations where you receive money late or pay out money early – either of which can create a fatal gap in cash flow. The appendix contains a detailed sheet for you to map out your cash flow, but as a basic exercise, use the box on the right to think through your monthly finances, and remember that you will likely have to pay for supplies before you can do your work before you can get paid.

The money you use to do this comes from your start-up finance (after you have paid for any equipment etc.) and you need to negotiate a loan which will cover it, or adjust the scale of your business so that it can be covered by the loan you can get. The Developing World now has many thousands of businesses willing to loan sums of money to small start-up businesses like yours – you can find out how to contact them in the appendix. In practically all cases they will ask for a business plan to build their confidence that you know what you are doing. A template for a business plan can be found in the appendix at the back of this guide, and it

Turnover is vanity!
Profit is sanity!
But cash is reality!

Simon Lasky
Colchester TBG



Exercise 35: Basic cash-flow analysis

Month	1	2	3	4	5	6
Opening balance						
Sales Quantity						
Income						
Fixed Costs						
Variable Costs						
Loan Repayment						
Closing balance						

Write down how many sales you plan to get for month 1 etc. And how much income (I) you will get for these under each month (see page 21). Then enter your Fixed & Variable Costs for each month but remember the 'Variable' costs will vary with sales quantity.

In 'Opening balance' (O) for month 1, write down how much cash you are starting your business with. And under 'closing balance' (C) write down how much will be left at the end of the month, which you can calculate by adding the income and subtracting everything else as follows: $C = O + I - F - V - L$. The opening balance for each subsequent month is the closing balance for the previous month. If C becomes negative, or insufficient to meet the following months costs, you need to look at either a bigger initial loan, or spending less and/or later, or getting paid more and/or earlier.

Remember that your profit, after fixed and variable costs, needs to be able to do three things: 1. Meet your loan obligations (whatever they may be) 2. Enable you to maintain "capital" equipment 3. Enable you to re-invest in more equipment/property/people/stock etc. to grow your business!

Jamie MacAlister
Colchester TBG

is cross-referenced to the exercises you have already completed which should make it relatively easy to fill in.

Within the business plan, there is a section which refers to your equipment and replacement policy (Page 4 of the business plan). While this might seem premature (early) given that you have not yet got your business off the ground, it is still an important question for any would-be investor in your business. The reason for this is to do with building confidence that your equipment will remain operational long enough for the investor to get his or her money back, or that you have a strategy of replacing it within that time that is properly costed out. Their fear is that your business may be vulnerable to a key and irreplaceable piece of equipment that is going to break down in the first few weeks.

In any event, even if the equipment is sure to last through your start up, it is unlikely to last for ever, and you need to think about how you will raise the money for replacements, and this money should ideally be out of profits (saved up over time for the purposes of reinvestment) rather than an additional loan. To help you think this through, the exercise box on the right asks you to list all of the key pieces of plant and equipment, and what you plan to do about their replacement. When you have completed the exercise, it is important to check that the profits you will generate over the same timescale will sufficiently cover all of your capital expenditure.



Exercise 36: Equipment and Facilities Replacement Plan

[illegible]

6. So now you are in business?

If you have reached this far, and worked through all of the earlier chapters, then being in business should simply be a matter of putting your plans into action shouldn't it? So what are you doing sitting here reading this?

Starting a business is a leap of faith, but it can be really quite frightening. Reading more about the subject will not help. It is time to get things moving. And to pray.

Please know that our prayers are with you – we really want you to make a success of this, and we pray that this time may be a time of tremendous blessing for you, your family, your friends, and your church.

But you could be reading this in the hope that we might be telling you how to run your business. And indeed we will, but in a different book. We have deliberately kept this book as short as possible in order to make it less frightening to the person just starting off – however there is a lot more to say to you once your business is off the ground, and we have written another small book called 'Running your own small business' to help those people who have just started out.

