

# Merged Exam Questions

1. Provide a comprehensive definition of a business plan as part of the introductory phase of the business planning process.

2. **Comprehensive Exam Question: Entrepreneurship and Business Planning**

**Total Marks: [Insert Value]**

**Instructions: Answer all parts of the question clearly and concisely.**

**Part A: The Business Plan (50%)**

1. **Definition and Importance:** Define a business plan and explain four reasons why it is a critical document for both proposed and existing business enterprises.

2. **Components of the Plan:** A standard business plan consists of several key functional sections. Elaborate on the following:

- \* **Marketing Plan:** Describe how a business identifies its target customers and competition. Outline the importance of the "4Ps" (Product, Price, Place, and Promotion) and distribution strategies.

- \* **Organizational Plan:** Explain how the business structure and management team are coordinated to achieve objectives.

- \* **Operational Plan:** Detail the requirements for the production process, including equipment, materials, and the impact of government regulations.

- \* **Financial Plan:** Identify the essential pro-forma statements required in this section and explain the significance of determining a "break-even level."

3. **Executive Summary:** Why is the Executive Summary usually written last, despite appearing first in the document?

**Part B: The Entrepreneur (50%)**

1. **Roles and Functions:** Discuss the roles an entrepreneur plays as a promoter, risk-taker, and coordinator of the factors of production.

2. **Entrepreneurial Competencies:** Distinguish between **Knowledge, Skills, and Traits** as they relate to entrepreneurial success. Provide two examples for each category based on recognized entrepreneurial characteristics (e.g., persistence, systematic planning, technical ability).

3. **Types of Entrepreneurs:** Briefly distinguish between the following types of entrepreneurs:

- \* Opportunistic Entrepreneurs vs. Internal Entrepreneurs (Intrapreneurs)

- \* Inventors vs. Pattern Multipliers

- \* Economy of Scale Exploiters vs. Acquirers

4. **The Business Idea:** Define a "business idea" and identify four internal or external sources from which an entrepreneur can generate viable business opportunities.

3. Calculate the break-even level for the business.

4. Determine the sales and total variable costs. Calculate the total contribution margin. Total contribution margin = sales - Total = sh\_\_\_\_\_ Variable cost

5. **Financial Analysis and Funding Requirements**

Perform the following financial calculations and provide the requested details regarding your

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## BUSINESS DESCRIPTION OWNERS

BACKGROUND .....	1	MISSION VISION AND
VALUES .....	1	NATURE OF
BUSINESS .....	2	ENTRY
STRATEGY .....	2	MARKETING PLAN 1.1
POTENTIAL CUSTOMERS .....	3	1.2
COMPETITION .....	4	1.3 PRICING
STRATEGY .....	5	1.4 SALES
TACTICS .....	5	ORGANIZATION PLAN 2.1
ORGANIZATION STRUCTURE .....	8	2.2 KEY
MANAGEMENT PERSONELL .....	9	2.3 OTHER
PERSONELL .....	10	2.4 SUPPORTING
ADVISORS AND SERVICES .....	12	OPERATIONAL PLAN 3.1
PRODUCTION FACILITIES AND CAPACITY .....	13	3.2
PRODUCTION STRATEGY .....	13	3.3 PRODUTION
PROCESS .....	14	3.4 REGULATIONS AFFECTING
OPERATIONS .....	15	FINANCIAL PLAN 4.1 PREOPERATIONAL
COST .....	16	4.2 WORKING CAPITAL
REQUIREMENTS .....	16	4.3 PRO-FORMA INCOME
STATEMENTS .....	17	4.6 BREAK- EVEN
ANALYSIS .....	17	4.8 EXPECTED PROFITABILITY
RATIOS .....	20	EXECUTIVE SUMMARY

10. AGRI WAVE TECHNOLOGIES is a proposed tech startup founded and managed by Phinehas Njuguna, a student at Machakos University doing a Bachelor of Science in Computer Science. The business is designed to leverage modern technology to address key issues in the agriculture sector. It aims at providing affordable, data-driven digital solutions that help farmers, agribusinesses, and institutions and boost their productivity. The company will provide affordable technology –driven solutions such as farm management software, agricultural data analytics and market linkage platforms targeting individual farmers, agricultural institutions and agribusinesses across Kenya. The technologies used will adopt a customer-based approach offering freemium and subscription-based services to ensure scalability. Financial projections indicate that the business will incur initial startup costs but is expected to achieve profitability as customer adoption increases. BUSINESS DESCRPTION 1.1 OWNERS BACKGROUND.

