



*Learn to build your own business idea
and learn how to sell it!*

Student Workbook

Initial Entrepreneurship Training

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TRAINING MATERIAL
Draft Version February 2017

Learn to build your own business idea and learn how to sell it!
GIZ Teaching Script by Phillip Travers

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1. Introduction

The Training content is created to better understand about business ideas. Frequently, people blame that it's just the finance which prevents them from launching their business, yet, in reality the developed ideas' and business models are often too insufficient to convince banks or investors to invest in the idea. Typically business ideas are just ideas without a solid concept behind. People don't really know who their customers are and don't know how they will be capable to provide the promised solution. Furthermore, their idea is commonly lacking a way to go forward. Due to these reasons this training tries to cover an about business ideas and to make them worthwhile based on a realistic concept and identify ways on how to go forward with the ideas. Additionally this training tries to provide a first route into entrepreneurship in general and to create a more realistic picture about the life of an entrepreneur and how people can use their skills and interests to improve their chances by finding the right idea for them and become successful with it.

This training is derived partly from GIZ ProNet training and partly from unpublished articles from Phillip Travers. GIZ ProNet training is designed for higher education and is much more intensive in terms of scope and sophistication. It tries to cover the full range of important business aspects to operate a business. This training is a first step into ProNet. It tries to start building a knowledge foundation for creating solid business ideas first and using personal skills for it, before teaching advanced aspects. The target groups for the initial training with this approach have been TVET instructors which are demanded to enable the development of prototypes within TVET colleges in Ethiopia. Yet, it is also highly recommended for Higher Education instructors involved in business incubation and students who want to launch their own business. In all cases it is important to build a solid base to determine which ideas for prototypes are valuable to go for, how to plan the development of the prototypes and how to illustrate and present the

ideas to gain necessary support for realizing the prototypes. That's what this training tries to cover.

2. Learning Objectives

- Gaining an understanding about the opportunities with entrepreneurship
- Gaining a first understanding of what it means to be an entrepreneur and how important it is to use one's own strengths and interests for finding the right business idea
- Gaining an understanding on why it doesn't have to be always a big business and that you can start small to grow big later
- Gaining an understanding on why some ideas are just ideas and some are business ideas to go for
- Gaining an understanding about the view of investors on business ideas
- Gaining the knowledge to develop solid business ideas and what is needed to make them feasible
- Learning how to plan to build a prototype and how to plan the next steps to launch a business
- Learning to present ideas, to present yourself and how to convince investors with that

3. Lecture Structure

Chapter I: Let us Start – What is the difference between a business idea and “just an idea”

The lecture start with an introductory session in which expectations of students will be questions and common thoughts about entrepreneurship and business ideas will be discussed.

As major exercise participants are supposed to reflect their own business ideas.

Chapter II: What is actually an entrepreneur and why does it seem nice to be one?

In the 2nd chapter students should think about their own reasons to become an entrepreneur and request their motivation for it by gaining a better understanding how a life of an entrepreneur looks like. Additionally, they are expected to reflect their own strengths and weaknesses as well as personal interests to broaden the field of business in which they would like to start a business in.

The major exercise will be to broaden their own business fields and to think how they can balance certain weaknesses for it with the involvement of other parties.

Chapter III: How can you develop solid business ideas?

In the 3rd chapter it will be in-deepen on practical examples what a “good” business idea characterizes and how it is possible to come up with such ideas. Aspects of business strategies in terms of innovation development, sources for searching ideas as well as methods for identifying valuable ideas will be discussed. Additionally the possibilities and the importance of differentiation by quality will be highlighted.

At the end the best ideas of students will be selected for further process steps. The major exercise is to conduct a presentation for their business idea.

Chapter IV: Why is a solid business idea already a business concept?

In chapter IV, the business model canvas will be introduced, the relation to the idea development will be drawn and it will be illustrated how the business model canvas can be used to develop business ideas as well as improve business ideas.

After the lecture working teams for the selected ideas will be formed. The major exercise is to develop their own business model canvas within the teams and to conduct a presentation for it.

Students will develop their own business models within its structure and present them to the audience to receive positive and constructive feedback for it.

Chapter V: How can you check if your business idea is realistic?

This chapter consists of two parts: In Part I, the focus is to determine what you need to develop a prototype and how to plan for it. Also “quick and dirty” prototyping will be introduced to use this method practically to visualize ideas for receiving a better consumer feedback.

In Part II, the focus is to make a quick feasibility check based on consumer opinions and cost estimates, incl. an introduction to basics of finance. This chapter also includes a small field trip around the area of the training facility to collect consumer opinions and to check material availabilities and prices.

The major exercise is to develop questionnaires and “quick and dirty” prototypes to perform a short feasibility check on the field, to analyze the results and to conduct a small presentation for it.

Chapter VI: Why you just have a minute to convince and how do you do it?

In this chapter the elevator pitch will be introduced and trained. It is recommendable to make a video recording of the pitch presentations to analyze it together in the group.

The major exercise is to create one's own elevator pitch and to conduct a presentation for it.

Chapter VII: What are the first steps to start your business?

Finally, a way to start and to go forward should be developed for which mile stone planning and action planning will be introduced. Within this chapter also the idea of starting small and grow big will be illustrated.

The final exercise is to develop a mile stone plan and an action plan for one's own business and to conduct a presentation for it.

The Final Project

At the end all gathered knowledge and prepared exercises will be put together to develop a final presentation in the scope of a provided presentation structure. Additionally guidelines for power point presentations and presenting in general will be provided and examples will be shown how an elevator pitch can be transferred to a power point slide.

The final exercise is to prepare a power point presentation for their business idea and to conduct it in front of a broader audience. Potential awards will be provided to the best group.

4. Chapter I: Let us Start - What is the difference between a business idea and "just an idea"¹

Overall Introduction

What do you think about the following thoughts?

- *Ohh, the business of this guy is really good – I will make the same!*
- *I am cable to provide this product or service, so I will make money with it!*
- *When I start my business, I will employ some people and can have a relaxing live!*

¹ Content Sources: Phillip Travers, "What is the difference between "just an idea" and a business idea?", unpublished article
Phillip Travers, "Why does finance seems to be the problem to start a business, but usually the entrepreneur and his or her business model are?", unpublished article

- *I could launch a successful business; I just need money to start!*

Which ones are right?

All of the thoughts are wrong! Can you believe it? Please try to figure it out. Let us take a look to the explanations:

- Ohh, the business of this guy is really good – I will make the same!
Explanation Wrong: If one guy serves a market and earn 1000 ETB how much he will earn if two serves the same market? He will only earn the half. How much if three serve the market? The answer is a third. And so on. Think on Bajaj's which were very cheap when they get introduced and people earned a lot of money with it. After a lot of people copied it, Bajaj prices become high and the income you could earn with it decreased at the same time.
- I am cable to provide this product or service, so I will make money with it!
Explanation Wrong: If you don't have a need, you can't sell it. It is good to build a business on own skills and strengths, but it is important to know who need what you offer. You can only make a good business if there is a demand for your product or service.
- When I start my business, I will employ some people and can have a relaxing life!
Explanation Wrong: It is commonly one of the most dangerous mistakes people like to do. They think when they start and earn a bit they directly can go to holiday. This kills a business directly. In the beginning if you just opened your business and gain your first customers, they are gone soon if you close it for holiday. If they like your service they come maximum two times to stand in front of a closed door before they don't come back again. And in the beginning you can't afford to employ lots of outstanding people who can do your job. You have to do the main important tasks of your business yourself and to learn how things work or you can't understand what your employees need to do. You are the

business when you start. An investor will never give money to somebody who just employees others to do the job. If that is the case wherefore the investor will need you. He or she can directly employ the employees himself and cut you off. The investor wants to invest in you, you are the business. (This doesn't mean you can't delegate tasks to employees but you are the core of your business and have to be there, especially in the beginning.)

- I could launch a successful business; I just need money to start!
Explanation Wrong: If you can go to Dashen bank and can put there 1,000 ETB to get back 10,000 ETB one week later, would you do it? Even if you don't have 1,000 ETB you would find a way to get the money, right? You could tell a friend who has enough money to give you 1,000 ETB and you will give him 2,000 ETB back in one week, right? But why he or she needs you then, your friend can put the money directly to the bank isn't it? Maybe he can pay you 10 ETB for delivery service 😊

Is it clear why you would do that investment? Nice return. And that's what it is all about, if your business idea is worthy for an investor you would get the finance. But also the investor needs you for doing the business or it makes no sense to share.

But what is so fundamental in this case, that you would invest the money? Think about it!

Just imagine another situation in which a friend from college tells you he or she wants to build a rocket to go to the moon to dig for seldom raw materials and come back to sell it on earth and if you give him 10,000 ETB today, you will get 1,000,000 ETB back in one year. Would you give it to him or her?

Why not?

You don't believe that it works; you don't believe him or her that he or she can even build the rocket, right?

So the difference between the Dashen bank and your friend is "Trust". The "Trust" that you will get your promised money.

To gain trust you need to understand how it works right? Your friend build the rocket and you need enough sufficient information to judge if he or she will be capable to do so and really earns enough money with it, that he or she can pay you the promised money, right?

So it is not the finance, it's the business model and yourself what might be the problem. That's what we will try to teach you this week: how to make your business idea workable and trustworthy including making yourself trustworthy.

Yet, major thoughts you should have instead:

- I should avoid the copy trap and become special!
- Not everybody is my customer, so I have to know who it is?
- Offering best quality to the cheapest price is a bad idea, so which offer is?
- Efforts count nothing, but performance everything!
- Finance is not the problem, but the business idea/model and/or you could be!

Let's start with an example (Example Mothers Phone):

Do you have a smartphone? What did you pay for it? Maybe 2,000 Birr, I guess. Do you have a simple mobile? What did you pay for that? Maybe 400 Birr, I guess. Can you imagine paying 3,000 Birr for the simple mobile?

Would you believe me that a special version of a simple mobile can be sold for 3000 Birr in Germany? The only difference of that phone is that the buttons and the font size are bigger and that at the back of the phone is an additional bottom which represents a short cut for sending text messages.

Would you pay for these additional features 2,600 Birr extra? What you would think about somebody paying that amount for such a phone?

The additional production costs for it are roughly only 100 Birr, taking in account a bit more material for the bigger buttons and the extra button and an increase in font size are minor onetime costs to pay a programmer.

What do you think; it is crazy to buy such a phone to such a price, right?

Yet, it always depends on the needs of your customer. These ones determine the price and not necessarily the production costs and make it possible to increase prices. Or why do you think the same beer costs at one place 12 ETB and on another 80 ETB?

In that case the phone is made for elderlies living in Europe. Smartphones are too complicated for them, but they still want to have a mobile. The small display and the small buttons of the simple phones are too small to use for them, thus the bigger buttons and the larger font size make it possible for them to use it despite their minor eyesight degree.

And the extra button, what is with that? It can be programmed to send automatic messages to up to 10 people by just pressing the button. So in case you need help because you fall down and can't get up anymore or similar, you just press the button and inform your family, friends and/or neighbors that you need help.

The important of that is that you need to understand your customer. The phone meets the needs of a certain customer group, European elderlies. So try to understand our elderlies then you can also understand why they will buy such a phone for such a high price.

Europe countries such as Germany are usually lonely societies in which elderlies often live alone at home. If something happens such as falling down then getting up will be a huge issue. Because it can take long time till somebody recognize it and can organize help, in some cases weeks.

Thus having such a mobile can help them a lot. The same time, we have many elderlies who have high pensions but not too much usage possibilities. Thus for this special target customer group the high phone price doesn't matter for them. They have the money. What matters is to have a product that matches their needs.

So what do you think now? Are they really crazy? Or is it just a smart business?

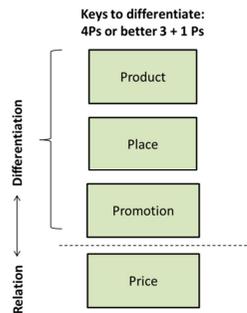
That is differentiation which is an easy concept you can use to build solid business ideas. You do not need to have the best product, it is difficult to compare with Apple and Samsung. You just need to have a tailored product for matching the needs and the willingness to pay of a special customer group. So find your customer and learn that not everybody has to be your customer. For example these kind of customer groups with such needs and willingness to pay count roughly for 2% of German population. That means alone within the German market you could have up to 2 million customers. Selling mobile phones for 3,000 Birr to 2 million customers means 6,000,000,000 ETB. Is that small money? And if we compare the profit, oh my god, just imagine how much more money it costs to build smart phones to simple mobiles with these small extra features. To search a little niche in the market and adapt your product to a special customer group makes much more sense than trying to compete directly with the market leaders.

Of course you also need to tailor the rest of your setting. For example your marketing, you do not make advertisement at a music festival or something. You need to post it in magazines for elderlies or use hospitals as awareness creation channels. You need to understand your customer, where does he or she go, what he or she does and needs. Tailor your marketing mix to them. The

more you tailor it to your customer and differentiate from others, the more you can increase the price.

