

MODULE 2

HOW TO PLAN FOR A SUCCESSFUL BUSINESS

OBJECTIVE OF THE MODULE:

At the end of this module the learners will:

1. Be able to set up their own YEP cooperative or business group.
2. Understand how to conduct a market survey.
3. Be able to map their local markets.
4. Be able to plan for their business.
5. Be able calculate the costs of their business.
6. Understand how to account for personal expenses.
7. Understand how to set the prices for their products or services.

IN THIS MODULE:

UNIT 2.1 SIMULATION 2

Activity 2.1.1	Facilitator's practical preparations	30 min
Activity 2.1.2	Explain the running of the simulation	30 min
Activity 2.1.3	Play the simulation	120 min
Activity 2.1.4	Discussions	60 min

UNIT 2.2 SITUATE YOUR BUSINESS IN YOUR LOCAL MARKET

Activity 2.2.1	How can I identify a suitable location for my business and how can I form a YEP cooperative or business group?	120 min
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UNIT 2.3 UNDERSTANDING HOW TO PLAN FOR MY BUSINESS

Activity 2.3.1	How can I plan for my business and why should I do it?	60 min
Activity 2.3.2	Where can I find the resources for my business?	120 min

UNIT 2.4 UNDERSTANDING HOW MY LOCAL MARKET WORKS

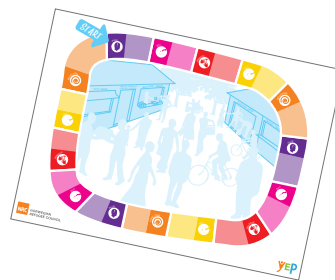
Activity 2.4.1	How does my local market work and why should I know it?	60 min
Activity 2.4.2	How can I assess my local market and why should I do it?	120 min
Activity 2.4.3	How can I carry out the market survey in my local market?	120 min -1 week
Activity 2.4.4	How can I develop my product or service and why should I do it?	120 min

UNIT 2.5 UNDERSTANDING THE COST OF MY BUSINESS

Activity 2.5.1	How much does it cost to set- up and run a business and why is it important to know it?	120 min
Activity 2.5.2	How can I set the price of my products and services and why should I do it?	120 min
Activity 2.5.3	How can I calculate my weekly income from the business and why should I know it?	180 min

UNIT 2.1

SIMULATION 2



MATERIALS:
the manual
the simulation materials
flip chart
markers

ACTIVITY 2.1.1

FACILITATOR'S PRACTICAL PREPARATIONS

**NOTE**

The practical preparation is the same as for simulation one, except for the introduction of the local market expert office.

NOTE

Buy shop cards can be replaced by real items to tempt learners to spend more money on food and other items.

SEE ANNEX 2

NOTE

Some of the surprise cards are without text, so you can add your own context specific relevant ideas. Make sure to prepare this before the simulation starts.

STEP 1:

Facilitator: Do not start the simulation until you are fully prepared and have understood the running of the simulation. Make sure you have all the material for the simulation available:

- One large game board with movable YEP logo (for attaching on the wall) - A3 size
- Smaller game boards with record keeping circle design (one for each group) - A4 size
- Poster: local market (for attaching on the wall) - A3 size
- Poster: buy shop with buy shop cards (for attaching on the wall) - A3 size
- Poster: sell shop (for attaching on the wall) - A3 size
- Poster: local market expert poster (for attaching on the wall) - A3 size
- YEP money (Currency denominations: 1, 5, 10, 20, 50, 100)
- Record keeping template for facilitator
- White and orange raw materials (minimum 200 pieces) - A6 size
- Surprise cards
- Two money boxes for each team, one for business expenses and one for personal expenses - A4 size
- Blu-Tack, tape (preferably two-sided) or other material to attach posters on the wall.
- Markers, pens, flip chart

ACTIVITY 2.1.2

EXPLAIN THE RUNNING OF THE SIMULATION



LEARNING POINTS:

At the end of this simulation the learners will:

1. Understand how to deal with the demands of the market.
2. Understand the relation between the quality of raw material and the price of the final product or service.
3. Understand team dynamics.


NOTE

Make sure that each team only has the materials to be used for the simulation on their table.

NOTE

Learners will need to understand and respond to the local market during this simulation. This will require extra time on the buying and selling step, hence it is advisable to only implement two business cycles.