11. Write and maintain code, fix bugs and run system tests, integrate new features, maintain databases and backend systems. Skills/Qualifications:

12. Degree/Diploma in IT or Computer Science, knowledge of mobile and web development, experience in database management, problem-solving skills

2. IT Support Technician (1) Job Description: Provide technical assistance to clients, troubleshoot hardware/software issues Skills: Diploma in IT or related field, strong communication skills

3. Field Agents / Trainers (3) Job Description: Train farmers and institutions on using the platform, collect feedback from users Skills: Field experience with farmers, ability to explain technology simply

4. Customer Support Assistants (2) Job Description: Handle user inquiries, manage complaints, assist farmers with registration Skills: Good communication, problem-solving, basic IoT configuration

5. Accounts Clerk (1) Job Description: Record financial transactions, maintain receipts and log, assist in tax reports Skills: Certificate/Diploma in Accounting, honesty and transparency

2.4 SUPPORTING ADVISORS AND SERVICES A. Banking Services Provided by Co-operative

Bank or Equity Bank Services: business account, merchant services, mobile payments, overdraft facilities B. Bookkeeping and Accounting Services Outsourced to a certified accountant during the first year Monthly audits and compliance checks C. Legal Services A retained advocate for: Contract drafting Business registration Compliance issues Intellectual property protection D. Other Supporting Services ICT hosting services (servers, cloud) Internet providers (Safaricom, Zuku, Faiba) Security services for office premises E. Additional Services Graphic design for marketing Social media management Data backup and cyber-security services 3) OPERATIONAL PLAN 3.1 PRODUCTION FACILITIES AND CAPACITY Equipment requirement Some of the equipment required are: Cloud hosting, developer laptops, Backup power units, office, office furniture, IoT sensors Procurement and Delivery timeline Purchased equipment will be delivered within 2-4 weeks from local suppliers in Machakos and Nairobi. Cloud servers will be activated instantly upon subscription Repairs and Maintenance Laptops and other office equipment will be serviced every 8 months by authorized service centers in Nairobi. For the IoT sensors, the field technicians will conduct monthly maintenance Servers are maintained by cloud providers. Availability of spares

13. IoT spare parts will be available at either FarmDrive or tech africa. Networking and hardware spares from Jumia, Textbook Centre, and computer shops in Nairobi Future expansion facilities Dedicated server room Add satellite office in Wote and Kitui for regional farmers 3.2 PRODUCTION STRATEGY Monthly Material requirements: Cloud hosting, Internet bundles, IoT Sensor replacements marketing materials, electricity Total material cost: 78,000 KES Suppliers Cloud Hosting – Safaricom Cloud, HostPinnacle, AWS. Sensors – Synnefa, FarmDrive.

#### 14. INTRODUCTION TO ENTREPRENEURSHIP

15. Entrepreneurs may be defined as people who have ability to see and evaluate business opportunities, gather the necessary resources to take advantages of them and to initiate appropriate action to ensure success. Entrepreneurs are action oriented; they are highly motivated individuals who take risks to achieve goals. Entrepreneurs try doing same things in different ways that are more profitable. Entrepreneurs realize life is changing all the time and that new ideas, new methods and fresh opportunities are important to cope with the current changes. Entrepreneurs are different from (ordinary) people because they have more self confidence, they can get things done without too much help, they try hard to keep on trying, they set for themselves high standards and they are always trying to push themselves a little bit than others. Entrepreneurs do not need to be told to do things, they realize the missing needs in the societies and they implement them at a profit. They always make sure that things are done and they normally don't wait to be ordered. They know what they are doing because their ears and eyes are open and they do not believe everything that people tell them. They make up their minds. Entrepreneurs are good at estimating how risky something is before taking up the opportunity to avoid higher risks. They get bored with routine activities and they believe in having alternatives. They are good at making decisions, they weigh the pros and cons of a situation before making up decisions. Entrepreneurs ask the right questions, run through all the alternatives, decide what needs to be done, plan how they intend to do it and then they make sure that their plans turn into reality. They are in control of their own lives, they make things happen rather than letting things happen to them. They know that some people get lucky but most of the time they make their own luck. If things go right for entrepreneurs it's because they decide on what they wanted and make sure that it happened. ROLES OF ENTREPRENEURSHIP IN BUSINESS To: Create jobs. Maintain free enterprise Promote healthy competition. Generate wealth. Spread prosperity Enhance wealthy stability Ensure