Two views you should always have in mind

But you also have to see it the other way around the same time. The more you engage in increasing your quality and tailor your marketing approach, the higher costs you will face. To gain a good understanding for these relations, the following can be very useful: the keys to differentiate with the 3+1P Relation:



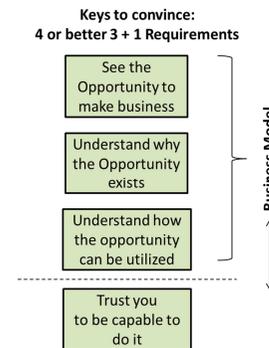
These 4 categories “Product, Place, Promotion and Price” represent actually the marketing mix. Where you think about setting your product quality, the channels you use for distributing your product, the marketing approach you are using and finally the price you will set for your product. We use these 4 now in its relation to the first 3 to the price, to tailor and generate ideas. More about that we will discuss in chapter III, but already now we should reflect shortly one important aspect about the product. The Product does not represent only a product offer it also can represent a service offer or alternatively the assortment with which you can differentiate. With assortment you can describe the range of products, the variety of your products e.g. a store which offer only one kind of whiskey has a small variety and can offer this single kind of whiskey potentially cheaper as a store who offers a huge variety of whiskeys e.g. 100 different brands. This can determine your price because you need more storage space for all the different kinds and some whiskeys will be sold only

rarely so you have money invested in it which pays out slowly. Meaning it will cost you more but also more customers might come to you because they have a good variety at your place.

Exactly that is the relation of the 3+1Ps: Each improvement on the one side of the 3P’s will lead to a change of the price.

That’s also the reason why no investor will believe you if you say I will offer best quality to cheapest price because they understand this relation and if you don’t understand it; they don’t waste their time listening to other things you might think to know but in reality don’t . You have lost your credibility directly.

So, it’s not about finance, as you remember with the Dashen Bank example. If an investor sees they can make money with you there is no reason not to do it. But the challenge is to convince them that your business makes sense and that you are trustworthy and capable to really achieve what you promise. So always have in mind:



Investors have to understand first, that there is money (market potential). Also they need to understand why there is money (Your market and customer) and then they have to understand how it can be utilized (Your strategy and operations) and finally they need to trust you that you are the right man or woman to do the job and that they need you to do it.

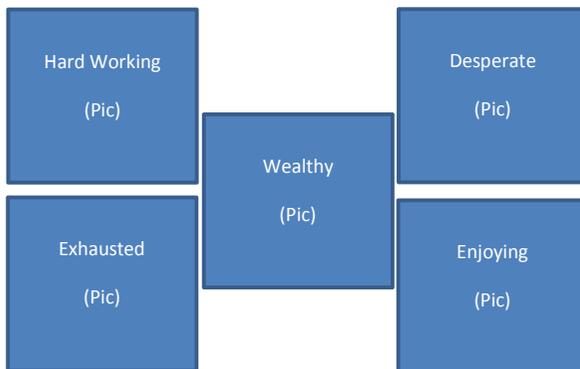
By all that, be always aware that it is not their responsibility to understand all that; it is your responsible to make them understand why your business makes sense. And, that's what we try to teach you within this workshop. By the end of this workshop, you should be capable to develop ideas which are so mature that they meet the criteria's to differentiate tailored to a customer group and which are illustrated in a way that investors will understand why your idea and you yourself make sense to invest in.

Furthermore, we will try to work on your communication that you yourself are mature enough to sell these ideas in a way that others will understand it and trust you.

5. Chapter II: What is actually an entrepreneur and why it seems nice to be one

Life as an entrepreneur

Never forget as entrepreneur, you are the business. So, what do you think if you are the business, how your life looks like? Which of the following pictures symbolize best the life of an entrepreneur?



Are you busy all the time, are you exhausted, devastated or do you enjoy wealth and pleasures?

Do you know some entrepreneurs yourself? Think about your friends, people living close by or just from fare. What do you think how their life is like? Watching at them, talking with them, what do you recognize? How can you describe their life? Take your time and try to describe such a person, you now best.

You can also think about the tasks and living conditions an entrepreneur has.

What does an Entrepreneur have to do to create and run his or her own venture?

If you think about it, they have to....

... invest their own money and their total

time in their business and generate income with their business

to pay for their food and serve their family;

⇒ So if they don't earn enough money they can't feed themselves and also their family. This can cause lots of stress.

...develop a promising idea and convince people for it and set plans & goals

⇒ So they have to run around, work a lot and think carefully what to do, which costs lots of time and needs outstanding skills, right?

... make decisions and have to live with the consequences of their decisions

⇒ They have to take lots of risk and need to be capable to decide. Usually, it is said that it is better to make a wrong decision than not to decide if you are an entrepreneur. But if you deal with the potential consequence that you and your family will face if you make the wrong decision you need a strong character to do it. Just imagine a decision leading to a bankruptcy and you and your family has to starve and become beggars.

... deal with employees, customers, investors and suppliers and solve problems and have to adapt to changing circumstances

- ⇒ So you need to know how to deal with people and need a talent for that and have to be always flexible to adapt and need to treat them good even if you feel bad yourself.

... face risks, experience failures and live with a high level of uncertainty.

- ⇒ All in all it's a lot you face. You need multiple skills and will face lots of stress and work pressure. That is something everybody should be aware of if he or she wants to become a successful entrepreneur.

So what do you think now? What does it mean the life of an entrepreneur? Which of the 5 pics above describe it best? None or all is the answer. All pics describe different aspect of the life of an entrepreneur. You have to work like mad, sometimes till total exhaustion. Sometimes you feel stuck and alone and desperate being afraid that you will lose everything. Sometimes you will fail, but you have to stand up again and try again. Standing up again usually make the difference between a non successful and a successful entrepreneur: "To never give up and to learn from mistakes to use the learnings to make it better the next time".

Yet, beside the downs as entrepreneur there are ups as well and you should incentive yourself whenever you overcome a challenge to finally live a wealthy and happy life. The difference between the life of an entrepreneur and the life of an employee is often that the employee has a more steady life while the entrepreneur faces lots of ups and downs and in between there is life 😊

Motivations and fears for becoming an Entrepreneur

To keep on doing your business by facing various challenges and bad times, you need more motivation than just money. You need to be passionate about what you are doing to keep on track also in bad times. And bad times always will come.

What is your motivation to become an entrepreneur?

Common motivations for becoming an entrepreneur are:

- Independence/freedom = want to work free and go your own way
- Control = You want to lead people and being responsible for your own goals
- To create = you want to create something, to develop something like giving birth to a child :)
- Helping = You want to live for something useful in your life, to contribute to the society or just help a certain group of people
- Money = Yes we all like it and its not wrong to go for it, yet, it shouldn't be the only reason, the success comes from the passion on why you are doing it
- Passion = that's a very strong motivation to do something you are really interested in and working on it brings pleasure for yourself. Bill Gates or Steve Jobs worked on ICT systems so hard because they just loved to do so and wanted to become the best not because of the money itself.

Very often motivations are combined and the more reasons you have to do your business and which motivates you to succeed the better it is.

Could you find you? What motivates you?

But of course there are also lots of fears which prevent people from taking the step into an entrepreneurial life. What are your reasons? What are you afraid of?

Common fears are the following:

- Ridicule = to get blamed, to lose your face and others will laugh about you because you didn't make it
- Family influence = very often people rely on their family and if they haven't been entrepreneur themselves they are worried and will try to convince you not to do it

- Opportunity costs = why risk everything if you have a good job
- Risk = That you lose everything your career, your money and even your life
- Failure = A lot of people are afraid to just fail similar like ridicule, yet, to fail is more a blame for yourself. You are afraid to lose your own self-esteem. It is not about what others will think about you.

Also in this case it is often not a single fear but a combination of several ones. Having some fears don't prevent you to become an entrepreneur if you really want to but you should face it and think about it. Mostly fears are just shadows, when you finally face the fear becoming true it is not as bad as you were afraid before.

There is also a fundamental difference between the major motivations of entrepreneurship: necessity vs. opportunity driven entrepreneurship. While necessity driven entrepreneurship is mainly driven by the need of money and the search for a way to feed yourself and your family, opportunity driven entrepreneurship comes from seeing opportunities, things you are interested in and which look promising for you to establish a business. It is important to distinguish that initial points of motivation and also to ask yourself which motivation pushes you. Just to become an entrepreneur because of lack of other options is not driven by searching the right things and you should try to be driven by the right ones.

Enhance your initial position – Bordering your business idea within your strengths and interests

Before developing ideas you should think about what drives yourself to develop your business idea in an environment which is suitable for you to succeed.

So try to enhance your initial position for becoming an entrepreneur by adapting your idea in three steps:

1) Develop your idea in a field which is strongly associated with your interests and/or higher goals which motivate you.

That can help you to better overcome bad times if you are really working with passion and like what you are doing. Furthermore you are more convincing if you are driven by your own passion and thus can attract investors and customers easier with that charisma. If you look around, you really can see if people like what they are doing or not, isn't it? Let's also make a surprising guess "You prefer working with people in a good mood", right?

Just take a look at a waiter who comes slowly and in a bad mood to you as customer. You can see in his or her face that you just make him or her work and think isn't he or she recognizing that you bring money to pay his or her salary. Just compare that with a waiter who comes happy and offers his or her honest attention. Where do you prefer to eat if everything else is the same?

2) Develop your business idea in a field which is not only associated with your interest but also which fits to your skills and knowledge

Of course it is not very convincing if you are a business expert and want to build a micro controller even if it's your passion. It's important that your work matches your skills and that you are familiar in what you are doing. It is the same as employee, yet, the difference is here it matters much more because you don't achieve a regular income and when the customer leaves your restaurant because you are unfriendly it is your money which goes and not the one of your unknown owner.

3) Try to found your business together in a team

Not everybody is perfect, nobody can do everything. The more people from different backgrounds work together the more skills you can offer

and the better you can convince an investor that you are capable to do the business. And of course, shared pain is half pain as well as partying your successes together is double party ☺ But be aware to find the right people to work with. Not only the skills matter also how you understand and can work with each other matters a lot. Just imagine later you fight and don't want to continue working together. How will you deal with that? Finding the right team is essential.

Sample Entrepreneur and Your Strengths – Bordering your business idea

Let's take a look at your sample Entrepreneur. Please think about the Entrepreneur whom you know from your closer circle. Which strengths does he or she has from your point of view, what is his or her background, what are his or her interest and/or higher goals, what is motivating him or her and in which field of business he or she is working in? Please make yourself a picture, how it is related to his or her field of business and why this could explain his or her success.

Now question yourself: What are your strengths, knowledges, field of interests and motivational factors? Which kind of business field matches to that? Do you find one or more fields of businesses which would match?

By thinking about your strengths and your interests also consider what your parents usually say, your friends, your wife your colleagues or your boss. What would they say about what you are interested in and what your strengths are?

Think about it, write it down and search somebody with whom you can discuss about your findings in a partner dialogue.

Sample Entrepreneur and Your Weaknesses – Balancing Weaknesses

Now let us think about weaknesses. Consider the weaknesses of the entrepreneur you know and how he or she might balance them with supporting factors such as having team members who are good in things your sample entrepreneur is bad in. Or does your entrepreneur have good

employees or good cooperation partners or what helps him or her to balance his or her weaknesses.

Afterwards, think again about yourself and where you are weak in, especially in terms of your chosen business fields. Which skills or knowledges do you lack?

Think further who or what could help you to balance these defaults?

Think about it, write it down and search somebody with whom you can discuss about your findings in a partner dialogue.

And finally think about your life. How would it look like if you become an entrepreneur? Write down how you would see it and discuss it again with somebody else in a partner dialogue if you like to.

6. Chapter III: How can you develop solid business ideas?

Which business?

The most common question in business foundation is: „Which business? “

In the last chapter we learnt that it is important that the business matches your skills and interest. But that is just the start to frame the field in which you should look for ideas.

The main important questions to ask yourself are where to look for ideas, what can inspire you as well as to think about how to look for ideas. If you see a problem it's a good start, because if you look the right way, you will realize where a problem is, there is a business opportunity in solving this problem. So, if you see a problem be happy, you have found a chance ☺

Yet, seeing only a problem itself is not enough, you also have to look why it exists and find a solution to solve it, a solution which you are capable to provide.

Thus, beyond knowing where to search for ideas it is also important to know how to look the right way on your search for a business idea. Additionally, it is important to know how to make it an idea and not just staying on the level of “just an idea”, yet, to that we will come in a further step later.

Where to look for an idea?

So where to look for an idea? What do you think? Do you have an idea? Think about it, how did you come up with it? Where did you find it and how did you look at it to identify it?

Did you see a problem? Where did you see it? At your work place, during your leisure activities, during shopping or somewhere else?

Actually where to look is easy, you can find problems and desires everywhere. Most important is to look for problems and desires, wherever you look because they are the main base for a business idea. And on the other side you can also look for opportunities in form of changes. Where ever there is a change there is also a chance. Let it be new technological developments which enable changes but also legal changes or environmental changes.

Let us think about an example to demonstrate the power of changes in each direction: If smoking shisha was forbidden before and now it's allowed, you have the chance to open a shop selling shisha, right? On the other side, if it is allowed before and now it is forbidden, you can think about an alternative to it, because the consumers who have to stop smoking shisha will look for a new activity compensating the old one. Always if there is a change you can do something different and doing something different to that what others do is the main key to success.

So it is important to understand as entrepreneur that you will see things from a different perspective. Most people are bothered of problems and are afraid of changes. They are happy if things stay the same and work smoothly.

Yet, as an entrepreneur you are different, you are supposed to go out, open your eyes and be happy for each problem you face or any change which arouse, because it can be always a chance for you to make money with ☺

As an ongoing entrepreneur you even integrate that in your working life. If you get task you are not familiar with, see the chance to learn something to expand your knowledge and skills which can help you for your own business.

As entrepreneur you are different, where others see problems, obstacles and efforts, you see everywhere chances and inspirations ☺

So where to look for? As mentioned before, you can look everywhere for it, but we can systematize it a bit. On the one side you have reality observations and on the other trend observations.