STEP 1:

Facilitator: Use an **energizer**  to divide the learners into new working teams. Remember that there should be between three and five teams, and each team should ideally consist of 4-5 learners. Place each team around one table.

STEP 2:

Facilitator: Explain the learning points of this simulation.

STEP 3:

Facilitator: Read or explain the following introduction to all learners:

“This business simulation takes place in _____ (use the name of a location that everyone knows of). You have all just graduated from YEP and have received your start-up kits, and are now running your own businesses. You will be given time to decide what kind of business and product or service you want to develop at the beginning of the simulation.

You have received 200 YEP money in start-up capital. You will need to use this in a creative and well planned manner to get your business up and running. The aim of the simulation is that all of you in your business teams cover all costs and make a healthy profit.”

“Each team has received two money boxes, one for business expenses and one for personal expenses. You need to allocate the 200 YEP money between business expenses and personal expenses. The money for your business should be spent on materials and costs related to your business, like buying raw material and business tools. The money for your personal expenses should cover food and other items for you and your family. They should at all times be kept separate.”

“Each team has a board game on their table. A larger version of the board game is posted on the wall. This board game provides the format of the simulation, and the YEP logo indicates the step that is taking place. Use the board game to take notes and plan and record all actions you do.”

“The board game has 15 steps divided in three business cycles, however in this simulation we will only perform two business cycles. We start on the second business cycle (place the YEP logo sticker on the second planning step). During this simulation you are allowed to perform the different activities at the same time (for example continue planning at all steps, start manufacturing the raw material as soon as you have bought it etc.)”

"On each of the five steps you will, like in simulation one, have to do a business activity. The five steps and the two cycles are the basic structure of the business simulation."



THE FIRST STEP IN EACH CYCLE IS THE PLANNING STEP:

Facilitator: Tell the learners, "You should use this step to plan for both this cycle and the ones to come. Make sure that you plan how you want to spend your money, both for your business and your personal expenses. During the planning step you should plan the kind of products or services you want to develop in your business according to market research."



Each Unit of white raw material costs 40 YEP money, and the shop only accepts cash. New orange raw material will be introduced in the first business cycle.

NOTE

If you have decided to write local names on the buying shop and selling shop posters, make sure to also refer to these names.



THE SECOND STEP IN EACH CYCLE IS THE BUYING STEP:

Facilitator: Tell the learners, "In this step the buying shop in the local market is open for business. At this shop you can buy raw materials, business tools, food, drinks, clothes and other necessary equipment."



During this simulation you should use this step to get knowledge about the local market.



Each Unit of raw material can only be turned into one product. Even if you rip it into pieces or add other creative solutions, it will only be considered as one finished product.



THE THIRD STEP IN EACH CYCLE IS THE PRODUCTION STEP:

Facilitator: Tell the learners, "During this step all business teams need to manufacture the raw material into finished products that are ready for sale. You may manufacture your product by drawing, folding or adding any other creative idea that you have to the raw material."

It is important that the materials are produced in a high quality through careful drawing.



The selling shop pays 80 YEP money for each product, but this is open to negotiation according to the quality and to the response to the market demand.



THE FOURTH STEP IN THE CYCLE IS THE SELLING STEP:

Facilitator: Tell the learners, "During this step you may sell your products to the selling shop in the local market."



THE FIFTH AND LAST STEP IN THE CYCLE IS THE REFLECTION STEP:

Facilitator: Tell the learners, "During this step you will have time to reflect on your actions, and the actions of the other groups to learn from each other and see how your business can improve. In this step each team will report on the profit made during the business cycle."

IN ADDITION:

You can at any step in the cycle return unused raw material to the raw material shop for a refund, but then you will only get half of the selling price (20 YEP money for each piece).



All teams also rent space for their businesses. The rent is 50 YEP money monthly and will be collected during the last selling step in the simulation.

**BANKRUPTCY:**

If one team bankrupts, teams should be creative and come up with a solution such as borrowing money from the other team or perhaps making a deal with one of the shops. If teams are not able to manage this situation on their own, then they can take a loan consisting of a maximum of two pieces of white raw material.

Remember to always keep good records of all actions during the simulation.