innovation and creativity Encourage grassroots development. Social progress Growth. Through: Identifying gaps in the market Finding finances and other resources Implementing and managing business. Bearing the discomforts of uncertainties. **ENTREPRENEURIAL FUNCTION IN BUSINESS** The entrepreneur is the prime mover in the business enterprise. Without the entrepreneur there will no business in the first place. He/She is the one who identifies gaps in the in the market and then turns this gap to business opportunities. One of the functions of the entrepreneur is therefore to initiate the business. It is the entrepreneur who finances the business. After identifying a business opportunity, the entrepreneur raises and mobilizes the necessary resources to exploit the opportunity. By so doing the entrepreneur becomes the financier of the enterprise. The entrepreneur does not of course have to finance the business from personal saving alone. The necessary finances and other resources could be borrowed. It is therefore a function of the entrepreneur to finance the business. Another function of the entrepreneur is to manage the business. This is also a function that he/she can easily delegate to other people. But even were other people are employed to manage, the ultimate responsibility in management remain with the entrepreneur. The functions of management involve a wide range of activity such as organizing, coordinating, leading, recruitment, rewarding, evaluating, e.t.c. The entrepreneur does not only manage production, but also marketing, personnel and all other aspects of the business. The entrepreneur has also the function of bearing the uncertainties of the risks of the business. This arises because it is the entrepreneur who provide the finances of the business. This is so even where other people may have lent the necessary finance as is the case when one borrows from financial institutions. **THE ROLE OF BUSINESS ENTERPRENUERSHIP IN SOCIETY** It is now generally accepted that the private sector is more cost-effective and efficient in performing certain basic economic functions than the public sector. Entrepreneurs play a key role in business and the private sector. Most of the wealth in a society or nation is created by business activity. **Product and Services:** The fundamental economics function of business is to make and distribute the products and services that people want. Business entrepreneurs fulfil the role both to discover consumer demands and to do whatever is required to satisfy them. **Employment:** Business ventures are the major providers of “real” jobs – i.e. employment for people who need and want to work. The level of gainful employment is crucial to a nation’s well -being. **Income:** Though its employment creation business provides an income basis to its stockholders in terms of salaries, wages, profits and taxes. **Wages, Salaries and Profits:** The taxes of business to enable the earning of wages, salaries and profits is a crucial importance in order to pay and provide disposable income to finance consumer spending and savings (investment capital). **Taxes:** Without taxes on the income of individuals and business social institutions and services cannot be afforded. **Disposable Income:** Disposable income refers to income after taxes available for spending on consumer goods and savings. **Consumer Spending:** Consumer spending is not only required for basic need satisfaction, but also to create a demand for the production of goods and services. **Personal Savings:** Personal Savings represent income not allocated to immediate consumption expenditure. **Investment in Productive Assets:** Business investment funding is generated either through provisions, retained profits borrowing or through sales of equity. For non- profitable business such as sources of funding will become limited. A business needs capital investment to create productive capacity: innovative technology, modernization and the expansion of its productive assets. **National Well-being:** Most of the capital goods, commercial and social services as well as technological know-how required to satisfy our need comes from business activity, i.e. through economic development of privately-owned resources. **PERSONAL TRAITS IMPORTANT ENTREPRENEURIAL TRAITS** **Hard working:** running a business requires a lot of energy and drive. This involves the ability to work for long hours when necessary, to work intensely in spurts and to cope with less than a normal amount of sleep. **Self-**

confident: to succeed business people have to believe in themselves and in their ability to achieve goals they set for themselves. This is often shown by a belief that "if you want something badly enough and are prepared to work at it, you 'll usually get it ". Builds for the future: the goal for most successful business people is to build a secure job and income for themselves which rests upon their own abilities. This means understanding that it may take several years to build up business income to a reasonable standard. Profit-oriented: interest in generating money is a clear indicator of suitability for enterprise. This means recognizing that the business comes first. Money must be generated the decisions can be made about how to use it in the enterprise. Goal oriented: success in the business depends upon being able to set realistic goals or targets and to work with determination to achieve them. This ability to set targets (for things the person thinks worthwhile) and to work to achieve them is fundamental. Persistent: all businesses contain hurdles and disappointments for most people. Sticking at it and persisting at a problem until it is solved are the keys to success. Copes with failure: all business ventures inevitably contain disappointments and failures as well as successes. Coping with failure involves recognizing failures, learning from them and seeing the new opportunities. Without this characteristics, early failures may spell the end of a person's attempt at self-employment. Responds to Feedback: the concern to know how well one is doing to keep track performance, to get useful feedback and advice from others is another important characteristic. Demonstrates Initiative: research shows that successful business people seek and take the initiative and put themselves in positions where they are personally responsible for success or failure. Willing to Listen: the successful business group is not an inward looking group that never listens to or uses outside resources. Self-reliance does not exclude the ability to ask for help when needed from such people as bank officials, accountants and business advisers. Set Own Standards: setting standards of performance and then working to achieve them is another indicator of the successful business. These standards can be income, quality sales or in turnover. Most businesses want to do better each year, to set and achieve higher standard than those of the current year. Copes with Uncertainty: enterprise is much more uncertain than employment. This uncertainty is about sales and turnover, but it often exists in other areas such as material delivery and prices, and bank support. An ability to cope with this uncertainty without becoming over-stressed is necessary. Committed: starting and running an enterprise demands total commitment in terms of time, money and lifestyle. It has to be prime priority in the entrepreneur's life. Builds on Strengths: successful business people base their work upon some strengths(s) they have, such as; manual skills, interpersonal skills, selling skills, organizational skills, writing skills, knowledge of a particular product or service, knowledge of people in a trade and ability to make and use contact. Reliable and has Integrity: the qualities of honesty, fair dealing and reliability in terms of doing what one has promised are key to successful business management.