Reality observations can be:

- Your working environment
- Your daily life environment such as going for shopping, to restaurant or even washing your clothes
- Your hobbies and interest in terms of doing sports somewhere or reading books, etc.
- Visiting of events or other places or even countries
- Or even the nature

Everywhere you can see things you like or you don't like. Observations you can use to learn to do things somewhere else in a similar way if you like it or to observe what you don't like and think about what you can do better.

Trend observations can be:

- POLITICAL CHANGES
- This requires investigating the current political changes and identifying how the political changes will affect the future of business in specific country or place. It might be important to know policies, laws and

attentions of the government and find out their implications so that you will be able to build your business models based on them.

- ECONOMIC CHANGES

- This is one of the most important changes to be observed for it directly implies if one has to do a business in an economically favored environment or not. The buying power of a society directly dictates types of business that can run in an area. Identifying and knowing the economic changes within a society will be an important factor to signify business ideas to an observer.

- SOCIOCULTURAL CHANGES

- The sociocultural is a term which defines how the social and cultural processes change within a society. For an observer the way a society lives can imply the service and product desires that the society needs. Therefore, again it is possible to find out business ideas out from this change.

- TECHNOLOGICAL CHANGES

- The technological changes in a society in much sense dictate the need for a product and service in a society. Most businesses can be related to business ideas and observing this trend will sparkle to give one business ideas.

- ENVIRONMENTAL CHANGES

- Environmental changes deal with physical changes within a city or a place. For example, if there are lots of construction within a given society, thinking of the effect of this construction of businesses could give some opportunity.

- LEGAL CHANGES

- Legal changes deals with how rules and laws are affecting business doing in a given society. If there are laws that favor to do businesses easily, that will be an opportunity.

As mentioned before each change can be a chance. Let us think about sociocultural changes for example which includes the change in demographics

like an aging society, the behavior of people becoming more western and individualistic, etc.: Earlier times usually in households all lived together: parents, grandparents and kids lived together till the kids moved out and built their own family. Later the grown up kids integrated their parents in their households when the parents become older and needed support. Thus, there was always somebody in the household who could take care for the kids as well as for the old people. Somebody cooked, somebody went shopping and somebody cleaned the clothes etc. Meals get cooked in large and so can be bought at the market.

Nowadays the trend is that kids move out faster even before they build their own family. At the same time it is less common to integrate parents later in the households of the grown up kids.

What will be the effects of this behavioral change?

Smaller households and less care for others, right?

What will result from that? What do you think?

The lonely living kids will need smaller flats, smaller cooking appliances, smaller meal sizes and thus new ways of going shopping or washing clothes etc. because everything will cost more time and become more scares. And elderlies living home alone will need new ways of taking care of themselves when they are not capable anymore on their own.

Thus, a lot of chances to provide new services and products to serve new arising needs and solve new arising problems!

How to look for an idea based on successful strategies?

Now, you know where to search, but do you already know how to look?

Of course, you already know that where you see a problem or a change or similar there is an opportunity. But is that enough to find your idea and not “just an idea”?

No!

To understand how to look, it is important to understand first, what to do with it.

For that it is interesting to take a look at the type of business ideas which exists and the related success strategies for it to gain an understanding concerning that.

In fact there are three main types which differ by their innovativeness but also by the effort and skills you need to develop and realize them.

The simplest one is copying and for sure also the most common one.

Still simple but more advanced and for sure also more successful is differentiation in form of changing a product offer or a service offer tailored to a consumer target group.

Very sophisticated are real innovations by developing a complete new products or services which have never existed before.

Anyways, for all three types exists tailored strategies to make them successful.

For copying you have to be careful not to end up in the copy trap, but you can still use it successfully. So, don't copy your neighbor directly the next door. But, you can observe something at another place and copy it in your area where it doesn't exist so far.

For example if you live in Addis, Ethiopia and have seen a successful product or service offer in Nairobi, Kenya, which doesn't exist in Addis, it can be very successful to produce this product or service offer in Addis, right? But be aware, only if people in Addis will appreciate it as well and will be willing to pay for it similarly as in Nairobi.

On the other side if you live in Addis and recognize that in Arba Minch didn't exist service offers which are very popular in Addis you can bring these services

there by copying. But again be aware, you can bring it to Arba Minch only if it could be similar popular there as in Addis.

Thus, also by copying you have to look at your target customers, you always still have to think similar as with differentiation strategies such as the introduction example from the smartphone for elderlies.

You should think about if you have at that place the same or similar consumers in sufficient numbers to make a good business there. Also think about the infrastructure and price structure.

For example if you see in Addis a very fancy bar & restaurant with international live cooking and international music played by extraordinary live bands. A bar which is very crowded and in which a bottle of beer costs 80 ETB, will it be the same in Arba Minch?

You have to look first at the customers, if the visitors are only rich Ethiopians, Diasporas and Ferenjs, you should consider that there are only few of those kinds of customers in Arba Minch. Or isn't it?

So potentially you can't charge so high prices which can justify your costs. Furthermore you need to buy all this fancy live cooking staff and expensive equipment's for live singing and you need frequent high quality materials for the cooking which you might need to import from Addis. This even could cost you more than in Addis.

Furthermore you should ask yourself if you can find a good cook in Arba Minch who can do international dish live cooking or somebody from Addis who is willing to go there or if you yourself are cable to learn doing that.

The same question you have to ask about a good live band which can perform international music as good as the ones you have seen in Addis?

These are the questions which have to be answered before starting copying something. So be aware just copying without thinking about the different conditions can end up costly.

With the differentiation strategy it is a bit different but similar. A kind of a link between differentiation and copying is adapted copying. It's about adapting a product or service offer to tailor it to the needs of a special customer group. Actually that is what you should do when you are thinking about a copy solution!

Continuing with the copying example from above, what could you do, to adapt it?

You can think about customer groups which exist in Arba Minch and might like international music and dishes. Maybe, there are wealthy students or more wealthy local Ethiopians but who are not willing to pay 80 ETB for one bottle of beer. So you can think about a different price such as 30 ETB for one bottle and can see what you can get for that.

Instead of a live band you engage a DJ for international music and maybe add live evenings of Ethiopian music ones a week. Instead of live cooking, you might just concentrate on good international dishes or adapt live cooking to Ethiopian dishes. That all depends from what is possible and what will match to your customer group.

Maybe your customer group is also a totally different one for this kind of offer, so you need to identify first to whom such an offer would fit. It is always important to verify your idea first before you start your business, but to that point we will come in more detail in a later chapter.

So what is the difference between differentiation and adapted copying?

Not much actually if you do both right. Indeed the copying itself is included in differentiation within the place criteria.

Adapted copying and differentiation differs only through the point of view from which you receive your inspiration. Both need to be analyzed carefully regarding your customer target group and how to create a good offer for them.

If you look at the adapted copying example, the point of view is that you see something you like and you want to do the same somewhere else and then adapt it to the circumstances on the other location.

If we talk about differentiation, you see something and think directly how to do it differently. Potentially better but potentially just different for somebody else another customer target group.

You could say, oh the live cooking is nice, but they are too expensive for a lot of local customers. Maybe live cooking with Ethiopian dishes would be a nice idea for local Ethiopians with less money. You could think about a cheaper location within an area where more locals stay and establish it there. You can search for an Ethiopian live cook or learn it yourself and hire a local live band which will cost much less.

But, also here with the view on your customer needs, always think who will be your customer and what are his or her demands? And if you don't know him or her till now, try to find out who he or she is and what he or she really wants and how you can convince him or her to come to your place.

By the way, did you recognize the relation between the 3 + 1 Ps? In that example we tried to make it cheaper (change the price) and therefore we looked how to adapt the service offer (product) and the location (place) and the promotion will be different as well because we have a different customer group which we find and reach in other areas and other ways.

Now, if we don't think about decreasing the price but in increasing by creating a special offer for rich Ethiopians, Tourists/Ferenjs and Diasporas our thoughts will be different.

We would say instead "oh" we could make such a live cooking for rich people in an Ethiopian way. Then you would change the product.

You still make Ethiopian live cooking with Ethiopian live cooking but you do not target to decrease the price.

You keep your location in a fancy area which is expensive and would try to engage extraordinary Ethiopian live bands. Or maybe give young bands the chance to promote themselves in your bar. If there is high demand for that you can increase the price. Especially, if there are no international live cooking bars but you are the only Ethiopian one, then you might be even successful with higher prices compared to them.

It's all about being different to be able to make money, yet, different in a way which is nice for somebody but not necessarily everybody!!!

Just think on your wife or your husband. She or he loves you for some reason, but not everybody loves you. But you also don't need to be loved by everybody to be happy, right? 😊

Differentiation and adapted copying are the same things from different perspectives and that are the strategies, the kind of ideas we will focus on. They are not difficult to develop and much more successful than just following others.

Even of course, e.g. if new technologies become available which offers new possibilities it can be also interesting and more easy to go for totally new things. But, if you understand to use differentiation successfully, you will have no problems to use such developments to create more innovative ideas which can arouse through changes.

How to look for an idea with the 4P glasses?

Do you think you got it? Do you think you are capable to look for an idea now?

Let us brainstorm. It is simple, you always should look how you can do things different and for whom it could be interesting when you search for an idea. Thus, there are two things you should look at.

The one is to look how to do things different, that you can do by looking at the marketing mix, the 4 P's: Price, Product, Place and Promotion. Just always ask

yourself what you like on a product or don't like on it and think which of the 4 P's can be changed to make it better and how to adjust the rest.

The other one are the consumers, which needs do they have? Why could they be interested on the changed product mix? For that you can think about general needs people have such as self-actualization, self-esteem, love/belonging, safety, and psychological needs.

If you combine these two things in your thinking you know how to look 😊

Talking about the 4P's, please consider the following hints:

1) Product

The main question if you want to develop an idea by differentiating with this p is: how can you make the product or service characteristics more valuable for your customers?

The things you can look at are the value proposition of products, assortments (range of products) or services. Here you can think about what is possible to change at the features, the performance, the quality, the design, the usability or even the network possibilities.

2) Place

The main question if you want to develop an idea by differentiating with this p is: How and where can you distribute your product to fulfill customer needs better or decrease the costs?

The things you can look at are the added value of business locations and distribution channels. Here you can think about the competition level, the customer needs, and the infrastructure as well as the resource accessibility at locations and distribution channels.

Also you can look at the range and customer utility of certain distribution channels, e.g. home delivery instead as offering your products at a store. This can be nicer for certain customers and maybe you can expand the range by

offering the delivery for total Addis instead of being surrounded just by some customers around your area. And this channel can be used for a lot of things, not only food but also clothes, insurances, etc.

3) Promotion

The main question if you want to develop an idea by differentiating with this p is: How can you promote your product better than others?

The things you can look at are ways of customer addressing and product/service presentations or demonstration appliances which lead to the right customers and deliver the right messages.

So you can think about marketing channels, customer awareness creation tools, or methods such as games and prices to attract customers.

4) Price

The main question if you want to develop an idea by differentiating with this p is: How can we offer our product cheaper? But also how we can create the payment conditions more comfortable for our customers?

You might think it is a bit in contrast to the 3 + 1 Ps, right? Yet, it is not. You always should look at the relations when you tailor your idea you have to adjust all other P's accordingly anyways. Just you have to have a special look at the price because it has a special relation to the other ps.

Now we just take a look to create an idea by finding the first P we want to change to then continue in a further step by adjusting the others. And in this case it is important to look how we can decrease the price.

By looking how to decrease the price, the question is about how to decrease the cost. Therefore you can look at the cost effectiveness of all processes, what you can do to decrease the costs in operations, delivery, organization, marketing, supply chain processes or even in the costs of the business models

as a whole. For example you could potentially decrease sourcing costs if you buy in large quantities.

Yet, concerning the price it can be payment mechanism as well. For example buying on credit or with foreign currency or with credit card, with prepayments or what else comes to your mind. Yet, in all cases you should consider carefully how that matches with the other p's and processes and how to tailor them accordingly.

Quality Differentiation Potential in Ethiopia

One important mean of differentiation is always quality, especially in Ethiopia. In Ethiopia the quality orientation is still very low which offers a lot of potential to create businesses which use this lack to differentiate from others.

But what do you think is quality?

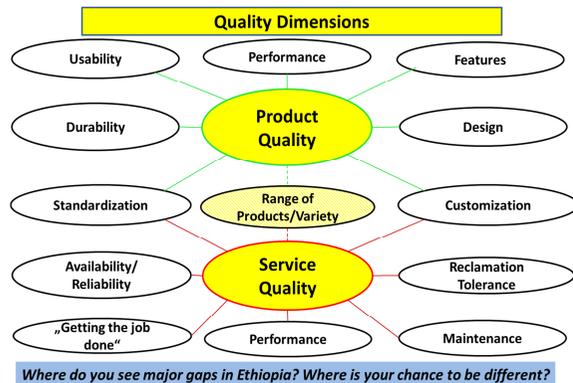
Usually people only think on product quality but beside that there exist also Service quality as well as the variety you can provide by expanding the range of products, even that could be also seen as a part of service or product quality. Yet, it can be useful to see it as an extra dimension of quality to highlight its importance. Just think about going shopping at five different shops to get all you need or simply going to one shop in which everything is available. This saves time and is just more comfortable. It is an important aspect of quality.

But what do you think is quality actually? If you think about product quality, what does it mean?

Usually it is referred to performance. In case of a dish it means it taste good and in form of a laptop the capacity of the processor. But is that all?