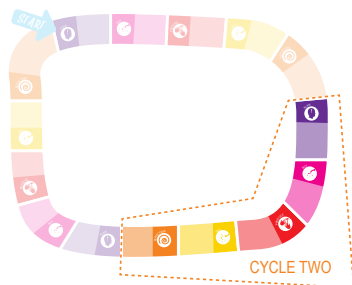
STEP 4:

Facilitator: Ask if the learners have any questions.

Q: Do you have any questions? Are you ready to play the simulation?

ACTIVITY 2.1.3

PLAY THE SIMULATION



NOTE

Remember to use the business names when you call the groups later in the simulation. Allow teams to change names if they come up with better ideas as the simulations develop.

RULE

In simulation two, the different business activities can be done at any step.

NOTE

Remember to tell the learners when they have one minute left and give a signal when the time is out.

RULE

Business teams may ask for receipts. This initiative should be encouraged, however avoid having to give receipts for everything as it will be too time demanding.

RULE

The orange raw material are of high quality and learners can negotiate on the price. It is especially important that these products are made of high quality, and creative solutions should be rewarded.

CYCLE TWO

STEP 1:

Facilitator: (make sure the YEP logo sticker is on the second planning step). Tell the learners, "We start the simulation on the planning step in the second business cycle, during this simulation we will only implement two business cycles due to time constraints. At this step you need to allocate your money between personal and business expenses. Plan how you want to spend your money. Make sure to always keep the money safe in the money boxes. Each team should plan for what kind of business to develop and what kind of products to produce. Each team should also come up with a business name."



Share with the learners, "In your teams, discuss and divide the different tasks between team members based on skills and preferences. This will help you manage all the tasks within the limited time available at each step."

STEP 2:

Facilitator: Tell the learners that they have **15 minutes** to plan their business. A signal will indicate that the planning time is finished.

STEP 3:

Facilitator: Walk around in the classroom and make sure all teams have understood what they should do and ask each team if they have any questions. You should also encourage all learners to participate and ensure that the teams are working well.

STEP 4:

Facilitator: Ask teams to present their business name and what kind of business they are going to develop.

STEP 5:

Facilitator: (move the YEP logo sticker to the next step). Now is the buying step, and the buying shop is open for business. New high quality orange raw materials has arrived in town, the price of this raw material is slightly higher than the white raw material.



STEP 6:

Facilitator: Place the **local market expert poster** on the buying shop. Explain that the local market expert is in town and learners should use this opportunity to ask about the market. Learners will find the local market expert in the buying shop.

RULE

During this simulation responding to the market is one of the key learning points. You should expect learners to ask what the market needs are at the buying step and if they fail to do so, you should refuse to buy the manufactured products, or buy them at a lower price. You as the facilitator decide on the needs of the market; which products are selling and which are not. Make sure to spend enough time on this step to provide enough market information to all teams, however only give out market information if learners ask for it.

RULE

SURPRISE CARDS

The surprise cards are a representation of the unexpected and unforeseen realities that happens in life and businesses. As the facilitator you have two options when you hand out these types of cards:

- 1) Let the learners choose themselves which card they want (all cards written text pointing away from them) or;
- 2) You can "target" a team handing them a specific card that will teach them a specific lesson. This is especially relevant if you notice that one team is not performing accordingly.



In simulation two it is suggested that teams are rewarded according to performance and surprise cards are handed out accordingly.

RULE

Refuse to buy products from business teams who failed to ask the local market expert on the market needs at the buying step. Remember to pay attention to the quality and originality of the products manufactured from the orange raw material and provide positive reinforcement whenever possible.

NOTE

If possible one assisting facilitator should be dedicated to perform the local market expert role only, you can then keep it separate from the buying shop and call it the local market expert office.

LOCAL MARKET
EXPERT OFFICE

GET TO KNOW YOUR MARKET

ASK ME!

STEP 7:

Facilitator: (move the YEP logo sticker to the next step). Tell the learners, "Now is the production step. Each business team needs to manufacture their raw material by drawing, folding or adding other creative ideas on each piece of raw material, so it looks like a final product."



STEP 8:

Facilitator: Introduce the **surprise cards** as the teams manufacture their products and services. Decide if it is better to give a surprise card to the team or if it is better to let them choose a surprise card from the stack of cards.

STEP 9:

Facilitator: Ask each team to read their surprise card aloud so that all the learners can hear. This will help everyone to learn from the different scenarios taking place. Make sure that all teams fulfill what is written on their surprise card immediately.