But for those of you who have just started out, and who have not yet had the opportunity to read 'Running you own small business' we would just like to put forward the following points which might help you:

1. Do not get your business finances confused with your personal finances.
2. Your business needs cash to operate – if as the owner, you decide to take some of the wealth out of the business, only take money out of profits, never out of the business's operating funds
3. Your customers are the only reason your business survives – treat them with respect and care

4. Give God a place of honour in your business. The devil will always try to challenge you in ways that tempt you to squeeze God out, but you can fight this by making God a full partner in all your decisions
5. Maintain values in business that will make God pleased to be associated with your business
6. Treat your employees with respect. They do not deserve to be in poverty; pay them as you would wish to be paid
7. Keep your 'process flows' and your plans updated to reflect all that you are currently doing and intending to do. God has a plan that He keeps to and there is a lesson there for all of us
8. Keep your financial record up to date at all times – if you do not know whether you are making a profit, then it is likely that you soon won't be
9. Always use some of your profits to find ways to improve your business and to find new ways to attract more customers to your business

In God we trust!
(All others pay cash!)
American saying

On the following pages we have included some appendices to help you with thinking through your business, planning it out, and getting a start-up loan. The appendices are:

1. **Glossary of terms used in the workbook** – and a way of looking up the letters used in the calculations
2. **Businesses that might work in economically developing countries** – a basic list of business ideas
3. **Service Examples** – Relating to Chapter 4
4. **QFD for small businesses** – a tool to help you to think through how your process steps can be used to provide 'better' products and services
5. **Sources of Finance** – Outlining where you might look for sources of start-up loans in your area
6. **Business Plan** – a planning form to use when applying for a start-up loan

7. Appendices

Glossary of terms (and letters) used in this Workbook

Term	Page	Term	Page
Advertising – activity to make people aware of your business	22	N Loan part of Break-Even - the additional monthly sales quantity required to meet loan repayments	43
A Start-up Costs – the costs of setting up and running your business until it makes a profit	40	Process Flow – the full set of process steps required to do your work (see below) laid start to finish	
B Break-Even Point – the monthly sales quantity required for the business to stop making a loss	43	Process Step – each activity which builds up to making the product or delivering the service	24
Cash Flow – the actual money which flows into and out of the business, and how much is left	44	P Profit – the money which remains from the revenue after <u>all</u> costs have been accounted for	39
Competitor – Another business which can meet the same needs of your customers that you meet	18	Q Sales Quantity – the number of products or services sold per month	33
C Operating Costs – The costs of both existing as a business, and of trading/working as a business	31	R Revenue – the money coming into the business as a result of sales of the product or service	33
Customer Profile – a word picture of the typical types of customers which your business serves	17	S Set-up Costs – the costs of setting your business up to do work, such as tools and equipment	29
F Fixed Costs – the costs required to exist as a business, month to month, such as rent, salaries etc.	36	Total Accessible Market – the total value of all sales of you and your competitors in your area	21
G Percentage Yield – the number of good/'saleable' products or services in every 100 produced/delivered	38	T Start-Up Period – the time it takes from starting your business (getting the loan) to making your first profit	29
H Hundred Unit Cost – the cost of producing 100 products/services not all of which might be 'saleable'	38	U Basic Unit of Sale – a description of what you sell – best explained in the third paragraph on page...	33
I Ideal Variable Costs – the cost of producing products/services if every thing came out good/'saleable'	37	V Variable Costs – the costs which vary with how much business you are doing, such as supplies	34
Income – another word for revenue	10	Viable – the ability of your business to make a profit on an ongoing basis	31
Loss – a negative profit; the result of costs being higher than revenue	32	Wastage/Spoilage – the amount of product/service which you cannot sell because it is inferior in some way, perhaps damaged or old	36
Market Research – the activity of discovering what your potential and actual customers really think/want	17	W Selling Price – the price you charge for one 'basic unit of sale'	33
Market Share – the proportion of all the business you potentially could get which you currently have got	21	Y Contribution – the amount of money which each unit of sale contributes toward fixed costs	43
M Break-Even without Loan – as for Break-Even but assuming there are no loan repayments to be made	43		

Businesses that might work in economically developing countries:

The following list of businesses is not intended to be all of the businesses that might work for you – but we hope that it will make you think about what business you might be interested in running.