16. A hobby is a favorite leisure- time activity or occupation. Many people, in pursuit of their hobbies or interest, have founded businesses. If you enjoy, for example playing on computers, cooking, music, travelling, sports or performing to name but a few, you may be able to develop it into a business. 2. Personal Skills and Experiences Over half of the ideas successful businesses comes from work place experience, e.g. mechanic with experience of working in a large garage who eventually sets up his/her own car repair or used car business. Franchise A franchise is an arrangement whereby the manufacturer or sole distributor of a trademark, product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance to standardized operating procedures. Franchising may take several forms, but the one of interest is the types that offers a name, image, method of doing business and operating procedures. Mass Media The mass media is a great source of

information, ideas and often opportunity. Newspapers, magazines, television and now the internet are all examples of mass media. Take a careful look for examples, at the commercial advertisements in a newspaper or magazine and you may well find businesses for sale. Well, one way to become an entrepreneur is to respond to such an offer. Exhibitions Another way to find ideas for a business is to attend exhibitions and trade fairs. These are usually advertised on the radio or in newspapers. By visiting such events regularly, you will not only discover new product and services but also meet sales representatives, manufacturers, wholesalers, distributors and franchisers. These are often excellent sources of business ideas, information and help in getting started. Surveys The focal point for a new business idea should be the customer. The needs and wants of the customer, which provide the rationale for a product or service, can be ascertained through a survey. Such a survey might be conducted informally or formally by talking to people – usually using a questionnaire or through interviews- and /or by observation. Complaints Complaints and frustration on the part of customers have led many new product or service. Whenever consumers or customers complain bitterly about a product or service or when you hear someone say “I wish there was ...” or “if only there were a product / service that would ...,” you have potential for a business idea. The idea could be to set up a rival firm offering a better product or service, or it might be a new product or service which could be sold to the firm in question and/ or to others.

**RESOURCES UTILIZATION**

**RESOURCES ENTREPRENEURS NEED TO IMPLEMENT IDEAS THEY IDENTIFY**

Entrepreneurs use human and economic resources to help them to implement their ideas. Economic resources include money and equipment. Human resources include energy, skills, knowledge and time.

**Economic Resources**

**Money:** Money is necessary to obtain goods and services that entrepreneurs want. A major way in which money is obtained is through employment. The real value of money can be measured in what necessities, wants, and security it will provide for the future.

17. **Equipment:** Useful equipment may be as simple as a small knife or a paper clip. It may be a telephone installed by the telephone company, a microwave oven with digital electronic controls, or pocket computer. The value of any equipment depends on the efficiency with which it is used. Even the best equipment cannot think or act its own.

**HUMAN RESOURCES**

**Energy:** Good health is essential to maintaining a high energy level. Adequate nutrition, rest, and exercise are basic necessities. Personal attitudes also have a strong influence on an individual's energy supply. People who accomplish a great deal usually have a positive attitude and goals to motivate them.

**Skills:** Skills are developed when a person learns how to do a task completely . Anyone can develop skills by being willing to put in the necessary effort. There are several types of skills: Practical everyday skill like writing legibly or doing household chores; vocational skills that enable a person to a particular job; and recreational skills like dancing, painting or sport. You can enhance your life by adequately developing your skills.

**Knowledge:** A real zest for life and an active curiosity stimulate learning. Reading, observing and listening are always staying in the mainstream of life. Each individual must take responsibility for acquiring a certain amount of knowledge by developing communication skills such as reading, writing, speaking and listening.

**Time:** Time is unique resource. Everyone has the same amount (24 hours a day and 168 hours a week) . A large portion of time is taken up by daily activities like eating, sleeping, school, work and hygiene. The remaining time should be spent on recreational activities and special interests that provide satisfaction.

**Identifying and Assessing Business Opportunities**

Seeing, seeking on opportunities is one of the characteristics of successful entrepreneurs everywhere. It is also the basis for starting and maintain successful ventures. It involves not only generating ideas and recognizing opportunities but also screening and evaluating them to determine the most viable, attractive propositions to be pursued.