STEP 10:

Facilitator: (move the YEP logo sticker to the next step). Tell the learners, "Now is the selling step. Sell your products at the selling shop in the local market."



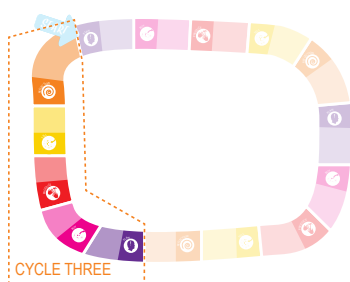
STEP 11:

Facilitator: (move the YEP logo sticker to the next step). Tell the learners, "We have reached the reflection step. Please count your money in your personal and business money boxes."



STEP 12:

Facilitator: Ask each business team to say the amount present in the two money boxes. Write the name of each team on the flip chart, and the amount in the two money boxes underneath. Subtract the business start-up capital (200 YEP money) from the amount in the business money box to find the profit for each team. Compare the profits among teams and discuss the results.



NOTE

If some learners dominate the team work, try to make them rotate roles and encourage everyone to participate.

RULE

Continue refusing buying products from business teams who failed to ask the local market expert on the market needs at the buying step. Also continue to emphasize that orange material should be of high quality.

RULE

Pay 50 YEP money for rent.

CYCLE THREE:

STEP 13:

Facilitator: (move the YEP logo sticker to the next step, the last planning step in the simulation). Tell the learners, "Plan how you want to spend your money for the last cycle in this simulation."



STEP 14:

Facilitator: Tell the learners that they have **10 minutes** to plan their business. A clap of hands will indicate that the planning time is finished.

STEP 15:

Facilitator: (move the YEP logo sticker to the next step). Tell the learners, "Now is the buying step, and the buying shop is open for business. You can buy your goods and raw material (white and orange). The local market expert is also still in town."



STEP 16:

Facilitator: (move the YEP logo sticker to the next step). Tell the learners, "Now is the production step. Each business team needs to manufacture their raw material to final products."



STEP 17:

Facilitator: Hand out a **surprise card** to each team and ask teams to read their surprise card aloud so that all learners can hear. Make sure that all teams fulfil what is written on their surprise card immediately.

STEP 18:

Facilitator: (move the YEP logo sticker to the next step). Tell the learners, "Now is the selling step. Sell your products or services to the selling shop in the local market."



STEP 19:

Facilitator: Tell the learners, "It is time for all business teams to pay their rent."

STEP 20:

Facilitator: Collect 50 YEP money for rent from each team.

STEP 21:

Facilitator: (move the YEP logo sticker to the last step). Tell the learners, "This is the last reflection step of simulation two. Each team must count the money in the two money boxes."



STEP 22:

Facilitator: Ask each team to say the amount of money present in the personal money box and in the business money box. Write the sums underneath the results from the last cycle on the flip chart. Subtract the business start-up capital (200 YEP money) from the amount in the business money box to find the profit for the simulation. Subtract the result from the first cycle from the amount in the money box to find the profit for this cycle. Compare the profits among teams and discuss the results.

ACTIVITY 2.1.4

DISCUSSIONS

**NOTE**

Always make sure to follow-up on unclear issues and discuss answers that can be interpreted as incorrect.

STEP 1:

Facilitator: Ask each team to discuss their performance amongst themselves, give them guiding questions:

Q: What went well? Which good decisions did you make? Why?

Q: What was difficult? Did you make any decisions that you would change?

Q: Were you surprised by the consequences of your decisions?

Q: What would you do differently in the next simulation? And why?

Ask teams to share their viewpoints and learning in the larger group and find common learning points. These overall questions can also be posed in relation to the questions below.

STEP 2:

Q: What else did you learn during this simulation?

Use the most relevant examples below for further discussion, unless other relevant learning points were reflected upon during the simulation or if they were brought up by the learners.

BE ABLE TO ASSESS AND RESPOND TO THE LOCAL MARKET :

Q: Why is it important to understand the local market well?

Q: What did you do during the simulation to understand the local market?

Q: How did you use the information you got from the local market?

Q: How will you assess the local market in the next simulation?

EXAMPLES:

- *Understanding your local market helps to define what business to develop.*
- *It will help to identify marketable products and services along with understanding better your customers and competitors.*
- *It will also help you to set the prices for your products and services.*

BE ABLE TO PRICE YOUR PRODUCT OR SERVICE ACCORDING TO THE QUALITY OF THE RAW MATERIAL

Q: What do you need to think about when you price your product?