Of course not! One further aspect most people still have in mind is durability/stability, but there are many others such as design the amount of features, how much it is customizable to customer needs or usability. Just think about smartphones, they differentiated by usability a revolution the mobile market making the use of internet comfortable for mobiles. Furthermore

standardization is important. How often do you come to a restaurant and the delicious food which you ate last time tastes now totally different?



But also service quality is very important. How often do you go into a restaurant and want to order something and hear ohh no not available. It is an important aspect of quality to guarantee availability and also to be reliable. If you set a certain time for the plumber to come to fix your water problems and he or she do not show up, you waste your time. Even getting the job done is a part of quality which is close to reliability, if you assign a company to do a job; you do not want to hear afterwards what they have done to make it work even it doesn't work but want to just see that it works, that the job is done.

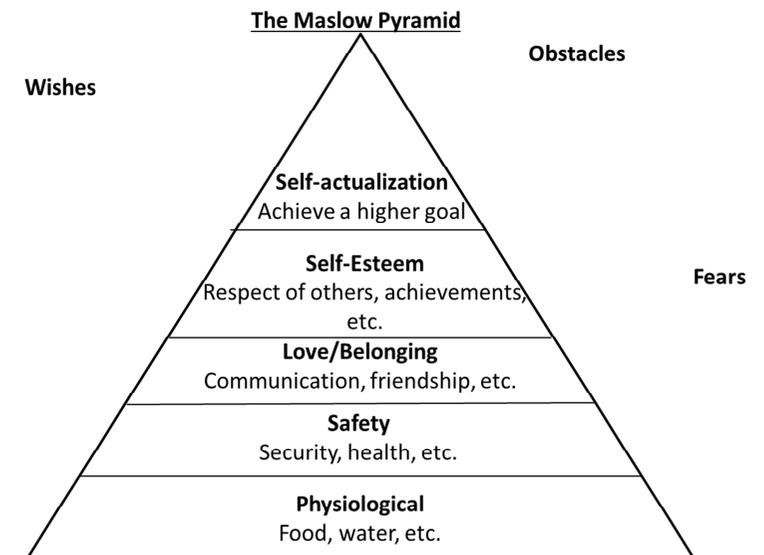
Furthermore maintenance is important, if you buy something it is important to know if therefore spare parts are available or the company will take responsibility to fix broken things as well as how they deal with it if are not satisfied with the product or service and want to reclaim the money. An unsatisfied customer who has a problem with your product which you will leave alone will never come back again. But such a customer for whom you solve the problem in a nice and non-bureaucratic way might develop to a more loyal customer than somebody who never faced a problem.

That quality is important is obvious. But why do you think it is so important in Ethiopia? Where do you find gaps of product and service qualities here?

Just think about it and try to figure out what could be improved. What do you think: If the things you thought about would be quality improved are you willing to prefer the solution and pay more for that? If your answer is yes, you can see what advantage differentiation by quality can bring for your business. If not, maybe think again about improved qualities for which you would be willing to pay more 😊

How to look for an idea with the goal to match customers' needs?

Always be aware, every change you consider has to bring a utility to your customer or it is senseless. For that you can take a short look at the Maslow pyramid, which explains which needs drive us. In general, we look to reduce problems and fulfil desires, but where is that coming from?



Actually, the Maslow pyramid is a good orientation method, to think about the utility we bring. In fact, the concept is simple. First we have physiological needs such as hunger and thirsty. Then it is more about safety like having a place to sleep and being secured such as being protected by police. If these needs are fulfilled we more look for Love/Belonging in the form of wish to exchange/communicate with others and want to build friendships.

Furthermore it is about our self-esteem. We want others to respect us, look up to us and even admire us. We want to show what we have in form of successes and status symbols. And finally, there is the need of the self-actualization such as achieving higher goals or fulfilling life dreams.

Why is that important you may ask? If you deal with customers and think about what to offer them differently you should look what is the usage for the customer. You can explain the usage by thinking about the customers' needs and also by tailoring your model to a certain customer group you can think about the stage the customer is in.

If your customers are poor people who just want to feed their hunger, you don't need to think about how you make their lunch to an exciting event which they can post at Facebook so that others will admire them for this occasion. So you just need to get it cheap and reduce all extras.

If your customer instead is somebody who is rich and has enough respect from everywhere and you want to catch him or her, you need to think which kind of higher goals he or she is interested in and how you could help him or her to fulfil these.

Where to search and how to look summarized all together creates your idea

If you summarize all these thoughts, you actually take a look at your surrounding environment and trends which changes the overall environment. Then you try to take your 4P glasses to see what you can do to solve customers' problems or fulfil customers' desires. Even those problems and desires they don't even know before you brought a solution for it ☺

7. Chapter IV: Why is a solid business idea already a business concept?

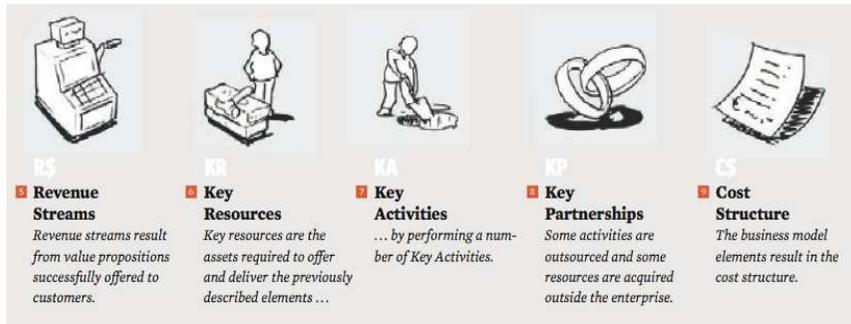
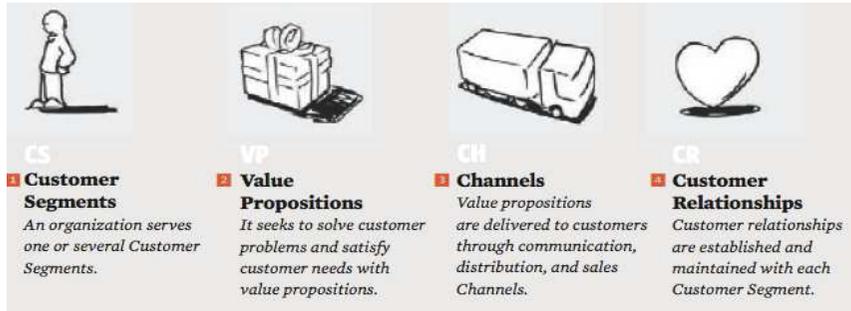
The business model canvas²

The Business Model Canvas is a shared language, a *defacto* standard for describing, visualizing, assessing, and changing business models that describe the rationale of how an organization creates, delivers, and captures value. The challenge is that the concept must be simple, relevant, and intuitively understandable, while not oversimplifying the complexity of how enterprises function.

In the following section you will learn a concept that will allow you to describe and think through the business model of a start-up or any other enterprise. The concept of the business canvas has been applied and tested around the world and is already used in organizations such as IBM, Ericsson, Deloitte, and Government Services of Canada, and many others.

The 9 building blocks of the Business Model Canvas:

² Oliver Petzoldt and Div de Villiers, "BUSINESS MODELS for start-up SMEs in Ethiopia", ProNet Workbook - Modul 1



a) The **Customer Segments** building block defines the different groups of people or organizations an enterprise aims to reach and serve.

Customers comprise the heart of any business model. Without (profitable) customers, no company can survive for long. In order to better satisfy customers, a company may group them into distinct segments with common needs, common behaviors, or other attributes. A business model may define one or several large or small customer segments. An organization must make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business model can be carefully designed around a strong understanding of specific customer needs.

Customer groups represent separate segments if:

- their needs require and justify a distinct offer;
- they are reached through different distribution channels;
- they require different types of relationships;
- they have substantially different profitability's; and
- they are willing to pay for different aspects of the offer.

b) The **Value Propositions** building block describes the bundle of products and services that create value for a specific customer segment. The value proposition is the reason why customers turn to one company over another. It solves a customer problem or satisfies a customer need.

Each value proposition consists of a selected bundle of products and / or services that caters to the requirements of a specific customer segment. In this sense, the value proposition is an aggregation, or bundle, of benefits that a company offers customers. Some value propositions may be innovative and represent a new or disruptive offer. Others may be similar to existing market offers, but with added features and attributes.

c) The **Channels** building block describes how a company communicates with and reaches its customer segments to deliver a value proposition.

Communication, distribution, and sales channels comprise a company's interface with customers. Channels are customer touch points that play an important role in the customer experience. Channels serve several functions, including:

- raising awareness among customers about a company's products and services;
- helping customers evaluate a company's value proposition;
- allowing customers to purchase specific products and services;
- delivering a Value Proposition to customers; and
- providing post-purchase customer support.

- d) The **Customer Relationships** building block describes the types of relationships a company establishes with specific customer segments.

A company should clarify the type of relationship it wants to establish with each customer segment. Relationships can range from personal to automate. Customer relationships may be driven by the following motivations:

- customer acquisition;
- customer retention; and / or
- costing sales (up-selling).

In the early days, for example, mobile network operator customer relationships were driven by aggressive acquisition strategies involving free mobile phones. When the market became saturated, operators switched to focusing on customer retention and increasing average revenue per customer.

The customer relationships called for by a company's business model deeply influence the overall customer experience.

- e) The **Revenue Streams** building block represents the cash a company generates from each customer segment (costs must be subtracted from revenues to create earnings).

If customers comprise the heart of a business model, Revenue Streams are its arteries. A company must ask itself, for what value is each customer segment truly willing to pay? Successfully answering that question allows the firm to generate one or more revenue streams from each customer segment. Each revenue stream may have different pricing mechanisms, such as fixed list prices, bargaining, auctioning, market dependent, volume dependent, or yield management.

A business model can involve two different types of revenue streams:

- transaction revenues resulting from one-time customer payments; and / or

- recurring revenues resulting from ongoing payments to either deliver a value proposition to customers or provide post-purchase customer support
- f) The **Key Resources** building block describes the assets (equipment and platforms) required to deliver on the value proposition to the identified customer segments.
- g) The **Key Activities** building block describes the most important things a company must do to make its business model work.

Every business model calls for a number of key activities. These are the most important actions a company must take to operate successfully. Like key resources, they are required to create and offer a value proposition, reach markets, maintain customer relationships, and earn revenues. Like key resources, key activities differ depending on business model type.

- h) The **Key Partnerships** building block describes the network of suppliers and partners that make the business model work.

Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models. Companies create alliances to optimize their business models, reduce risk, or acquire resources.

We can distinguish between 4 different types of partnerships:

- Strategic alliances between non-competitors;
- Cooperation: strategic partnership between competitors;
- Joint ventures to develop new businesses; and
- Buyer-supplier relationships to assure reliable supplies.

- i) The **Cost Structure** describes all costs incurred to operate a business model.

This building block describes the most important costs incurred while operating under a particular business model. Creating and delivering value, maintaining customer relationships, and generating revenue all

incur costs. Such costs can be calculated relatively easily after defining key resources, key activities, and key partnerships.

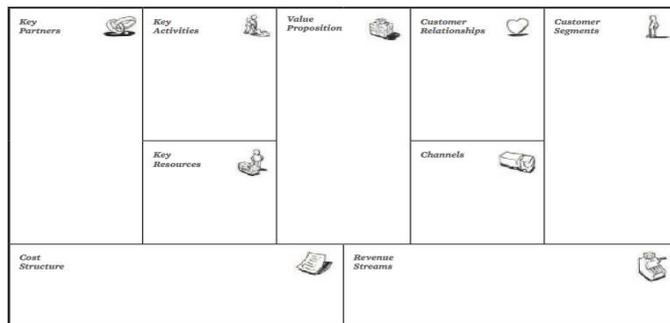
Some business models, though, are more cost-driven than others. So-called “no frills” airlines, for instance, have built business models entirely around low cost structures.

The **9 business model Building Blocks** form the basis for a handy tool, which is called the Business Model Canvas.

This tool resembles a painter’s canvas, preformatted with the nine blocks, which allows you to paint pictures of new or existing business models. The Business Model Canvas works best when printed out on a large surface so groups of people can jointly start sketching and discussing business model elements with Post-it® notes or board markers.

It is a hands-on tool that fosters understanding, discussion, creativity, and analysis.

The Business Model Canvas



Holistic idea development with the business model canvas³

Let’s see how one can develop a complete holistic business idea using the business model canvas.

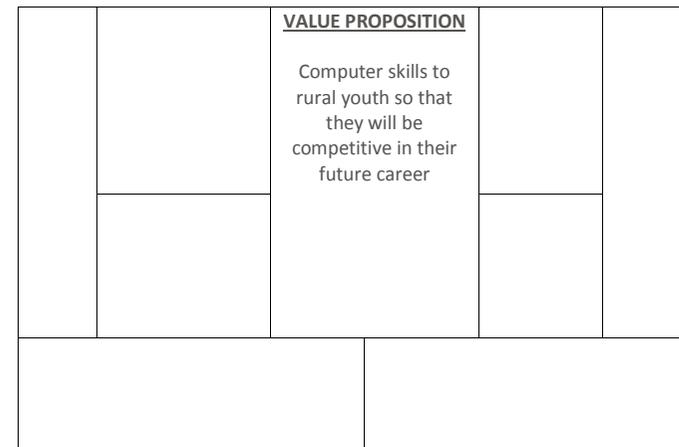
We will take a business idea of ‘Solar ICT training center’.

STEP 1: IDENTIFYING YOUR VALUE PROPOSITION

Start with an idea of your business. This usually is your product or service that you want to work on.