**Characteristics of a good business opportunity**

To be

good, a business opportunity must fulfill, or be capable of meeting, the following criteria. Real demand: I.e. respond to unsatisfied needs or requirements of customers who have the ability to purchase and who are willing to exercise that choice. Return on investment I.e. provide durable, timely and acceptable returns or reward for the risk effort required. Competitive. I.e. be equal to a better – from the viewpoint on the customer – than other available products or services. Meet objectives, i.e. Meet the goal and goals and aspirations of the person or organization taking the risk. Available resources and skills be within the reach of the entrepreneur in terms of resources, competency, legal requirements etc. Identifying and Assessing Business Opportunities Ideas and opportunities need to be screened and assessed for viability once they have been identified or generated. This is not an easy task and yet same time it is so important. It can make the difference between success and failure, between making a fortune and losing everything you had. Whilst the exercise does not guarantee success- but then nothing in this world does, except Divine intervention- it certainly helps in minimizing the risk and thus the odds for failure. Identifying and assessing opportunities involves, in essence determine risks and rewards/returns reflecting the following factors. Industry and market. Is there a market for the ideas? Are there any customers-people with money who are able and willing to buy the product or service? Can you provide what they need or want? How many are they? Length of the window of opportunity. Can you create or seize the opportunity whilst it lasts? Personal goals and competencies of the entrepreneur. Do you really want to venture into the business? Do you have what it takes? Are you motivated enough? Management team. Who else will be involved with you have in the business? Do they have the experience, know-how, contacts or other desirable attributes required? Competition. Who are the competitors? Do you have something desirable by customers that they do not have? Can you produce or market at lower costs, for examples? Capital, technology or other resource requirements. How much capital, or for that matter technology or other resources, are required? Do you have or could you get them. Environment. Are the political, economic, geographical legal. Regulations conducive? Will the business do any damage to the physical environment? The above questions are of 5th type of issues that need to be answered. The responses determine the attractiveness of any business opportunity. Leads rather than follows

1. Long, irregular hours of work. Can implement ideas	2. Broad responsibility. Can be creative	3. Must take risks. Potential income unlimited
Independence	5. No fringe benefits Can take initiative	6. Always involved in finances Controls work environment
orders	8. Uncertain future	9. Learning never ends
11. Too much paperwork	12. Dependent to employee actions	PAID EMPLOYMENT

ADVANTAGES

4. „ÄTätU2 7 V6-f-2 f÷" f—€ed) responsibilities	1. Follows order Steady income
2. Ability not easily recognized Fringe benefits	3. Set income Fixed hours of work
Limited responsibility More certain future	4. Minimal risks.
Set span of control	5. Difficulty to implement ideas

ENTREPRENEURSHIP PROVIDES SOCIETY WITH SMALL ENTERPRISES WHICH: Grow in to large enterprise or multinational- the pride of such society Nature potential innovators for new services, new processes, new products-for the good of such society. Serve as suppliers, customers, and subcontractors of large organization – big market in such society. Provide competition through the economy among small and large firms alike leading to improved products, services and efficiency in society- for the good of such society. Economic Goals of Individuals and Society. Needed Actions by Entrepreneurs Increases in The Qualities of Productive Resources Improvements in The Quality Of Resources Advantages in Technology Greater Efficiency. Full Production Stable Growth Freedom of Choice Equality of



Opportunity Economic Security Economic Justice International Balance MAJOR  
COMPETENCIES REQUIRED FOR SUCCESSFUL ENTREPRENEUR

18. Write a brief description of the problem.

19. Write a brief description of alternative solution. Lists important factors which would favor implementing the proposed solution. Make a summary of the potential advantages of the solution. Make a summary of potential disadvantages of the solution. Make a summary of potential outcomes of solution. **RISK-TAKING** Defining a risk situation A risk situation occurs when a choice is required between two or more alternatives whose potential outcomes are not known and must be subjectively evaluated. A risk situation involves potential success and potential loss. The greater the possible loss and /or gain the greater the risk involved. Risk-takers make decision in conditions of uncertainty, balancing potential success against potential loss. Choosing a risky alternative depends on: The attractiveness of the alternative. The extent to which one is prepared to accept the potential loss, The relative probabilities of success and failures and The degree to which one's own efforts increase the likelihood of success and decrease the likelihood of failure. What people and other resources could have helped minimize the risk and achieve this goal? What fears did you have in taking this risk? Did you try your best to achieve the goal? What was achieved by taking the risk? How did you know when you had accomplished your goal? What were the biggest obstacles to achieving your goal? What do you like about your risk-taking attitude? What would you like to change about your risk -taking altitude? What do you consider the most important factors when taking a risk? Was the goal worth the risk involved? How could the risk have been minimized? What information was needed before taking the risk? **STARTING A BUSINESS VENTURE SELF-EVALUATION IN RELATION TO WHAT IT TAKES TO STARTING A BUSINESS PLAN FOR STARTING A BUSINESS** Business idea Identify a business opportunity. Analyze your strengths and weakness. Select a product/service. Conduct market research -Factors to consider in business location. Select a suitable location for the business. Prepare a financial plan. Prepare a management plan. Prepare a marketing plan. Prepare production plan. Get funds Implementation. **MINIMIZING PROBLEMS OF STARTING A BUSINESS** The following questions will help determine whether you are in a position to start a business. **Personal Qualification** Why do you think you are the type of person who can start and operate a business successfully? Will your family support your plans to start a business? Have you worked in a business similar to the one you want to start? Do you have supervisory or managerial experience necessary to be self-employed? Have you had business training in the type of business you want to start? **FINANCES** Do you have enough money to start and operate the business for the first six months? Could you make more money working for someone else rather than starting your own business? Do you know which suppliers, will give the best service, lower prices and best credit managements? Have you compared the cost of buying and selling an existing business with the cost of starting a new business? Have you explored various sources of funding? **Customers** Have you prepared a marketing plan? How will customers distinguish your business from your competitors? Will you have a credit policy for customers? What advertising techniques will be used to attract customers? How will you determine customer wants? **Business Operators** How will you identify, select and train employees for the business? How will you determine employee salary and benefits? Is your business location accessible for customers (bus stops, parking etc.) and is there room for expansion? Have you considered the positive and negative aspects of information a partnership? Do you known what equipment, supplies and materials you will need and how much they will cost? **Using Outside Assistance** Have you discussed the bookkeeping and other financial procedures with an accountant? Have