Q: How did you price your product during the simulation? Did you increase the sale?

Q: Are there any new learning points to consider for the next simulation?

EXAMPLES:

- *High quality raw material should be manufactured into high quality products.*
- *You need to attract the right customers (define your customer!)*
- *You need to take into account the price level of competing businesses in the area.*
- *You need to consider the total cost of the product (production cost, labour cost, additional costs).*

BE ABLE TO UNDERSTAND TEAM DYNAMICS

Q: Why is it important that different team members have different tasks?

Q: How can you in your teams utilize different team member skills the best?

Q: What do you like the most to do yourself?

Q: What do you want to do during the next simulation?

EXAMPLES:

- *Encourage teams to think about the different roles within the group (leader, accountant, manufacturer, adviser, seller, advertiser, etc.).*
- *Encourage teams to shift roles and responsibilities so they get to test different roles.*

UNIT 2.2

SITUATE YOUR BUSINESS IN YOUR LOCAL MARKET

ACTIVITY 2.2.1

HOW CAN I IDENTIFY A SUITABLE LOCATION FOR MY BUSINESS AND HOW CAN I FORM A YEP COOPERATIVE OR BUSINESS GROUP?



LEARNING POINTS:

At the end of this activity the learners will:

1. Be able to locate their business in their community.
2. Be able to set up their own YEP cooperative or business group.
3. Understand the concept of market saturation.

MATERIALS:

flip chart paper
markers
sheets of paper
pens
adhesive tape
local market expert poster
samples of business map

METHOD:

group work
picture gallery

NOTE

Ask the NRC YEP team to support you in this activity.

STEP 1:

Facilitator: Introduce Activity 2.2.1 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: Distribute one sheet of paper and one pen to each learner. Ask the learners to write their name on the top of the sheet of paper.

STEP 3:

Facilitator: Ask the learners to identify the type of business they would like to be involved in after the completion of the YEP training and where they would like to set up their business.

Q: Which type of business would you like to develop after the completion of the YEP training?

Q: Where would you like to set up your own business?

Allow some time for the learners to think about it and ask them to write the type and location of business on their sheet of paper .

STEP 4:

Facilitator: Ask all learners to present their ideas by explaining their business and the location of their business.

STEP 5:

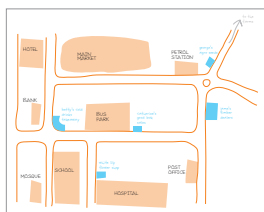
Facilitator: Ask the learners to group according to the location of their business.

NOTE

Creating YEP cooperatives by location helps learners from the same location to work together.

NOTE

This exercise may take some time if the learners are not used to drawing.



NOTE

Most likely you will notice that the learners have similar ideas, especially if they are learning the same vocational skill.

NOTE


In this Activity you can officially set-up the YEP cooperatives and register them with the NRC team or you can set-up YEP business groups if your country programme does not provide for cooperatives. Research together with the NRC team how to make a YEP cooperative or business group official in your context.

LEARNING POINTS!

Creating YEP cooperatives by location helps to reduce the number of equal businesses in the same location.

When the same type of businesses with similar products and services are located one near the other and target the same customers this creates saturation (or exhaustion) of the market. This further reduces the chance to sell and make a profit.

STEP 6:

Facilitator:  **Group work.** Distribute a sheet of flip chart paper and different colour markers to each group. Ask each group to write the name of the location on top of the flip chart paper.

STEP 7:

Facilitator: The sheet of flip chart paper represents the community where they will set-up their business. Ask the learners to draw on the flip chart the important buildings and commercial points of the community like schools, church/mosque/temple, hospitals or health services, bus stations, railway stations and markets.

Distribute the samples of  **business maps** and use them as examples.

STEP 8:

Facilitator: Ask each learner in the group to mark the location of her/his business on the same flip chart by writing the name and type of the business (possibly in a different colour).

STEP 9:

Facilitator: Ask each group to post their flip chart on the wall.

STEP 10:

Facilitator: Give the learners some time to walk around the class and look at the other groups' maps.

STEP 11:

Facilitator: Conduct a **gallery walk**. Discuss each map by standing in front of it. Ask some questions to the learners while looking at the maps:

Q: How many types of business are there? Are they located near each other?