Example: Solar ICT training center provides basic computer trainings to rural youth and employees. In this example the value proposition would be basic computer skill for rural youth and government employees.

Tip: Look for rural people’s need



³ Nathanael Chuta and Engidaw Abel, “Entrepreneurship, Business Model Canvas and Opportunity Identification”, AEEP Teaching Script

STEP 2: GETTING TO KNOW THE CUSTOMERS

Next look at the customers (segments of customers). Who is your targeted customer? You need to segment your potential customer.

Example : In case of the solar ICT training center, you should go hierarchically down to your targeted customers as follows

Rural people -> rural youth ->Students ->Primary or High School students ->

Rural people -> government employees ->Health workers (Agricultural Workers, teachers)

	<p>VALUE PROPOSITION</p> <p>Computer skills to rural youth so that they will be competitive in their future career</p>	<p>CUSTOMER SEGMENTS</p> <p>Rural high school or primary school students Rural teachers, agricultural workers and health workers</p>

STEP 3: CHANNELS

In this step, you will need to identify the channels (ways) through which you will make your customers aware about your product or service.

Example: for the rural ICT training center specified the channels could be Awareness creation at schools and public gatherings.

	<p>VALUE PROPOSITION</p> <p>Computer skills to rural youth so that they will be competitive in their future career</p>	<p>CUSTOMER SEGMENTS</p> <p>Rural high school or primary school students Rural teachers, agricultural workers and health workers</p>
<p>CHANNELS</p> <p>Awareness creation at schools, public gatherings. Training centers around schools</p>		

STEP4: RELATIONSHIPS TO CUSTOMER

This is all about how you will serve your customers. There are different ways of serving customers. If a person dedicates to serving his/her own customers (like most shops in Ethiopia), or if the customer himself/herself serves themselves (like most supermarkets where people pick the items they need and pay at a counter).

Example: for the rural ICT training center specified; the relationship of customers to the business or they will be served: it is a type of business where customers come up to the training center and get educated.

		<p>VALUE PROPOSITION</p> <p>Computer skills to rural youth so that they will be competitive in their future career</p>	<p>RELATIONSHIP TO CUSTOMER</p> <p>A trainer trains the students by assisting all of them in groups and individually</p> <p>CHANNELS</p> <p>Awareness creation at schools, public gatherings. Training centers around schools</p>	<p>CUSTOMER SEGMENTS</p> <p>Rural high school or primary school students</p> <p>Rural teachers, agricultural workers and health workers</p>

STEP5: REVENUE STREAMS

Revenue streams deals with how your business makes money. Here you need to specify the products or services you sell to make money.

Example: for the rural ICT training center specified; People pay monthly fees to get trained in the rural ICT training center and therefore this is their revenue stream.

		<p>VALUE PROPOSITION</p> <p>Computer skills to rural youth so that they will be competitive in their future career</p>	<p>RELATIONSHIP TO CUSTOMER</p> <p>A trainer trains the students</p> <p>CHANNELS</p> <p>Awareness creation at schools, public gatherings. Training centers around schools</p>	<p>CUSTOMER SEGMENTS</p> <p>Rural high school or primary school students</p> <p>Rural teachers, agricultural workers and health workers</p>
		<p>REVENUE STREAMS</p> <p>Monthly training fees and internet usage fees</p>		

STEP 6: KEY ACTIVITIES

Key activities defined the main activities that must be performed in your business in order for your business to run smoothly. Here you are supposed to list all the main activities that should be carried out in your business.

Example: for the rural ICT training center specified; the main activities to be carried out are, training the trainees, managing the movement of the center every three months, maintaining computers and systems.

<p>KEY ACTIVITIES Offering training to trainees managing center migration maintenance</p>	<p>VALUE PROPOSITION Computer skills to rural youth so that they will be competitive in their future career</p>	<p>RELATIONSHIP TO CUSTOMER A trainer trains the students</p>	<p>CUSTOMER SEGMENTS Rural high school or primary school students Rural teachers, agricultural workers and health workers</p>
<p>CHANNELS Awareness creation at schools, public gatherings. Training centers around schools</p>			<p>REVENUE STREAMS Monthly training fees</p>

STEP 7: KEY RESOURCES

Here you should be able to identify the key resources you need to run your business smoothly.

Example: for the rural ICT training center specified; the key resource are; rooms, laptop computers, solar PV systems, chair, table, back boards.

<p>KEY ACTIVITIES Offering training to trainees managing centre migration maintenance</p>	<p>VALUE PROPOSITION Computer skills to rural youth so that they will be competitive in their future career</p>	<p>RELATIONSHIP TO CUSTOMER A trainer trains the students</p>	<p>CUSTOMER SEGMENTS Rural high school or primary school students Rural teachers, agricultural workers and health workers</p>
<p>KEY RESOURCES Laptop computers, rooms, solar PV systems, chairs, blackboard</p>	<p>CHANNELS Awareness creation at schools, public gatherings. Training centers around schools</p>		
<p>REVENUE STREAMS Monthly training fees and internet usage fees</p>			

STEP 8: KEY PARTNERS

A business usually involves many partners that will provide different types of resources to the business. In this block of the business model canvas, you have to list all the key partners that help you do your business.

Example: for the rural ICT training center specified needs to have trainees in order to train and these trainees you can acquire from schools, health administration offices, Kebele administrations, education ministry offices. Thus they could be your key partners.

<p>KEY PARTNERS Nearby schools, Nearby health centers, Kebele Administrators, Education ministry offices</p>	<p>KEY ACTIVITIES Offering training to trainees managing center migration maintenance identifying and testing location, set up the business, promoting by rural and kabele's,</p> <p>KEY RESOURCES Laptop computers, rooms, solar PV systems, chairs, blackboard</p>	<p>VALUE PROPOSITION Computer skills to rural youth so that they will be competitive in their future career</p>	<p>RELATIONSHIP TO CUSTOMER A trainer trains the students</p> <p>CHANNELS Awareness creation at schools, public gatherings. Training centers around schools</p>	<p>CUSTOMER SEGMENTS Rural high school or primary school students Rural teachers, agricultural workers and health workers</p>
			<p>REVENUE STREAMS Monthly training fees and internet usage fees</p>	

STEP 9: COST STRUCTURES

This is the last but not the least block in your business model canvas. The cost structure is a block where you list all the costs of your business (both fixed and variable costs as well as investment costs). You may put roughly calculated values to give highlight to how costly the business will be.

Example: for the rural ICT training center specified; the main items from which costs incur are the investment costs to purchase goods like PV systems, computers, chairs, boards and mobility fees.

<p>KEY PARTNERS Nearby schools, Nearby health centers, Kebele Administrators, Education ministry offices</p>	<p>KEY ACTIVITIES Offering training to trainees managing center migration maintenance</p> <p>KEY RESOURCES Laptop computers, rooms, solar PV systems, chairs, blackboard</p>	<p>VALUE PROPOSITION Computer skills to rural youth so that they will be competitive in their future career</p>	<p>RELATIONSHIP TO CUSTOMER A trainer trains the students</p> <p>CHANNELS Awareness creation at schools, public gatherings. Training centers around schools</p>	<p>CUSTOMER SEGMENTS Rural high school or primary school students Rural teachers, agricultural workers and health workers</p>
<p>COST STRUCTURE Investment costs to buy investment goods like PV systems, computers, chairs, boards and Fixed costs for house rents and others Transport costs, living costs</p>		<p>REVENUE STREAMS Monthly training fees and internet usage fees</p>		

SWOT Analysis⁴

SWOT stands for **S**trength, **W**eakness, **O**pportunities and **T**hreat. It is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a business venture.

A SWOT analysis can be carried out for a product, place, business, industry or person. It involves specifying the objective of the business venture and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** are characteristics of the business that give it an advantage over others.
- **Weaknesses:** are characteristics that place the business at a disadvantage relative to others.
- **Opportunities:** are elements that the business could exploit to its advantage.
- **Threats:** are elements in the environment that could cause trouble for the business

SWOT analysis aims to identify the key internal and external factors seen as important to achieving an objective. SWOT analysis groups key pieces of information into two main categories:

1. internal factors – the *strengths* and *weaknesses* that are internal to the organization
2. external factors – the *opportunities* and *threats* that are presented by the environment external to the organization

Users of SWOT analysis need to ask and answer questions that generate meaningful information for each category (strengths, weaknesses, opportunities, and threats) to make the analysis useful and find their competitive advantage.

⁴ Nathanael Chuta and Engidaw Abel, "Entrepreneurship, Business Model Canvas and Opportunity Identification", AEEP Teaching Script

Any business venture can be analyzed using SWOT analysis method. Take, for example, the solar powered ICT training center in the rural area.

<p style="text-align: center;">Strength</p> <ul style="list-style-type: none"> • Being new and the first to the area • Mobile system can increase the market potential 	<p style="text-align: center;">Weakness</p> <ul style="list-style-type: none"> • Not experienced • Difficulty of transportation of solar PV system
<p style="text-align: center;">Opportunity</p> <ul style="list-style-type: none"> • Encouraging environment for technology transfer in the country can attract supporters • A growing demand of computer know how in rural areas enable expansion possibilities 	<p style="text-align: center;">Threat</p> <ul style="list-style-type: none"> • Local regulations of doing business by moving of from Kebele from Kebele • Low capability of customers to pay for our service

From SWOT analysis, one can find out what lacks internally and can see how to fill the internal gaps. Knowing the external threats upfront is also very important to prepare against potential risks coming in the future. But, most importantly, you have a short quick check for judging your business.

8. Chapter V: How can you check if your business idea is realistic?

This chapter has two parts.

PART I – Plan your prototype⁵

Let's take a look at the WOOPS-Party model: Wish, Outcome, Obstacle, Plan, Support and Party. What do you wish to do and what do others think will be the outcome/result of it if you achieve it? What do others think what will be the obstacles/hurdles you will face? So, how do you plan to do it and who might be able to support you with it. And most importantly how will you party yourself when you have achieved it?

⁵ Contributions of Ulrich Stephan (GIZ-CIM Ethiopia/Tegbare-id PTC)

Just think about the wish to build a prototype. Just take yourself together with your group members for 10 min. and think about the WOOPS-Party model. Think what will be the benefits, the outcomes when you have achieved it and think about what stand in your way doing it and who can help you to reach your goal. And don't forget how to reward yourself after having achieved it 😊

It is important to set yourself goals and take a look at the outcomes you get from it as well as the obstacles you might face to be able to plan how to overcome it. And especially think how you can thank yourself for mastering something to bring yourself into action. Because action is the main thing you need as entrepreneur, you have to do it.

The WOOPS-Party-Model:

Wish	Example I want to build a prototype
Outcome	<ul style="list-style-type: none"> - I have something in my hand to demonstrate to investors to receive funding for my business - I have something in my hand to demonstrate to customers to see if there is really demand for it - I will get to know if I really can realize my project - ...
Obstacle	<ul style="list-style-type: none"> - How to finance the materials for my prototype - How to get access to the necessary building equipments - ...
Plan	Building visualized prototype and demonstrate to customers and present consumer results and prototype building plan to interested parties ...
Support	TVET board might have funds or market linkage and can enable access to workshops
Party	When I finalized my prototype to be ready for presentation, I will organize a party at H2O with my team to celebrate our first success.

What do you wish to do? In this case we talk about building the right prototype to demonstrate the business idea. In general you can use this WOOPS-Party model for any other purpose to visualize the project and motivate the team.

What will be the outcome? In this case we want to have something in our hand to demonstrate to investors to receive funding for my business. We have something in our hand to demonstrate to customers to see if there is really demand for our business idea. We will get to know if we really can realize our project and so on. You can add more outcomes related to your specific business idea.

What do others think and what will be the obstacles/hurdles? In this case and in many other cases it could be how to finance the materials for my prototype and how to get access to the necessary building equipment's. At this step you can add more obstacles according to your experience and your specific task. **How do you plan to do it?** In this case, building a visualized prototype and demonstrate to customers and present consumer results and prototype building plan to interested parties ...

Who might be able to support you with your project/prototype? Ideas of stakeholders, NGO's, Institutes, Industries, and so on, who could help and support you. In this case, TVET board might have funds or market linkage and can enable access to workshops.

How will you party yourself when you have achieved it? This is always a nice step in this model, because you can really express freely your inner dreams for the party and the remuneration of your hard achievement. For example, it could be: "When I finalized my prototype to be ready for presentation, I will organize a party at H2O with my team to celebrate our first success! "

It is important to set yourself goals and take a look at the outcomes you get from it as well as the obstacles you might face to be able to plan how to overcome it. And especially think how you can thank yourself for mastering something to bring yourself into action. Because action is the main thing you need as entrepreneur, you have to do it.

Prototype Definition

But what is a prototype actually and for which purpose we will use a prototype. There are some more definition existing as we would expect and there exist confusion about the wording and the use of prototypes. Please find in the

following an outline from Wikipedia in which way the common definition of prototypes are structured:

Definition of prototypes by purpose. Test or communication??

- **Paper Prototype** is a printed or hand-drawn representation of the user interface of a software product. Such prototypes are commonly used for early testing of a software design
- **User Experience Prototype** represents enough of the appearance and function of the product that it can be used for user research
- **Proof-of-Principle Prototype** to verify some key functional aspects
- **Visual Prototype** represents the size and appearance, but not the functionality, of the intended design
- **Working Prototype** represents all of the functionality of the final product.
- **Form Study Prototype** is a preliminary type of visual prototype in which the geometric features of a design are emphasized
- **Functional Prototype** captures both function and appearance of the intended design

Of course there are more definition existing, especially for technical models and design pattern, as like mockups or dummies or some others from your team (custom made). But this listing of definition can give a better understanding, that a prototype is always related to the planed outcome and the stage of development. Either in functionality or design. It could be very helpful to agree on some of the definition to describe the needed stages of product development and also the purpose of communication and the level of details need to achieve the planned goals, like convincing donors or industry partners and so on.