you discussed the legal requirements and regulations of your business with a lawyer? Have you discussed the financial aspects of your business with a banker? Has a consultant helped you develop your business plan? Have you discussed the challenges and opportunities of your business with other business owners in the community? **MARKETING INFORMATION** What is a market?

20. The market for a business is all the people within a specific geographical area, who need a product or service and are willing and able to buy it. Every business sells some type of a product or service to people. These potential customers can be described as: People who need or want the product or service. People who are able to buy the product or service. People who are willing to buy the product or service. Competition must be considered. If competitors are serving the same market, one must decide if the market is large enough to support another business. It should also be determined how the product or service is different from the competitors.' What should entrepreneurs know about potential customers? Know the customers: The market can be segmented by dividing the market into meaningful buyer groups or dividing the market according to characteristics such as: Age, sex, marital and family status, Employment, Income, Trends in any of these characteristics. Know what the customer wants: By segmenting the marketing into groups, it is easier for entrepreneurs to determine what products or service each wants or needs. Know where the customer buys: Entrepreneurs need to find out where the customers in their market are buying now, and determine what factors will cause them to switch and buy from the new business. Know when the customer buys: By knowing when customers buy (daily, weekly, monthly, yearly, seasonally), entrepreneurs will be able to determine such things as possible hours of operation, when to advertise and quantity of merchandise to have on hand at specific times of the year. Know how the customer buys: Knowing how the customer pays for products and services can help the entrepreneur determine a credit policy as well as a pricing policy for the business. 3. Where can customers' information be located?

21. a) Trade associations (publications

22. b) Chamber of commerce.

23. c) Government agencies (District trade Officers).

24. d) Newspaper and Magazines.

25. e) Individual research, conduct a market survey. Go into the community; look around and ask questions. What is the marketing concept? One of the greatest needs of the owners of the small businesses is to understand and develop marketing programmes for their products and services. Small business success is based on the ability to build a growing of satisfied customers. Modern marketing programmes are built around the "marketing concept" and performance, which directs the owners to focus their effort on identifying, satisfying and following up the customers' needs, all at a profit. The marketing concept rests on the importance of customers to a business and states that: All business policies and activities should be aimed at satisfying customers' needs; Profitable sales volume is a better company goal than maximum sales volume. When applying the marketing concept, a small business should: Determine the need of their customers (market research) Analyze their competitive advantages (market strategy). Select specific market to serve (target marketing): and Determine how to satisfy those needs (market mix). What is market research? To manage the marketing functions successfully,

information about the market is necessary. Frequently a small market research programme, based on a questionnaire given to present customers and/or prospective customers, can disclose problems and areas of dissatisfaction that can be easily remedied, or new products or services that could be offered successfully. Market research should also identify trends that may affect sales and profitability levels. Population shifts, legal developments and the local economic situation should be monitored to enable early identification of problems and opportunities. Competitors activity also should be monitored; competitors may be entering or leaving the market. For example, it is very useful to know what your competitor's strategies are (i.e. how do they compete) What is a marketing strategy? Marketing strategy includes identifying customers' groups (Target Markets), which a small business can serve better than its large competitors, and tailoring its products offering, prices, distribution, promotional efforts and service towards that particular market segment (managing the marketing mix). Ideally the strategy should try and address customer needs which currently are not being met in the market place and which represent adequate potential size and profitability. A good strategy implies that a small business cannot be all things to all people and must analyze its market and its own capabilities so as to focus on a target market. What is target marketing? Owners of small businesses have limited resources to spend on marketing activities. Concentrating their marketing efforts on one or two more key market segments is the basis of target marketing. The major ways to segment a market are: Geographical segmentation: specializing in serving the needs of customers in a particular geographical area (for example, a neighborhood and shop may send advertisements only to people living within one and a half kilometers of the shop). Customer segmentation: identify and promoting to those groups of people who are most likely to buy the product. In other words, selling to heavy users before trying to develop a new user. What is the market mix? There are four key decision areas in a marketing programme. They are: Product and services      b) promotion      c) distribution and      d) pricing