Q: How many competitors are there in the same location?

Q: Which type of products/services do they offer?

LEARNING POINTS!

1. Mapping your business helps understand your competitors and evaluate if it is profitable to set up a business in that area.

2. Mapping your business helps to understand the type of customers you can target in that area.

For example:

“If there is a bus station nearby then there may be clients and customers that could be targeted.”

3. Mapping your business helps understand the concept of market saturation. If all learners set up the same type of business in the same location and one next to each other the possibility of success is reduced.

STEP 12:

Facilitator: Ask the learners if they would like to form a YEP cooperative or a YEP business group with the members of their group.

Q: Would you like to form a YEP cooperative or a YEP business group with the members of your group?

Q: If not, whom would you like to form your YEP cooperative or business group with? Why?

Allow some time for discussion.

STEP 13:

Facilitator: Form the YEP cooperatives or business groups.

NOTE

Make sure to check the national rules and regulations on how the YEP cooperatives or business groups should be registered in your context.

LEARNING POINTS!

1. It is important that the learners feel comfortable in being in the same group and the best way is to test it out during the remaining time of the YEP training.
2. Generally same sex groups tend to form. It is important to suggest, where feasible, that gender diversity is beneficial to the business because it is more likely that a mixed gender cooperative can develop products and services that target male and female customers.
3. It is important that the same type of YEP cooperatives locate in different areas to reduce competition. Alternatively, make sure to encourage the same type of YEP cooperatives setting up their business in the same location to diversify their products and services.

STEP 14:

Facilitator: Recap the learning points of Activity 2.2.1.

Q: What did you learn?

Q: Do you have any questions?

UNIT 2.3

UNDERSTANDING HOW TO PLAN FOR MY BUSINESS

ACTIVITY 2.3.1

HOW CAN I PLAN FOR MY BUSINESS AND WHY SHOULD I DO IT?



LEARNING POINTS:

At the end of this activity the learners will:

1. Know the main steps of planning for their business.
2. Demonstrate how to set goals, develop a strategy, create a timeframe to reach their goals and evaluate their business.

MATERIALS:

flip chart sheets
colourful markers
adhesive tape

METHOD:

brainstorm
case study
group work

STEP 1:

Facilitator: Introduce Activity 2.3.1 by reading the title of the activity and the learning points.

NOTE

From this unit learners will work in their YEP cooperatives or business teams.

STEP 2:

Facilitator: Ask learners to sit in their YEP cooperatives or business teams.

STEP 3:

Facilitator: **Brainstorm**. Ask the learners to identify the business actions they implemented during the planning step of their business.

Q: What did you do during the planning step in simulation two? Discuss and highlight the relevant answers.

For example:

"The name of the business was agreed upon, roles between team members distributed and products and services were identified."

STEP 4:

Facilitator:  **Case study**. Read the story of Nura.

Halima (or use a local name) is a successful businesswoman. Halima's cousin Nura wants to follow Halima's success and decides to set up a business of her own. She asks for a loan from Halima and decides to travel to a nearby city, where she wants to buy some goods at a cheap price and re-sell them back in the village at a higher price and make a profit. Nura does not know exactly what she wants to buy, but she thinks, "I will decide what to buy for my business when I reach the market," as she gets on the local bus.

Nura's journey takes a long time. When Nura arrives in town she does not know where the market is and she has to spend extra money and time to reach it. Nura thinks to herself, "I should have asked the directions from my cousin Halima, but now it is too late."

Nura walks around the market for a long time, as she needs to decide what she wants to buy. Eventually she sets her eyes on some scarves.

They are cheaper than those sold in the village, but the colours are not very nice. Unfortunately Nura arrived too late at the market and the best scarves were sold early in the morning. However, Nura decides to buy some of the scarves and travel back home. It is late.

The next morning Nura sets off for the local market. When Nura arrives at the market, she finds out that she has to pay a fee in order to be able to sell her goods. Nura spends the last money remaining from the loan she received from her cousin.

Again Nura is late for her business, the problem with the market fee took up much of her time and when Nura is eventually able to set up her stall, most of her potential customers have already left the market, because they went home to cook lunch.

Nura did not sell any scarves because the businesswoman not so far from her stall was selling colourful scarves. Nura went home without money, with a debt she has to pay back to her cousin Halima and some scarves that are very hard to sell.