Bakers	Balloon Flights	Solar water heaters
Cake and biscuit bakers	Cosmetics	Wind power windmills
Caterers	Web developers	Carpentry/joinery
House or office cleaners	Lino & flooring supply	Roofing & Scaffolding
Gardeners	Sound equipment hire	Secretarial agency
Greetings card makers	Accountants / business support	Milk, cheese and yoghurt production
Fruit and vegetable sellers	Therapists / massages / footcare	Architects, surveyors and building design
Farmers (crops and animals)	Sellers of spare mechanical parts	Washing & ironing service
Bee Keeping / Honey sellers	Newspapers / advertising	Recruitment agency
Brick makers	Water testing	Poster printing
Tile makers	Tour guide / Excursions	Sports coaching
Stove makers	Furniture repairs	Tutoring / schooling
Tailors / Clothes makers	Golf courses	Water treatment
Batik artists / Cloth dyers	Irrigation Engineering	Well boring/digging
Computer repairers	Security guards	Travelling theatre
Paper makers	Tent/marquee making/hire	Wheelchair hire
Car repairers	Mat & rug making	Window tinting
Taxis	Painting & decorating	Juice making
Driving schools	Pest control / fumigation	Furniture recovering
Signwriting	Mosquito net treatment	Manicurist
Builders	Photography	Wedding services
Vehicle hire	Dress & clothing patterns	Funeral services
Air-conditioning & fan hire	Pottery & ornaments	Toy production
Plant & Equipment hire	TV and Electrical repair	Soap production
Childcare services	Cafes & Restaurants	Candle production
Hairdressers	Removals & storage	Carpet weaving
Road repairs		

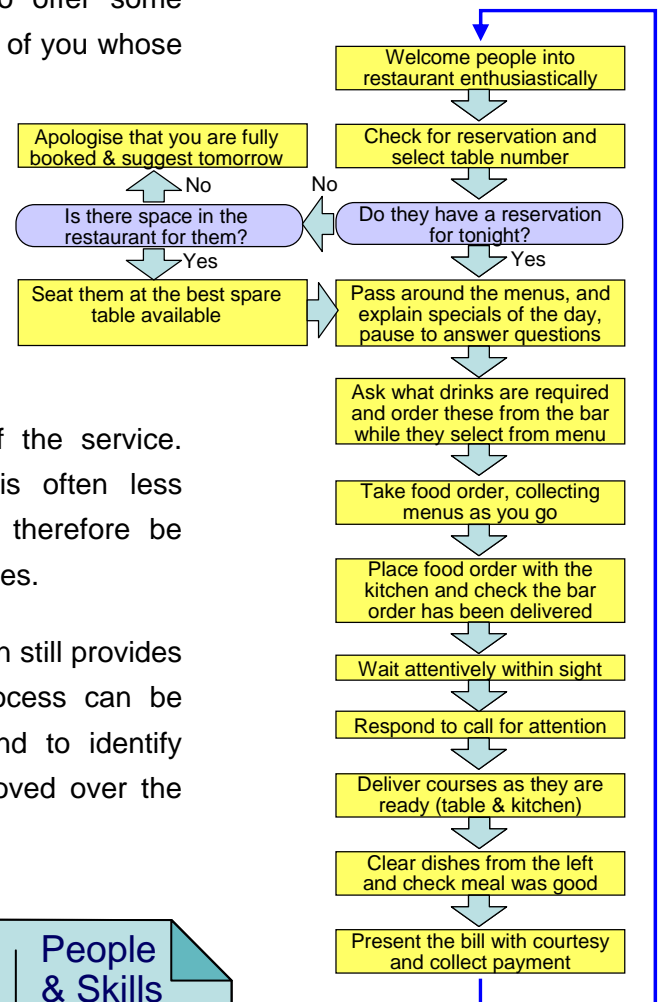
Service Examples for Chapter 4

Most of the examples used as illustrations for Chapter 4 were heavily biased toward production rather than service.

In this section of the appendix we want to offer some equivalent service focused examples for those of you whose business is more service oriented.

One important thing to note about how services vary from production is that the process is often more flexible, with decision points which switch the flow in a number of different ways depending on what is required. Also, there may be a number of different process flows for different parts of the service. The reason for this is that the process is often less constrained by capital equipment, and can therefore be adapted easily to whatever the customer requires.

However, mapping the process as best you can still provides tremendous opportunity to see how the process can be better adapted to the customers' needs, and to identify places where quality of service can be improved over the competition, as the example below shows:



Process Step	Doing 'better'	Tools & Equipment	People & Skills
Welcome enthusiastically	Offer an initial refreshment	Hot towels & iced aperitifs	Natural & courteous manner
Select table number	Give table preferred	Log of preferences	
Explain specials	Remember clearly	use blackboard	Enthusiasm for food
...
Present bill with courtesy	Make it appear as a gift	Tie with ribbon and chocolates	Arrangement skills

Page 3

QFD for small businesses

In Chapter 3 we looked at how the needs of the customer, in terms of what they describe as 'better', can be thought through in terms of what you need to do at each process step to ensure the result really is what the customers want.

