

● SESSION 3: DEFINING A BUSINESS IDEA AND POTENTIAL CUSTOMERS



(Total time: 1 hour and 15 min)



Now that a business idea has been selected, your next step is to begin a business plan. This will help you to organize your ideas and get a better understanding of how to build your business. If group members share a common business idea they can complete the remaining sessions by developing that idea further. It is also possible for group members to complete the remaining sessions by working on their personal business ideas with the group.

By the end of this session you will be able to describe your business idea in more detail, understand ways to do basic market research, and clearly identify who your potential customers will be.

○ Activity 3A: Describing Your Business Idea



(30 min)



In the next activity you will create a simple outline of your business plan. This should describe the business in enough details so that a stranger can understand clearly what your business does and who your potential customers are.

Before starting the activity, first read through all the instructions.



- 1) The group reader will first read Miss Koodo’s story to the group **(5 min)**
- 2) As a group, review the business plan outline for Miss K’s Delicious Breads and check that the details are correct **(5 min)**
- 3) Using Table #1, work together to support each other to complete a business plan outline for the high potential business idea that was selected after Activity 2C **(15 min)**

Miss Koodo’s Story

Miss Koodo lives in a village not far from the capital city. After finishing school, she has decided to start a business selling bread at a stall in the local market. There is no bakery in the village, so Miss Koodo thinks her bread will be in high demand. She would also like to sell her bread to other market vendors who could use her bread as ingredients in dishes they sell.

Miss Koodo’s mother is famous for her baking and will help by teaching Miss Koodo some baking secrets and allow Miss Koodo to use her kitchen and equipment for baking. Miss

Koodo is also lucky because her aunty has a successful stall in the market selling fruit. She offers to let Miss Koodo rent a part of the space for her bakery sales. Miss Koodo will name her business, "Miss K's Delicious Breads." Although Miss Koodo does not have any previous business experience, she is confident she can learn quickly from her mother and aunty.

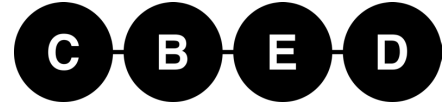
Sample Table: Business Plan Outline for Miss K's Delicious Breads

Name of business	Miss K's Delicious Breads
Type of business	Retailer ✕
	Wholesaler ✕
	Manufacturer
	Service provider
What goods will the business produce	Bread
What services will the business produce	-
What customers will be targeted	Village residents, market vendors
Where will the business be located	Customer sales will be made from a small a food stall at the local market. Baking will be done from Mrs Koodo's kitchen.



Table 3.1: Your Business Plan Outline

<p>Name of business</p>	
<p>Type of business</p>	<p>Retailer</p>
	<p>Wholesaler</p>
	<p>Manufacturer</p>
	<p>Service provider</p>
	<p>Agriculture</p>
<p>What goods will the business produce</p>	
<p>What services will the business produce</p>	
<p>What customers will be targeted</p>	
<p>Where will the business be located</p>	



In this activity you have developed a basic outline of the high potential business idea identified earlier. This outline is useful to share the basic idea of your business with others and as a guide to the different aspects of your business that will need to be detailed in a business plan.

○ Activity 3B: Market Research



(45 min)



After your business idea has been outlined, the next step is to develop your plans on how to sell your goods or services. To be successful in these plans businesses must be able to identify who the potential customers are, what they need or want, and how much they are willing to pay. Everything a business does to find this information is called **Market Research**.

Market research can be simple to do:

- 1) Talk to potential customers.
 - What goods or services do they want to buy?
 - What special needs or expectations about these goods and services attract them?
 - What do they think about other businesses that already provide these goods and services?
- 2) Observe competitors' businesses.
 - Are their goods or services of good quality?
 - How much do they charge?
 - What is the difference between the most and least successful businesses?
 - How do they attract customers?
- 3) Ask friends, family, and other peers:
 - What do they think of your business idea?
 - What goods and services sell well in their business?
 - What they think about your competitors' products?

The information collected through market research should then be recorded in a market analysis table.



Before the activity starts, the group reader will read Miss Koodo's market research to the group. As a group, discuss how Miss Koodo can use this information in planning her business. The information she has collected on what prices customers will pay and the prices



her competition is charging has been recorded in another table that you will review later (10 min)

Working with one or two other members in the group, discuss your own business idea and complete the market research information in Table 2 of your Training Manual.

- In column 1, describe the potential customers to target
- In column 2, identify where your market information has come from
- In column 3, list the type of goods and services in demand by these potential customers
- In column 4, list the needs and preferences of these customers. Think about their motivations, and where, how, and how often they want to buy
- In column 5, list any information that is known about competitors (15 min)

As a group, share together the results of your market research to identify if there are any differences. Each person should participate in the discussion and your individual records should be updated with new information learned from the group (15 min)

Sample Table: Miss Koodo’s Market Research

Potential customers	Sources of market information	Goods and services in demand	Customer needs and preferences	Analysis of competitors
Members of the local community, particularly those with young families	Observation of competitors and discussion with potential customers	Bread for sandwiches	Prefer to buy fresh bread daily	The nearest bakery is in the capital 30 km away. In the village bread can only be bought from the local 711 but it is not freshly baked. The 711 also sells a variety of baked products like cakes and biscuits
Market vendors in the village and my Aunt	Observation of competitors and discussion with local business people	Bread to use in making local deserts. Stale bread sold at the temple for feeding fish	Want the cheapest supplies available	Local market vendors’ work together to buy large orders of bread from a bakery in the capital. A local trader makes the delivery for a small fee once a week

Table 3.2: Your Market Research Information

Potential customers	Sources of market information	Goods and services in demand	Customer needs and preferences	Analysis of competitors



Market research is something that successful businesses will need to do on a regular basis. Customers' needs and preferences are always changing and your competition will always be trying to meet the demand. Session 3 has helped you develop the skills to create a business plan outline and to do market research. In the next session you will use this information to develop a marketing plan.