The following question sets can help you to determine what kind of prototype you need:

Question-set 1: What for??

- What is your stage of product development?
- For what purpose you need a prototype?
- What prototype you can produce?
- How can a prototype help you in your process?

Question-set 2: How??

- Who will build my prototype?
- Which material I need for my prototype?
- Which technic and tools I need for my prototype?
- Which skills and experience I need to fabricate my prototype?
- How much time and budget I have to build my prototype?

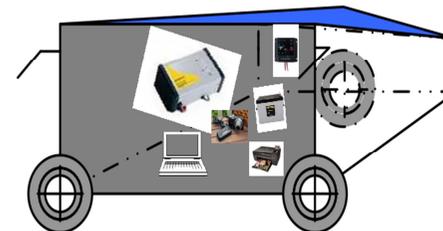
Question-set 3: For whom??

- Who will see or touch my prototype?
- Who is my target group for presentation?
- Is the prototype for internal or external communication?

The solar wagon⁶

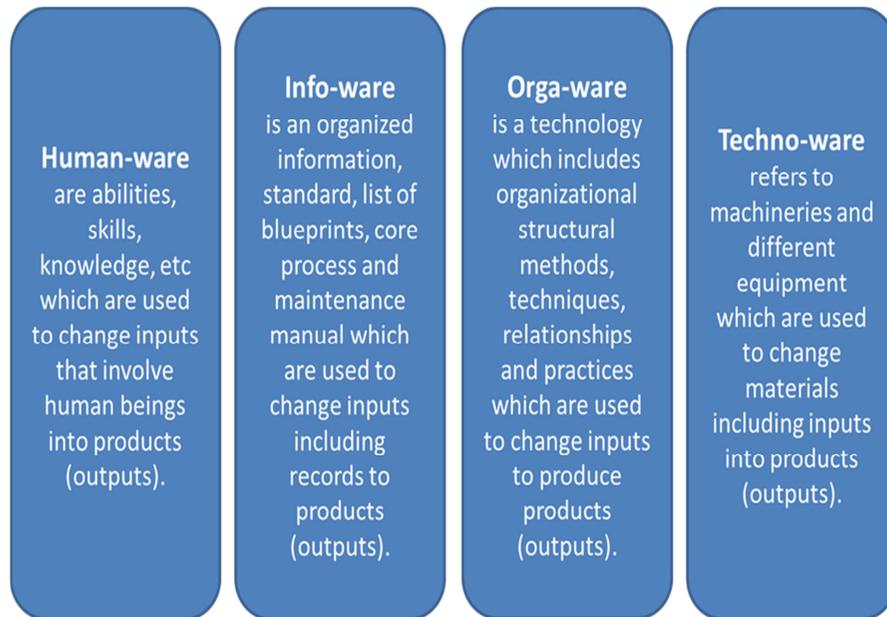
To deepen this topic an already developed prototype out of a student project from Aba Minch can be used as a showcase. The product idea is a solar wagon, used to provide a mobile photo and printing service at rural areas, driven with solar energy. To develop and manufacture this already advanced prototype, it needs a clear structure.

Fig 3.9 Isometric view of solar wagon for mobile Photographer



⁶Solar Wagon Content is extracted from Nathanael Chuta and Engidaw Abel, "Entrepreneurship, Business Model Canvas and Opportunity Identification", AEEP Teaching Script

Based on the distributed extra handout about the needs to build a solar wagon,
please try to cluster your needed materials and so on with the following
structure:



Sample of Human-ware: Experts in Manufacturing, Professionals in Communication, Researchers, Scientifics, and so on

Sample of Info-ware: Movies about processes, Documentations, Benchmark description, Manuals,

Sample of Orga-ware: Time lines, Milestone planning, Process maps, Project management structure, and so on

Sample of Techno-ware: Machines, Tools, Parameter, Materials, Consumables,

“Quick and Dirty Prototype”

The quick and dirty prototype is a practical exercise with a clear outcome (prototype) as a prerequisite for the planned field trip for customer research. The order is to develop and manufacture a reasonable prototype as per definition (see annex definition of prototypes) to evaluate their product idea by showing the prototype to people, who could be the future customer or competitors or investors.

The idea is to find a way to transfer the business idea in an easy way to the expected customer to evaluate and reflect the business concept.

- Ask yourself, which message (solution, help, feeling, lifestyle,..) you want to transfer to your future customer with your prototype?
- How can I transfer the key message of the product to the customer with simple materials and technics
- Organize your team.
- Who can do which part best?
- Design your prototype
- Build your prototype
- Think about the question, you will ask people on the street
- Think about whom (target group) you will ask
- Think about how to record and evaluate the answers

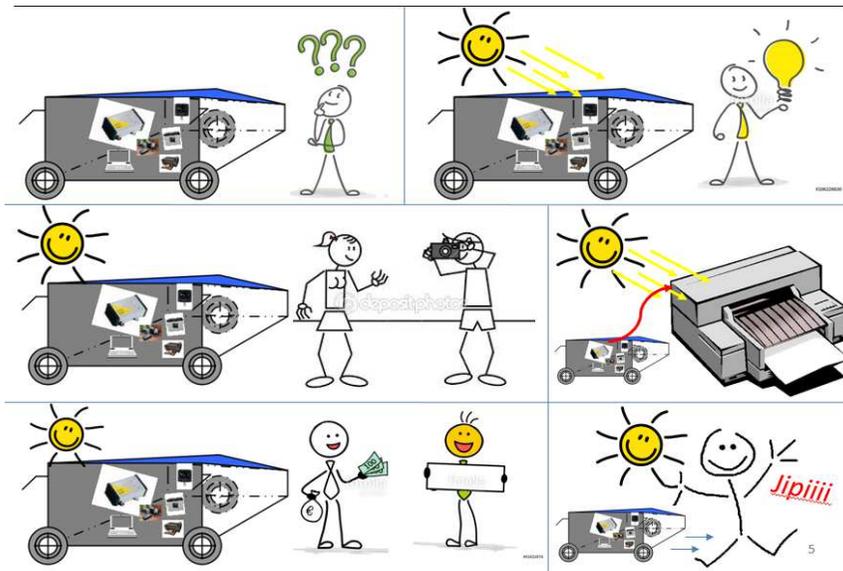
good luck!!!!

This research also will help you to deal with failures or misunderstanding or other communication problems. You will learn how to sell your idea with simple mock-ups and get the needed information to further develop your idea.

Take a look at the following example how to present the solar wagon idea as a kind of comic story to show it to customers without investing materials or use

long descriptive text and explanation. This is just a tool of easy and convincing communication.

Sample of Quick Paper-Prototype: Solar Wagon



This tool you can use at a field trip. To **evaluate the outcome** of such a field trip it is also an important task, because unexpected reaction in not inevitably an indicator of a bad product idea but could also be a sign of communication problem and unclear message with the prototype.

PART II – Feasibility Check

Two questions to ask and a further to check

The major question is: How can I check the feasibility of my business idea?
What do you think?

In fact you have to answer three questions:

- Can I build it? (in terms of a prototype/other way would be: can I produce it or achieve it)
- Exist customers willing to buy?
- and finally: Can I sell to prices which cover my costs?

Only if you can answer all three questions with yes, you can say my business idea is feasible. And if you want to present your idea to an investor, you should be capable to say “my business is feasible” and if you say that you should be capable to argue why your business is feasible.

So how to find out, if your business is feasible, how to answer these three questions?

In fact you have to go around and ask people. You need to find out what people really think about your product or service offer idea and you have to check if you can receive the necessary material you need. And also how much it will cost to build something and for how much you will be capable to sell it.

This just needs three steps:

- Step one = Preparation - What do you need to know and how can you find it out.
- Step two: Do it – Go and ask the right people for opinions and prices, etc.
- Step three: Analyze the data and calculate if it makes sense

In case if it does not make sense try to think how to redefine your business model to make it more realistic and start again. If it makes sense still take the information to improve your business model and prototype plan. Because after knowing what consumers think and which materials are available there will be always something you can do better.

Step One: Preparation

So let us think about the first step preparation.

a) "Can I build it?"

What you need to know to answer the first question ("Can I build it?")?

You need to know which materials you need to build your prototype and have to find out where you can buy it and how much the materials cost. Easy isn't it?

Furthermore you also should check which materials you need to run your prototype (business) and also have to check for these if they are available and what these costs.

Finally you also have to know which equipment, capacities or infrastructure environments you need to build your prototype and run it and have to find out how to access them and what the costs are. Also you should think about what you can do yourself in the building process and if you lack the knowledge or skills. You have to think if you can obtain missing knowledge or skills through third parties and what these cost are.

b) "Exist customers willing to buy?"

In the next step you need to prepare for answering the second question ("Exist customers willing to buy?").

For that it is important to find out who is your customer, how old is he or she, what are his or her education and income levels. Where will I find him or her?

You have to find out if he or she likes your product and if he or she is really willing to pay for it and how much he or she would pay for it.

Yet, after all, you definitely should also consider thinking about his or her alternatives. Are there any competitors who sell similar things? If yes, for how much and what is different to your solution? How much more is a consumer willing to pay for your solution or alternatively for how much he will accept a cheaper solution to that of competitors? What advantages you can generate

and will they have value for your customer?

c) "Can I sell to prices which cover my costs?"

For answering the third question "Can I sell to prices which cover my costs?" you actually can collect all the needed data based on the questions asked before, but you have to analyze it.

You have to see what costs will arouse and for how much you can sell it to judge if you can make a profit with it.

Therefore it is good to review some basics of finance.

Excuse: Basics of Finance

Profit	=	Sales	minus	Costs
Return on Investment	=	Profit	divided by	Investments
Sales	=	Number Goods Sold	*	Sales Price
Costs	=	Fixed Costs	+	Number Goods Sold * Variable Costs
Trade Margin	=	Sales Price	minus	Variable Costs
Break Even Point	=	Fixed Costs	divided by	Sales Price minus Variable Costs
Needed Investment	=	Investment Goods & Services	+	Working Capital

The main important question to judge if your business makes sense is to look if

you generate profit with it. Thus the sales have to be higher than the costs.

Additionally you also have to ask for the return of your investment. E.g. if your business make 10.000 ETB profit per month it can look as it make sense. But if you look at the money you have to invest in it, it might look different. Let us assume you have to invest 12,000,000 ETB to make such a profit. That would mean you would achieve a yearly return of $(12 * 10,000 = 120,000) / 12,000,000 = 1\%$. Nothing!!! Even the inflation, the decrease of your purchasing power with ETB will be higher and moreover do you want to invest all your time for this return? Better search a job for 3,000 Birr a month and invest the 12,000,000 ETB somewhere else.

So to judge if your business makes sense you always should look at both: the profit and the return on investment.

To calculate profit and return you have to consider that there are different kinds of costs which you have to use in your calculation differently.

The three major kind of costs are variable (direct), fixed (indirect) and investment costs.

Let us start with the differentiation of fixed and variable costs which are the necessary costs for calculating your profit and profit related key numbers.

As your sales depend on the number of goods you sell your variable costs do too. Just imagine you have a simple trading business buying staff and sell it further. Then the costs for buying your products which you are targeting to sell are your variable costs. If you sell 100 pieces you have to buy 100 pieces. Thus your sales are $100 * \text{sales price (e.g. 20)} = 2,000$ ETB and your variable costs are $100 * \text{purchasing price (e.g. 10)} = 1,000$ ETB. Therefore your profit would be $2,000 - 1,000 = 1,000$ ETB. And if you increase your sales amount to 200 pieces your costs increase at the same time by x100 and the profit would be 2,000 ETB.

If you now add your fixed costs for e.g. the rent of your store your profit will be changed.

Let us assume you pay every month 1,000 ETB rent. Thus if you sell 200 pieces you will have a profit of 2,000 ETB – Fixed costs 1,000 ETB = 1,000 ETB.

If you just sell 100 pieces the fixed costs stay the same and you just make a profit of “Zero”. If you sell more e.g. 300 pieces your fixed costs also stay the same and you make 2,000 ETB profit.

This differentiation is important to calculate your profit because your fixed costs have to be taken into account in a different way because you have them independently from your sales.

In fact there are two different supporting key numbers which help you and also a third party to get a better impression about the achievability of the promised profitability by looking exactly at these things.

One key number is your so called “trade margin”, “how much money do you make with each item sold”. In this calculation you don’t look at your fixed costs but only on your variable costs.

So with each item you buy for 100 and sell for 200 you make 100 ETB contributing profit. To see if it seems realistic for a third party you usually divide it by your sales price and thus see you have a trade margin of 50%.

That means that 50% of the money you get for your sales comes to your pocket. Thus others can easily judge if 50% are realistic and high enough for your kind of business and are capable to understand better your profit calculation with looking at only one number.

At the same time you can calculate now your breakeven point. That is the point from which you are making money on. With your profit contribution you have to cover also your fixed costs before you make profit and the breakeven point tells you how many goods you have to sell to cover this costs. Every sale above

these points will generate profit in the same value as your profit contribution.

Just imagine in our example: 1,000 ETB rent and 200 sales prices and 100 purchasing price. What would be your breakeven point?

To calculate that you need to calculate your profit contribution first:

Sales price – purchasing price = 200-100 = 100. Thus, with each product you sell you contribute to the profit with 100 ETB.