QFD is a tool which helps you to do this in more detail – its initials stand for Quality Function Deployment:

- Quality is what the customer means by 'better'
- Functions are the steps in your process
- Deployment means (in this case) making sure the 'Functions' do all that they can to ensure 'Quality'

The tool is in the form of a grid. Down the left hand side of the grid: the rows represent all of the different customer requirements – what they mean by 'better'. Along the top: the columns represent all of the process steps that you need to deliver your product or service (& ensure that it is 'better').

The squares in the grid then provide a way to map each of the steps in your process onto the 'Better' they need to make happen (or could help make happen). We use three symbols for this: A bullseye symbol means that the customer requirement cannot be met at all without taking a lot of care over this process step. A triangle symbol means that this process step can help to meet that customer requirement if we take extra care over it. A circle symbol means that the process step is more important than a triangle, but less important than a bullseye.

The grid helps us to think through what we need to do in each process step if we are to stand the best chance of meeting our customer's needs better than the competition.

For more information on QFD visit www.tesseractacts.com.

Process Steps (Chapter 3)		Buy & measure out ingredients	Mix ingredients into the biscuit dough	Roll out the dough and cut out biscuits	Place biscuits on trays in the oven	Bake biscuits to perfection
Customer Requirements for 'Better' (Chapter 2)						
Tastes good – has a nice biscuit flavour		●	△			○
Crisp when I bite into it but doesn't crumble		○	●	△		○
Not too small or too big – right size for a snack				●	△	
Can be bought from a shop nearby where I live						
Not expensive – I want to buy them cheaply		○		○	○	
Looks home-made and with interesting shapes				●		

Sources of Finance

The first source of finance you should consider for your business is your own savings, or money that you can raise from any surplus items that you can sell. And the second source you should consider is your family and friends, and their savings. The reason for this is that the interest rates on small loans in the developing world are very high, and you will find this a considerable burden on your business through the first few months. Borrowing from family and friends can save you a considerable amount of money, which you can share with them as a repayment of their kindness.

A second alternative are the savings and loans schemes that are growing swiftly in many parts of the Developing World. The schemes charge high interest rates, but there are no additional charges (unlike many banks and microfinance schemes) and the interest goes back to the 'community'. Much more on this can be found on the website www.vsla.net but in essence, the savings and loans schemes are set up by local communities of up to 35 people, who each bring their savings together, loan out to members of the scheme, and each share in the profits. The schemes elect their own officers, make their own byelaws and set their own loan terms.

Banks are difficult because they are usually not geared up to deal with the small loans that you are likely to be considering (or eligible for).

The primary alternative to family funding or savings and loan schemes are the Microfinance institutions. These appear to range from institutions set up to help the poor to those which appear more inclined to exploit them. But to be fair the administrative costs of microfinance are very high compared to the value of most loans, and these administrative costs are covered by the interest rates charged.

Information on Microfinance organisations in your region can be found through www.microfinancegateway.org.

Business Plan

A business plan is a single document which sets out clearly what you are planning to do as a business, how you are planning to do it, and why it is viable.

Any organisation which you approach to lend you money for your business is almost certainly going to want to see a business plan – partly for their own sake; to give them confidence that their loan is reasonably safe, but partly also for your sake; they don't want to see you under the burden of a debt that you cannot repay.

But whether the lending organisation needs to see your business plan or not, you yourself want the confidence that your business will succeed, and that you will be able to repay the loan – and so a business plan is a useful document for you too.

Over the next seven pages, you have the opportunity to develop your own business plan – or rather to collect all of the exercises you have done through the guide into a business plan – because if you have completed the exercises for the business you want to proceed with, you already have done your business plan, and all that remains is to pull it neatly into one document.

On the business planning sheets which follow, we have tried to help you to find the information you will need by cross referencing the pages in the guide where you will find the information that you need. These cross references appear as little black boxes in the lower right corner of each section.

If you need further business plans, these can be downloaded free of charge from www.reconxile.com, or alternatively, you are welcome to photocopy the sheets in this guide before you use them.