26. The marketing mix is used to describe how owners can combine these four areas into an overall marketing programme. Products and services: effective product strategies for a small business may include concentrating on a narrow product line, developing a highly specialized product or service or providing a product -service packages containing an usual amount of service. Promotion: this marketing decision area includes advertising salesmanship and other promotional activities. In general, high quality salesmanship is a must for a small business because of their limited ability to advertise heavily. Distribution: the manufacturer and wholesaler must decide how to distribute their products. Working through established distributors or manufacturer's agents generally is most feasible for small manufacturers. Small retailers should consider cost and traffic flow as two major factors in location site selection. In other words, low-cost, low- traffic location means you must spend more on advertising to build traffic. Price: determine price levels and/or pricing policies (including credit policy) is the major factor affecting total revenue. Generally, higher prices mean lower volume and vice-versa; however, small businesses can often command higher prices because of the personalized service they can offer. The nature of the products /service also is important in locational decisions. If purchases are made largely impulse (e.g. soda or candy), then high traffic and visibility are critical. On the other hand, location is less important for products/services that customers are willing to go out of their way to find (e.g. hotel supplies). How can the feasibility of a product or service be analyzed? The consumer market consists of purchaser who buy products or service for their own use but do not buy products for the purpose of making a profit from them. Consumers buy to satisfy their own or their family's wants and needs. When they buy any product or service, they do so because of what they expect the product or service to do for them. People are motivated to buy for two basic reasons: Emotional reasons: price of personal appearances,

social achievements, ambition, cleanliness, pleasure, increased leisure time. Rational needs.: durability, economy in use, economy in purchase, handiness, efficiency in operation, dependability in use. Psychologists have determined that consumer buying behavior is first directed toward satisfying certain basic needs. These very basic needs include: food, shelter and clothing. An individual attempting to fulfil the most basic needs is led by rational motives. Persons with few resources need the best products and services for their money in terms of quantity and dependability. Many consumers won't admit they purchase goods and services to satisfy emotional needs. However, most psychologists believe that pride in personal appearance is an emotional buying motive. Certain motives generally seem to be more rational than others. Because people think of themselves as rational individuals, they tend to express their reasons for buying in very logical way. To market a product or service successfully, entrepreneurs need to be aware of what motivates consumers to buy that product or service. What factors affect the consumer market? The consumer is continuously changing. Many of the following factors have contributed to consumer changes in the last few years. Population changes, such as shift in age distribution of income, including increase in total purchasing power and the amount spend for 'luxuries'. Change in life-style and attitudes. A greater percentage of woman in the workforce. More leisure time. More credit purchases. An increase in the number of white-collar and skilled workers. Higher overall educational level of the population. High rate of inflation. Entrepreneurs should watch for changes carefully. To respond to them, entrepreneurs may need to modify or refine some of their marketing policies and procedures. Predicting and keeping up with changes in the place are important but difficult tasks. Market information must be collected and analyzed continually.

**FACTORS TO CONSIDER IN BUSINESS LOCATION** Economics Understand the economic base of the community. Why do people live in the area? What is there standard of living? What about other business located in the area? Are there industries in the area? Do 80% of the people work in one industry or few businesses or does the community have a variety of businesses? Is the industry in the area healthy, is it seasonal? Are businesses moving in or locating elsewhere, if so why? How many people in the area are able to buy the goods and services produces in the region? How are the people income i.e. low, middle or high? What is the average income? Population Identify a population size that can support business growth. Who will be your customers i.e. young, old e.t.c. What do they buy? When do they buy?

**PROCEDURE FOR SELECTING A BUSINESS A LOCATION** The following procedure steps are recommended when selecting a business location: - Make a list of factors that are "necessary" for the business location. Also include a list of factors that would "desirable" but not necessary. Find all the possible locations in a community that meet the list of factors. Visit the locations to get an idea of their general appearance and eliminate any that are not good. Reduce the number to 3 to 5 locations that appear workable. Visit the locations again and use a check list to compare locations on the factors that have been indenfied. Consider the factors that are critical to the businesses. Return to the locations at various times of the day and evening to get a better understanding of each location. Conduct a traffic count at each location. Count the number of cars and pedestrians that pass each location at various times and obtain the number of potential customers. Consult an experienced business person, if necessary, to help decide on one location. Analyze all factors and opinions and make a final decision.

**QUESTIONS CONCERNING OBTAINING CAPITAL** Can all of the needed capital be borrowed? Almost any lending institution will require that an entrepreneur provide a substantial amount of the money needed to initiate a business. This depends to a great extent on the market and economic conditions. Few lending institutions or individuals will be willing to risk money on a venture if the owners have none of their own money invested in the firm. Money the owner puts into the business is called equity capital. It is the owner's investment in the business. Borrowing needed capital is called credit or debt financing. The lender must sense a personal commitment