NOTE

Football is a good example for understanding and explaining business planning. In football the objective (goal) is to score a goal. The strategy can be explained by thinking about how players pass the ball to prevent the opposing team members from taking the ball. The timeframe is 90 minutes. And, the evaluation can be seen as the instruction they receive from their coach. Fans also provide a type of evaluation.

NOTE

Use Nura's example to help the learners answer the questions.

NOTE

You can share samples of business plan from YEP centres or the sample of business plan listed in **ANNEX 1**.

STEP 5:

Facilitator: Ask the learners to think about Nura's story and identify what went wrong. Discuss with the learners.

Q: What do you think went wrong in Nura's business?

For example:

"Nura did not have a clear business goal; she did not budget her money appropriately; Nura did not plan her time well."

STEP 6:

Facilitator: Ask the learners to give some advice to Nura.

Q: What could Nura have done differently?

For example:

"Nura should have identified what she wanted to buy before going to the market"

"Nura should have had a goal for her business"

"Nura should have managed her time better, and she should have asked her cousin for directions before setting off to town. "

STEP 7:

Facilitator: Write the words: goal, strategy, timeframe and evaluation on a flip chart. Ask the learners to give some examples.

Q: Can you give an example of a goal, strategy, timeframe and evaluation?

Highlight some of the relevant examples.



NOTE

Make sure that learners keep their business plans. They will continue to use them in the subsequent units.

LEARNING POINTS!

1. **A GOAL** is a clear statement, which outlines what you want to achieve in your business.
2. **A STRATEGY** is the steps that will take you to achieve your business goal.
3. **TIMEFRAME** is the time that you will need to complete the activities set out in your strategy.
4. **EVALUATION** is about evaluating your business and your success to see whether you are reaching your goal.

STEP 8:

Facilitator:  **Group work.** Distribute one flip chart paper and colourful markers to each team. Ask the learners to take some time to think about their YEP cooperative or business and write the following headings on the flip chart sheet and develop their own business plan. Use the  **sample business plan** in **ANNEX 1** if needed.

1. The goal of my business: what do I want to achieve in my business?
2. The strategy of my business: which steps should I take to achieve my goal?
3. The timeframe of my business: how long will it take to complete each step of my business strategy?
4. The evaluation from my business: how can I know if I am on the right track?

LEARNING POINTS!

The GOAL of a business must be S.M.A.R.T. It must be Simple, Measurable, Achievable, Realistic and Time bound

STEP 9:

Facilitator: Ask the teams to post their business plan on the wall and present their business plan. Discuss with the learners if the goals, strategies, timeframes and evaluation are S.M.A.R.T.

Q: Is the business plan S.M.A.R.T? Why?

STEP 10:

Facilitator: Recap the learning points of Activity 2.3.1.

Q: What did you learn?

Q: Do you have any questions?

ACTIVITY 2.3.2

WHERE CAN I FIND THE RESOURCES FOR MY BUSINESS?



LEARNING POINTS:

At the end of this activity the learners will:

1. Identify the different types of resources needed for their business.

MATERIALS:

flip chart sheets
colourful markers

METHOD:

group work
case study


NOTE

In this Activity you have the opportunity to invite a guest speaker, either a successful former YEP learner or a local business owner. Read the note at the end of this Activity on 'How to organize the visit of a guest speaker in a YEP centre'.

STEP 1:

Facilitator: Introduce Activity 2.3.2 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: Share with the learners, "We learned that a good business plan helps to prevent problems. In business it is important to take a step at a time and consider carefully the risks and the gains of each step." Read the following  **real life story** of a YEP learner from Timor Leste.

The real life story from Timor Leste

Antonio is a YEP learner in catering skills from one of the YEP centres in Timor Leste. Antonio lives in a rural village far from the YEP centre. Sometime after starting his training, Antonio noticed that in his place eggs were difficult to buy, so he decided to see if it was possible to buy eggs from an egg farm near the YEP centre and re-sell them in his village. During the weekend Antonio caught a bus to the egg farm and purchased some eggs with a small loan that he received from his aunt. Antonio sold the eggs to the kiosks near his home. After six months from starting his retail business Antonio was able to purchase a motorbike with the profit of his small business. After finishing the YEP training, Antonio started up his own catering business and slowly scaled up his business. Now Antonio sells buns, bread and cakes together with fresh eggs to the kiosks near his home and his business and his profit increased considerably.