Now you can look how many goods you have to sell to cover your fixed costs. Your fixed costs are 1,000 ETB and your profit contribution per piece 100 ETB that means $1,000/100 = 10$ piece. You have to sell ten products per month to cover your costs.

Finally with this numbers you can tell an investor quickly about the profitability of your business. E.g. “I will sell my product with 50% margin and will reach my breakeven already by selling 10 products per month. All in all I expect a sales volume of 1,000 pieces per month and thus will achieve a monthly profit of 99,000 ETB.”

Few words a lot said ☺ and an investor can consider if 50% margin is realistic, if 10 pieces are achievable to not end up in loss and can then understand also where your profit comes from. Just if your sales volume is realistic have to prove in a further step.

Even you have to consider that this example just cover some costs, usually you should consider more such as transport costs, employee costs, electricity, fees, taxes, etc. So that the profit will be much lower.

Now let us take a look at the third category of costs, the investment costs, to be able to take a look at the return on investment. Beside fixed and variable costs the third kind of costs are investment costs. These don't get directly included in your profit calculation. That's long term or unique costs which don't appear often or even only once and thus have to be treated differently.

For example if you start your business you have to pay for a license and for a broker for your location. These are costs you pay once. But also maybe the shelves where you store your products or a potential machine such as a refrigerator for cooling your products are investment costs. Because you don't buy them regularly they are treated differently. That is money you invest in your company to make it run.

If you want to convince somebody to invest in your company you have to know how much money you need for it or he or she can't decide to give it to you.

Therefore you need to calculate the investment costs. But not only these, furthermore you need to calculate your working capital. If you just pay all the machines and equipment's you have everything to start but how do you start now? How do you pay for rent, how do you pay for the goods you want to sell?

Thus, you also need capital to work with, so called “working capital”.

E.g. for rent you need to pay in advance 6 months rates. And you potentially need to employ employees and pay their salaries and furthermore you need to purchase enough goods to sell at least for the first month. And potentially you will face some transport costs and also you have to feed yourself. Thus, it is important that you have enough money to be capable to work with.

Also you have to consider that you won't sell directly in the beginning as good as you will sell later, you have to win customers first and for that you will face a time of higher costs and fewer earnings.

So let us assume you will need to pay:

6,000 ETB rent in advance

3 months employee salary à 1,500 per month = 4,500 ETB

1 month stock = 1,000 pieces for 100 ETB = 100,000 ETB

Marketing acquisition costs in the beginning for 5,000 ETB

Equipment and Machines for 15,000 ETB

Broker and License fees 10,000 ETB

Please calculate based on your needed capital:

Investment goods and services: ?

Working Capital: ?

Needed Investment: ?

....

The answer:

Investment goods and services

Equipment and Machines for 15,000 ETB + Broker and License fees 10,000 ETB
+ Marketing acquisition costs in the beginning for 5,000 ETB = **25,000 ETB**

Working capital

6,000 ETB rent in advance + 3 months employee salary 1,500 per month =
4,500 ETB + 1 month stock = 1000 pieces for 100 ETB = 100,000 = **110,500 ETB**

Needed Investment

Working Capital + Investment goods and services = 110,500 + 25,000 = **135,500 ETB**

Yet, usually it is common to take between 10-20% more to be prepared for unexpected costs. So that we can say we would need an investment of 150,000 ETB.

So if you have a monthly profit of 100,000 ETB and need 150,000 ETB to start your business what would be the yearly return on investment?

$100,000 \text{ ETB} * 12 \text{ months} / 150,000 \text{ ETB} = 800\%$

Too much!!! Yet usually you don't give the total profit to your investor. Interesting is to give him or her a share of your company so that he gets a nice return on investment. In that case 200% would be nice for him or her. So how much you have to give him or her as share of your company to get 200% return on investment for him?

Answer:

$200\% = 1,200,000 * x \% / 150,000 \text{ ETB} \Rightarrow x = 25\%$

So now you can transfer the story like this:

"We expect a yearly profit of 1.2 million ETB based on a sales amount of 12,000 products per year. I calculate with a trade margin of 50% and we achieve our breakeven already with 120 products. To start our business we need 150,000 ETB from you and offer you 25% of our company for it. So you can expect a return on your investment of 200%."

With that we are on a point of seeing the opportunity, seeing a chance to double your investment each year (200%). Nice return, hee!

Yet, also they have to believe you. They have to understand the opportunity, the feasibility of your approach and finally trust you.

Even within this calculation an experienced person can already see if your trade margin fits for your kind of business and can see if your calculation is plausible.

Calculate your
market potential

Estimate

- Size of sales market
- Number of customers
and purchasing
frequency
- Potential Sales Price

Yet, one important point is your sales estimation. That depends actually on your market potential. So one major number you have to look already in the beginning is your market potential.

This depends on several factors and has to be estimated based on your customer surveys.

In fact, you have to know who your customer is, how many they are, what they are willing to pay for your product and how often they will buy it.

Therefore it is also important to estimate how far they would travel to come to you.

Let us assume your product from the above example is a special kitchen utility which is suitable for a special kind of customer. You want to sell it in a small shop close to a condominium. Thus, the range of your market area would be actually all the people from the condominium, but not much more. Potentially in the condominium there are living 5,000 people and 20% of it could be your customers who are interested in your product for a sales price of 200 ETB.

Thus your market potential are $5,000 * 20\% * 200 \text{ ETB} = 200,000 \text{ Birr}$. Now is the question how often they would buy it. Let us assume these kitchen utility they need to replace it twice a year. Thus adding the purchasing frequency it counts

up to $200,000 \text{ ETB} * 2 \text{ Purchasing frequency} = 400,000 \text{ ETB per year}$.

Usually you won't manage to achieve the complete market potential, maybe 25%. You can estimate your market potential by 100,000 ETB per year.

Seeing that you can look again to your promised 12,000,000 ETB profit per year and have to admit no, at least not at these place, maybe others locations are better or I have to adjust my other numbers as well.

With that number you can see, your monthly sales would be roughly 40 pieces.

So you achieve your product even and can generate $40 * 100 \text{ ETB} - 1,000 \text{ Birr} = 3,000 \text{ Birr profit per month and } 36,000 \text{ Birr per year only}$.

That means your return on investment is $36,000/150,000 = 24\%$ and to convince an investor you actually need at least 25% return for him or her. And putting all your effort in the business you don't want to provide 100% of your company to him or her so that you earn nothing at the end.

Thus seeing the opportunity also includes calculating if your business make sense from the profit and return point of view.

But these numbers you better calculate when you are back from your field trip and have defined your customer, defined your market size as well as your potential purchasing and sales prices. But before you go out and check it is important to have these calculations in mind, to know what to find out and what to ask about.

Step Two: Final Preparation and Go out

So now you know what to check, so you can summarize everything before you go out:

Think about

- Whom to ask?
- Where to find?
- What to ask?
- How to ask?

Prepare

- Question lists
- Visualized Prototypes
- Demonstration Material

Go and ask

- Consumers
- Suppliers
- Competitors

Analyse

- Consumer Demand and Market Potential
- Sales Prices and Purchasing Costs
- Supply Availability
- Competitive Advantage

Adapt Business Model and Repeat

To think already about the analyses now helps you finding the right questions.

Now go out and check for it!

Step Three: Analyze your findings

What did you find out? Are the materials you need available? How much do they cost and where do you get them? Did you find people who can overtake some production steps or offer you working space where you can build your prototype? How much do they charge for that?

What did your customers say? Did they like it? Do they have improvement suggestions or inspiring thoughts? How did they react on your “quick and dirty” prototype? Did they tell you about similar offers? Did they tell you what they prefer on your solution compared to competitors and the other way around? Did they tell you for how much they are willing to buy your solution?

Actually who is your customer? Who was willing to buy your solution? How can you describe them and how many of them can you estimate to be there?

If you know the rough number of them in the area which you can serve and the price they are willing to pay, you can calculate your market potential

(number*price).

Did you find competitors who offer similar solutions like yours? What do they do different (better or worse) and how much do they charge for it?

So what do you expect on profit and how much investment do you need for it?

What will be the return on that investment and your other key numbers?

9. Chapter VI: Why you just have a minute to convince and how do you do it?

Why one minute?

Be honest, how long do you listen usually? If somebody tells you something about his or her work place or something else which is not relevant for you? How long do you listen before you catch yourself thinking about other things at the same time if it is not interesting for your counterpart telling you? Maybe if the other person ask you back you still can answer his or her questions but in fact your interest is gone and you just listen with a half ear, right?

How long do you listen if somebody tells you something spectacular, which make you curious to hear more about? You will concentrate on that for long time and catch the thoughts, reflect them and think about it, right?

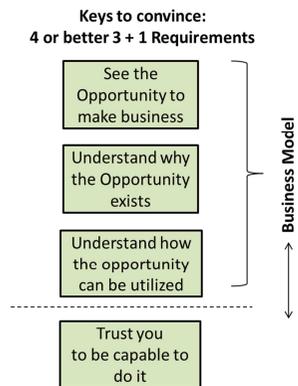
So please ask yourself after which time you decide if a story is spectacular or boring? A guess: Less than one minute, right?

And that’s exactly the time you have to convince an investor or supporter or whoever about your business or prototype idea! Do not concentrate on things which are not interesting for him or her. If he or she doesn’t understand your idea or product, if you do not understand about what you are talking about, he or she will stop listening latest after one minute.

That is why you just have a minute to convince. That doesn’t mean you have to explain everything in one minute, but you have to tell him or her enough to

make him or her curious to want to hear more so that he or she will continue to pay attention.

So what he needs to know for that? Do you remember on the 4 Keys to convince?



Actually that it is the same again just in a shorter time. At least the first two of it you have to make clear in the first minute. You have to make somebody see the opportunity and understand it briefly in this time.

Therefore people have to first understand what you are actually planning to do and why it can be useful for someone? Please try to formulate this first in one to two sentences and explain it to your friend. But, make sure he or she doesn't know about it before, or he or she will understand it although a third party would not. If somebody without background knowledge understands your business idea after you explained it in one or two sentences you are on the right track.

Before they don't understand what you are going to do and why it makes sense nobody can follow you. Just to make sure, that you understand it right: What you are going to do is actually nothing else as explaining your product and why

it make sense is nothing more than telling its usage for a certain customer group.

In the next step you should try to expand it by why you are special which includes what other competitors do differently or charge differently to highlight your difference to them and to underpin the value for your customer.

Finally it is important to talk about numbers such as the market potential. Therefore it is important again to highlight who your customer is and how many of them exist as well as how much they are willing to pay.

If you furthermore talk a bit about yourself and your team it will help build trust of your capacity to realize the business. But not in the sense that you tell about your last adventures or whatever, tailor it to your business such as having engineering background in that field, gained experience in implementing similar solutions in the field or something which describe your passion to work on such solutions. In fact, you can mention everything which creates a good relation between you, your team members and the business, but in short of course. If you have too much stories related to your business, focus on the main important aspects.

Now try to develop your own pitch, stop the time and then try it out.

The message map

If it is hard for you to do that, maybe you can try the message map to develop your solution and then build the elevator pitch around it. In fact, you always develop a message which you try to deliver. This message says my business or product is awesome and the reason is the following.

So for that you can use the following method: "The message map".

Therefore think about a "Twitter friendly Headline". In fact, a headline which explains your product in a way that the one point, the essential, you want that people know about your product is illustrated in one sentence.

For example:

“A moveable wagon which produces solar energy to operate electric appliances in non-electrified areas”

Afterwards you can add up to four supporting points to underpin your message.

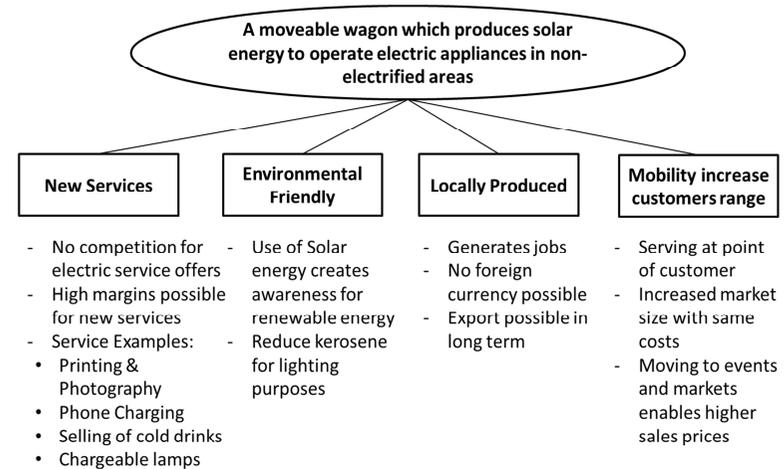
For example you can pick out the main key words from your message to highlight it more strongly:

“Non-electrified Areas = Bringing new kind of services to customers”,
“Renewable Energy = Environmental friendly”, “Mobile = Higher range of customer which increase the Market Potential”, and additionally you could say “locally manufactured”.

With that you can formulate the start of your elevator pitch in 15 seconds:

“We want to build moveable wagons which produce solar energy to operate electric appliances in non-electrified areas. These can bring new services to customers from such areas and because the solution is mobile we can serve a high range of customers with one wagon. It is an environmental friendly solution and we can manufacture it locally.”

If you want to expand it you can add further key words below each supporting point and your message map is finished ☺:



Elevator pitch

You can use this message map now as basis for your final elevator pitch and even build a presentation slide based on the main message and the supporting factors.