and involvement by the business owner. This personal commitment includes time, energy and money that the owner is willing to contribute to the business. Where can equity capital be obtained? personal savings. Friends and relatives. Partners. The owner may form a partnership with one or more individuals to obtain equity capital to initiate the business. Corporation. It is possible to incorporate the business and sell stock to raise equity capital. Where can credit or debt financing be obtained? Banks. Fancies companies. Government agencies. Trade credit. Suppliers extending credit terms for equipment, inventory etc. allows the business to begin generating sales before payment due. How can the chances of obtaining a loan be increased? Entrepreneurs cannot be sure of obtaining loan, but if they are prepared when going to a lending institution, the chances are much greater that the loans will be obtained. What are the four C's of credit? Character: the applicant's attitude toward credit will be examined including his or her past record of meeting obligations. Capability: the applicant's income will be examined to determine his or her ability to pay back the loan. Capital: the applicant's personal worth will be examined including savings and any other personal or real property. Condition: the economic conditions of the community, state and region will have an effect on the availability of a loan. Prospective business owners should demonstrate they have a business strategy or plan of action which will lead to success. The lender will want to be sure that the prospective business owner has experienced or knowledge in the area of the proposed business. Whether attempting to raise equity capital or obtain credit financing, that a well-researched and realistic plan is essential. How will the capital be used? In financing a new business, first determine your specific needs for money. to help determine your needs, three groping of costs and expenses are used: start-up costs, operating expenses and personal expenses. Start-up costs: expenses that occur just once when starting the business. Once your business is started, you may not have these expenses again. Some examples of start-up include: Fixtures and equipment  
 utilities  
 and  
 - beginning inventory. Deposits for rent and  
 - business licenses and permits Certain legal fees  
 - advertising for the grand opening.

27. Should be a computer literate and have a degree in accounting Acts as the bank of the project Supervisor 8 Diploma in civil engineering works Helps in coordinating delivering of materials Driver 5 Certificate of good conduct Delivering materials to site Watchmen 6 At least a KCSE certificate Ensure tight security at the site RECRUITMENT, TRAINING AND PROMOTION Recruitment procedure

28. Advertising-Where vacancies are recognized, duties and responsibilities will be outlined to clarify the post Application-This is where the candidates are allowed to post their interest through the provided business contact Interview-Is done orally through conversation with the manager. It helps to judge the suitability of the candidates. Short Listing-Is done after receiving the candidates' applications and choosing the most qualified candidates who are then notified either through noticeboards or magazines. Selection-Candidates are selected considering their ages and gender Acceptance letter-The appointed candidate must sign in an acceptance letter to show his or her willingness to work with the business Appointment Letter-It contains the terms and conditions of the work which will be sent to the selected personnel. Employment-After signing the acceptance letter the candidate then takes his or her duties and responsibilities expected. Training This is the process of learning skills that are required in doing a particular job. My company will train those employees to acquire necessary competence and skills to enable them operate specialized equipment used at the organization. 3.4 SUPPORTING STAFFS AND SERVICES LICENSES, PERMIT AND BYLAW The business must be registered in order to be allowed to carry out activities in Kenya. This therefore requires

licenses and permits from various authority bodies. Bylaw The business will abide by all laws governing business registration and operations. BANKING SERVICES The business will open an account with Cooperative bank. The business owner will be the signatory to the account. All cash and cheques will be deposited to the bank. CHAPTER FOUR 4.0 PRODUCTION PLAN Introduction It mainly involves about applying organization and management concept in creation of goods and services hence through this process its aims to add value to products and services which creates strong and long lasting customer relationship to association.

4.1 Operational or Production Plan 1. Product/Service Design and Development We intend to produce a range of clay products, including items such as clay pots, flower vases, decorative sculptures, and utility ware. These products will be both functional and decorative, targeting households, hotels, landscapers, and interior designers. 2. Development of products/service Clay sourcing from high-quality natural deposits. Preparation by sieving and conditioning the clay. Molding by hand or with pottery wheels depending on the design. Drying under controlled conditions to avoid cracking. Firing in kilns at high temperatures to strengthen the final product. Finishing with glazing or painting as per customer preferences. 3. Designing the product/service Studying market trends and customer preferences. Creating sketches and prototypes of new designs. Testing product functionality and durability Modifying designs based on customer feedback before full production. Incorporating cultural and artistic elements for uniqueness and market appeal. technology to use to design and develop the product/service Traditional hand-molding tools and pottery wheels. Kilns for controlled firing. Basic machinery for clay processing (e.g., mixers and pugmills).

29. Computer-aided design (CAD) tools to refine and visualize new product ideas for mass production and consistency. 5. costs of designing the product/service The major costs involved in designing the clay products include: Raw materials (clay, water, glaze): KES 15,000/monthly Design tools and pottery wheels: KES 30,000 (initial) Kiln and firing costs (electricity or wood): KES 10,000/month Labour for design and development: KES 20,000/month Marketing and prototyping: KES 10,000/month Estimated monthly design and development cost: KES 55,000 – 60,000 4.2 Production facilities and capacity ITEM QUANTITY CAPACITY MAKE UNIT TOTAL

30. REMARKS Office 10rooms 10000 30000 rent