Note: Please do not let the fact that you have developed a business plan make you over-confident. Your plan could indicate that you have thought through a successful business, but it could also indicate that you have thought through an unsuccessful business, but forgotten some key costs or been optimistic on revenues and other things. Please show your plan to a number of friends who you can trust and who are willing to challenge you on your numbers. In that way, you can build real confidence that you have a business that will work.

Business Plan

Answering the questions set out in this business plan will help to ensure that you think through all of the most important decisions in setting up your business, and that your business will be on a firm foundation for success. It will also help you to communicate your ideas to those people who you may need to approach for a start-up loan. Many of the answers can be taken from the exercises undertaken in "Setting-up your own small business" which can be downloaded free of charge from www.reconxile.com. Numbers in black squares relate to the relevant pages of that particular business guide.

Please reprint this form as required which is also available from www.reconxile.com

Full Name	.....
Contact details	Address Phone Email	
Experience/qualifications <i>These do not need to be formal qualifications, but can be any experience you have that will help you to understand your business and what it will be like to run it.</i>	..... ..... ..... ..... .....
Brief description of the intended business <i>In brief outline, who is involved in your business, where will the business be located, and what will the business be doing – what product or service will you be selling?</i> <i>Are there any legal arrangements regarding set-up of the business?</i>	..... ..... ..... ..... ..... .....
Why do you want to set up this business? <i>Please explain why you are committed to setting up this business and what you hope to achieve through it.</i>	..... ..... ..... ..... .....
Have you read and completed the exercises in 'Setting-up your own small business'?		Yes / No
What is most important for you to get right in your business? <i>Please list and explain what you believe are the main things that you need to do well in order to make your business successful?</i>	1. 2. 3. 4.	

14

13

6

20

Who are the customers for your business?

Give a brief description of the range of people who are the most likely customers for your product or service – who they are, what they do, and why they need/want what you are selling.

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17

What is the total market for your business?

Give details of what would be a realistic target area for your business to address (how large an area/radius from your intended place of business), how many customers are in that area, and how often they are likely to buy this product or service (either from you or your competitors)

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21

Who are your main competitors for this market?

List out in the columns opposite the names (or types) of your main competitors, the price they charge for their product/service, and their main strengths and weaknesses in terms of quality, cost, reliability, customer service, reputation, advertising etc.

Competitor	Price	Strengths	Weaknesses
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19

What is your Competitive Strategy?

What are the main things that determine which businesses will be most successful in attracting and retaining customers in your market?

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18

Which of these things do you intend to do better than your competitors, and how do you intend to do it?

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20

How will you make sure that your customers know that you are doing this, and how will you win them over?

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.....

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22

What share of the market do you intend to win in this way?

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21

For instance: who have you spoken to, what did you speak to them about, how consistent were the answers from different people, and how confident are you that your strategy will work?

[illegible]

18

Basic unit of sale:

Month	1	2	3	4	5	6
Number sold
Price per unit
Revenue

21

How soon after a sale do you expect to be paid for it and are there any other important pieces of information about credit terms or special conditions?

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21

List each of the steps on the right, and against each identify any special pieces of equipment that will be required, and the skills and people necessary to undertake the step.

[illegible]

25

[illegible]

Cash flow forecast

List all of your sources of income on the right, including loans, revenue from sales, and any other money coming in to the business that you can think of. Then in the plan columns under each month, write down how much you expect to get in that month from the various sources of income, and total it at the bottom.

List all of your outgoings on the right, including salaries, supplies, consumables, rent, rates, loan repayments, contract payments and any other costs you can think of. Then in the plan columns under each month, write down how much you expect to pay out that month to all of the various outgoings.

Subtract your outgoings from your income, to calculate each months cashflow

The starting cash position is the cash that you started the business with at the beginning of month 1

Cumulative cashflow at the end of month 1 is your starting cash position plus month 1 cashflow

For months 2 to 6 add the cash flow for the month to the cumulative cashflow for the previous month to calculate the cumulative cashflow for the month

	43	Month 1		Month 2		Month 3		Month 4		Month 5		Month 6	
		Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual	Plan	Actual
Sources of Income:	31												
.....	
.....	
.....	
.....	
Total Income:	
Outgoings	33												
.....	34
.....	
.....	
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.....	
.....	
.....	
.....	
Total Outgoings:	
Cashflow this month													
Starting cash position													
Cumulative cashflow													
Notes:		.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
	
	
	