As final sentences you can add some numbers and some team skills or you can integrate it in the message map key words. Yet, your final sentence should be as strong as the first one. In case of adding numbers and indirectly your team skills, you could say for example:

“We see a huge potential for our solution because 70% of Ethiopia is not electrified and we can achieve affordable prices for our product. We have built already a prototype which costs us 15,000 Birr and we tested successfully it’s acceptance in the field.”

Now try it yourself again. Build your message map and then frame it to a complete elevator pitch including your team introduction.

10. Chapter VII: What are the first steps to start your business?

Start small grow big

How would you finally start your business now? What would be your first step? Which activities do you have to do first?

Just think about it!

Yet, before you start to think to big you should consider how to start small. Why is that? Can you imagine if a fresh student comes to you and tells you he or she wants to build a factory to serve the global market and needs 1,000,000 USD to start? What you would tell your fresh student? Would you say: “Yes, great let us do it; we will find investors for you.”? Sure 😊

In fact, it is good to gain experience first. And that needs more than building ones a prototype and asking some customers for a feasibility check. These things are a good start to estimate if it is worthy to go further with your idea, but not enough to directly launch a multi-million business.

Especially, in terms of prototypes for business-to-business products it is nice to have a long-term reality test in form of running it as your own business before you are starting a big business with it.

But, don't get it wrong, it is very good if you have a long term vision for a big business directly in the beginning, but your start should be realistic and you should start it as lean as possible. Lean in the sense to search a way how to make it small and get rid of unnecessary big investments needs for your start. If you search a million investor whole the time before you actually do something, you will just end up blaming that finance is the only problem. Yet, as we learnt in the beginning, not finance is the main problem, but you and your business model can be. In this case, it would be you who is the problem because you are struggling to search for a way to start small but instead waste your time waiting for an unlikely wonder.

Let us take as example the solar wagons again. In fact, the ultimate goal would be to build a factory for it and produce it in large scale to sell it to small investors or entrepreneurs or alternatively building a franchise system for it to run 100 solar wagons in rural areas of Ethiopia and maybe expand it later to other African countries.

So starting like this would be awesome, isn't it? Yes it would be, but is more likely a dream because you need somebody who puts tons of money in an unproven business with a person who has a good idea and the skills to build a prototype. But never have ran a business him- or herself and don't know how to set-up a business in reality. Not a good choice.

Alternatively, you can start small, which promise much more success and don't need much investment. You can build a solar wagon prototype first and open a small scale business for charging mobiles for example. You can do this with the support of money from your family or friends or micro finance. How to convince them you should know by now 😊

Running the business for a while will teach you how to operate it and show you the real challenges which the business will face. Furthermore, you can see which improvement potential your prototype has, such as bigger wheels for difficult roads, or more stable or lighter architecture or other technical improvements potentials. Also you can test different pricings and product approaches. You can readjust the wagon to offer photography services or lamp charging services and test the potentials of those applications.

Running the business yourself for a while, maybe offers you the opportunity **later** to employee somebody whom you can train to operate the business for you. But not too early!!! Now, where you know the realities of running the business you can also judge if he or she tells you the truth about challenges and the earnings he or she generates and train them the right way. Don't expect that your employee himself will start your business and actively looks how to make it better.

After making the small scale business successful and improving the prototype, you can go forward. Either you can think about building a second one and then a third one and employing people to operate it or/and starting to work on a factory concept.

Now, you can start to talk with people, being seen as experienced business man or woman and having a proven concept in your hands. Now, you can judge much better what you need to build the factory and your distribution network and have maybe enough own generated finance with the small business to pay specialist such as lawyers for potential necessary import procedures or similar and can build with their help a convincing factory concept integrating all special knowledge you need for it.

Having a big business in mind is good, it helps you to orientate your efforts the right way and encourage you to keep on track. But, don't think you can escape the efforts by doing the "dirty work" yourself in the beginning or you will most likely fail.

So think about how you can start your business as small as possible and go forward from that point of view to reach your big goal in the long run.

Mile Stone Planning

Now where you have the major plan in mind, let us think how to do 😊

As part of a business plan a good way to do it is to develop a milestone plan. That means that you structure your business in 4-5 phases for the next 4-5 years and set a goal/a milestone for each phase which has to be accomplished before you move to the next one. Then you think about your key tasks/activities you have to do to accomplish the milestone.

The good thing about this method is that you structure your way goal orientated and plan in time sequences which you can use to plan your financials accordingly. Also the tool makes it easier for third parties such as investors to understand what you're doing. They can understand better when

and wherefore you need money and it enables them to give comments, ask questions and to provide suggestions or express adaption demands for their involvement.

An example could look like this:

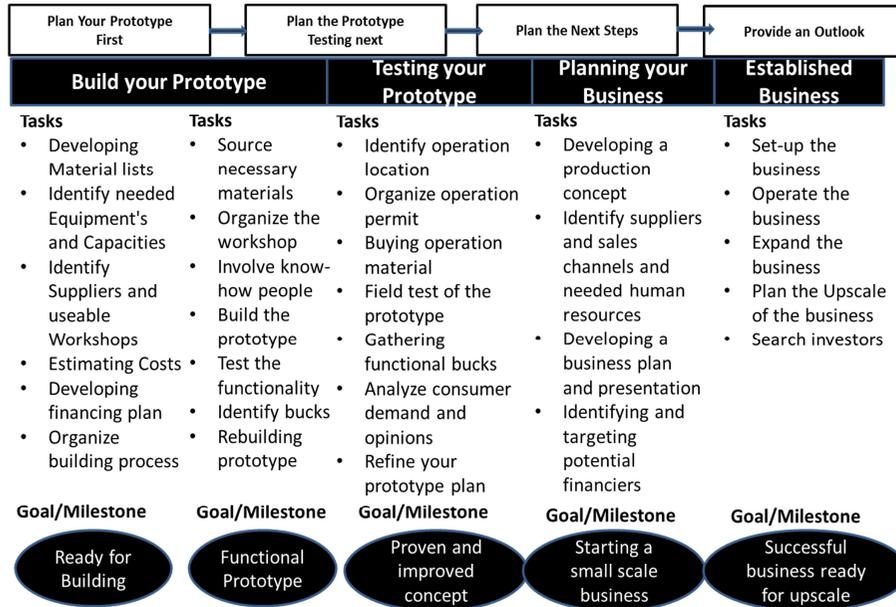
Pre-Start Phase (6 months)	Starting Phase (6 months)	Operation Phase (2 years)	Expansion Phase (1 year)
Tasks <ul style="list-style-type: none"> • Searching Location • Sourcing Goods • Organize Production Facility • Recruiting Employees 	Tasks <ul style="list-style-type: none"> • Buying test material • Building of prototypes • Testing prototypes • Standardize Product Catalogue 	Tasks <ul style="list-style-type: none"> • Marketing products at trade fairs • Arranging meetings with potential interested organizations • Start of Production 	Tasks <ul style="list-style-type: none"> • Sourcing material • Production & Distribution • Search new customers • Employee further employees
Goal/Milestone 	Goal/Milestone 	Goal/Milestone 	Goal/Milestone 
			Goal/Milestone 

For our case, we don't want to write a business plan now. We just want to develop a suitable business concept which is presentable to achieve support to build a prototype first. Therefore we shouldn't directly plan for an unpredictable future.

But we can orientate it on a milestone plan because the method itself is also very suitable for us.

So we could start by planning our prototype first, then the testing of it and then planning the next steps roughly such as that we want to plan the establishment of a business and finally just provide an outlook that we potentially have an established business at the end which will be ready for upscaling.

For example like that:



Try it yourself a bit more concrete for your case and be surprised what comes out 😊

Action Planning

As a next step you can think already about how you bring yourself to action. Having a plan for an investor or supporter or similar to show that you not just stop thinking till you have built your prototype is very important. Yet, for yourself it is also important to plan your first steps in a timely manner in detail.

Therefore you can use any kind of action planning tool. A potential structure could look like this:

No.	What to do?	Who does?	When to do?	When it should be finished?	Which Resources are needed to do?	What will be the result/ the next step?
1						
2						
3						
4						
5						
6						
7						

But, you can also use another form. Just important is that you plan what you really have to do to build your prototype and that you also think what you need to solve each task and that you set time frames yourself. Additionally it can help you to think about the result or the next step of each task to keep you goal orientated and help you to concentrate on tasks which you really need to do.

Try it out! Of course not for every phase, just for the building of your prototype, your first step.

And be aware, a plan is always just a plan, it is important to readjust your plan frequently and to check if it is up to date. Planning always thinks about the future and relies on assumptions. Thus you have a high uncertainty in planning. For that reason you should just plan in small steps in detail and for farer future just plan very roughly. And the more you work on your tasks, the more you will know and the more you know, the better you can readjust and be able to plan for the next steps.

11. The final presentation project – How can you use your learnings to prepare a pitch?

The Structure for the final pitch

Now, where we have done so much it is time to build our first convincing pitch. By the way, the word pitch comes from baseball; it describes the throwing of the ball by the pitcher. The goal is to get it past the batter to reach the hands of the catcher. The meaning for you is that you pitch to convince people from your business/prototype idea to receive support for it.

To create your pitch, you actually just have to combine all information/works together, potentially rework some parts and put it together in a PowerPoint presentation with a nice structure.

A recommendable structure could be the following:

- Slide 1) Welcome Slide Including Team Introduction
- Slide 2) Elevator Pitch
- Slide 3) Explain your customer and why he or she has a need
- Slide 4) Explain your market and the existent competition
- Slide 5) Explain what you will do and what's different to your competitors (Offer and Marketing Mix/Differentiation)
- Slide 6) Explain how you will operate your business and explain why you are capable to do it (Organization and Operations)
- Slide 7) Explain how you will launch your business step by step
- Slide 8) Explain how much money you need for it and for what and show what money you can make with it in short and in long term
- Slide 9) Thanks and Questions

Your pitch should be 10-15 minutes and leave time for questions afterwards for 5-10 min.

Some additional advices for preparing your presentation are the following guidelines:

Guidelines for PowerPoint Presentation

- 1) Presentation & Slide Structure should fulfill the pyramid rules
- 2) Single Slide Structures

- Title: Written Message which fit to the content of the slide and the messages you want to provide to an investor with this slide (only present slides which have a value/a message for the investor)
- Content: Fits to one message and provides the demanded information for investors
- Result: Always indicate a final statement in a slide (written or oral)

3) Layout & Design

- Use as much illustrations and pictures to express a message as you can
- Design graphs clear and simple and cross check the values of the axes
- Just concentrate on main results and simple wordings (don't create huge calculations)
- No written text (Use keywords or short sentences and/or use symbols, no use of long sentences and written paragraphs)

3) Visualization and Interaction if possible

- Try to involve your audience, potentially with question or by testing/experience your product/the problem/the feeling in a certain way
- E.g.: Present the function of a prototype, ask them which options they have if they want to eat ice cream in Arba Minch, let them take your product into their hands to feel the nice shape

4) Start & End

- Start with your elevator pitch and the introduction of your team

- End the presentation with a final convincing message/summary or questions

5) Timing

- Conduct your presentation for 10-15 min.
- Consider questions and potential visualizations within your timing
- Be prepared to have some hidden extra Slides with further information if investors give you more time and want to know more

Guidelines for presenting:

1) Show reliability from the first second

- ⇒ Be on time and adequately dressed!!!
- ⇒ Catch the attention in the first minute
- ⇒ Start with your elevator pitch and a nice entrance phrase!!!

2) Concentrate on the main aspects and explain them simple

- ⇒ See the opportunity, understand the opportunity and feasibility and use reliable data and examples

3) Don't forget to explain your product in a way that everybody understands

- ⇒ Not everybody knows your product and your market, be sure to let them understand

4) Don't lie and listen more than you speak

- ⇒ If you don't know something, admit it and ask

- ⇒ Don't justify yourself if you don't know it better, than better try to understand and adopt

6) Be aware you are the business, thus sell yourself good

- ⇒ Be confident, speak free, fluent and clear, search eye contact and talk with your audience

7) Prepare yourself before

- ⇒ Know who is your audience, which interest and specializations to they have and adjust your trigger words and explanations to it

Additional remarks for using trigger words and following the pyramid method:

Trigger Words

Trigger Words are words which will directly be associated from your audience with their goals or interests. In fact, depending on your audience they can be very different. For a student good job perspectives can create his or her attention and for a manager matching his or her XY indicator. In general for investors the following are usually helpful:

Words:

- Problem Solving, Dream Fulfilling
- Sustainability, Environmental, Government Goal & Social Connectors
- Connections to growth markets or investor target markets
- New technologies

Numbers:

- Market Potential,
- Return on Investment,

- Profit & Trade Margin
- Growth Rates
- Short time to market, Short time to Profitability

Pyramid Method

Concerning the pyramid method, it is just about goal orientated writing. Your presentation should follow a clear defined goal, always, which is in your case to convince with your business model. Then each slide of your presentation should bring a value for this goal such as “Seeing opportunity”, “Understanding the opportunity”, “Understanding the feasibility”, “Gaining Trust”.

To determine a value for you goal, you should think about a message, for each of your slides, a message which bring value to your goal. Each slide should contain usually only one message but maximal two which you try to deliver with one slide. By defining the message you can check your content. Don’t provide unnecessary information which has nothing to do with the message. Just provide information which is needed to deliver your message. And by doing that, please also consider to do it right, your audience have to understand your information and should be interested in it, don’t lose yourself in details which nobody understand or is interested in.

Good luck

So, good luck. We hope you can manage now to create a good business idea which you can pitch successfully 😊

Yours Sincerely,



Phillip Travers