Q: How did Antonio build up his business?

Discuss the real life story.

LEARNING POINTS!

1. A successful strategy in business is to start small and scale it up when you earn extra income.
2. Ask for small loans when you try an idea and when you see that the business idea is working invest some of the profit in improving your business like in Antonio's case, he bought a motorbike that later helped him also in the delivery of his bakery products.
3. Develop personal initiative.
4. Develop a business plan.

NOTE

The vocational skills, the business skills and the life skills learned during the YEP training are part of the resources you have available for your business.

STEP 3:

Facilitator: Ask the learners to think about their YEP cooperative or business and identify the resources they will need to start up and run their business.

Q: Which kind of resources will you need in your business?


Discuss with the learners.

LEARNING POINTS!

The resources needed to launch a new business are generally classified in three groups:

- 1. FINANCIAL RESOURCES:** the initial capital needed to start-up the business and the resources to run it. A financial plan is usually part of your business plan.
- 2. HUMAN RESOURCES:** the people needed to manufacture your products or service, the people needed to manage your business and to sell your products.
- 3. MATERIAL RESOURCES:** the raw materials, the tools for production.

STEP 4:

Facilitator:  **Group work.** The resources for your YEP cooperative or business can come from different sources. Ask each team to identify where they can find the material resources, the human resources and the financial resources for their business.

Q: Where can you find the resources for your YEP cooperative or business?

Let the learners discuss in their teams first, then continue the discussion with all teams together.

For example:

“Personal savings, family funds, friends, family members, banks, micro-credit, YEP start-up kit.”

NOTE

Be careful there are many scams and frauds to be aware of, for instance, loans should only be obtained from reliable sources.

LEARNING POINTS!

1. Personal sources are family members, friends, personal savings and the vocational - business - and life skills learned during the YEP training.
2. External sources are banks, micro-credit opportunities, and revolving funds.

STEP 5:

Facilitator: Financial resources are key resources in the starting-up phase of a business. In simulation two you were given 200 YEP money to start up your business. In real life this money is considered a loan and it can be obtained from either personal or external sources. There are different advantages and disadvantages related to the sources of your financial resources. Can you identify them? Ask the learners:

Q: Which are the advantages and disadvantages of obtaining financial support from personal and external resources?

For example:

"Advantages noted from obtaining financial assistance from personal sources include lower interest rates, they may be quicker to obtain, and they may not require a guarantee."

"The disadvantages of receiving financial help from personal sources may be that the loan size is small, and one may be asked for personal favours once the business opens."

"The advantages of obtaining financial help from external resources are that loans may be larger and banks may be able to help you to develop a business plan."

"The disadvantages include facing penalties if there is any delay in paying back the loan, interest rates may be high and a guarantee is most likely required."

STEP 6:

Facilitator: Ask trainees to add the identified resources needed for their business to their business plans developed in Activity 2.3.1.

STEP 7:

Facilitator: Invite a guest speaker to talk about a successful YEP cooperative, a successful local business and local micro-credit opportunities.

Guest speakers will allow the learners to have first hand information on business development and locally available financial loans. Follow the steps to prepare for the guest speaker visit.

STEP 8:

Facilitator: Recap the learning points of Activity 2.3.2.

Q: What did you learn?

Q: Do you have any questions?

GUEST SPEAKER VISIT

STEP 1:

Facilitator: Identify a suitable guest speaker from your local community and contact her/him. Provide a brief introduction to the NRC YEP programme and the background of the business training. If needed, you can ask the NRC team to provide you with the necessary papers and information.

STEP 2:

Facilitator: Visit the guest speaker prior to her/his visit to the YEP centre and agree on the key messages and examples that can be shared with the learners.

STEP 3:

Facilitator: Discuss the duration of the visit, the number of learners and possible materials that can be shared with the learners. Discuss cultural sensitivities.

STEP 4:

Facilitator: Prepare the learners for the guest speaker visit. Develop some questions that the learners can ask the guest speaker.

STEP 5:

Facilitator: Arrange transport and refreshments.

STEP 6:

Facilitator: Write with the learners a thank you letter to the guest speaker.

STEP 7:

Facilitator: Write with the learners a short follow-up story for the YEP centre newsletter highlighting the lessons learned.

UNIT 2.4

UNDERSTANDING HOW MY LOCAL MARKET WORKS

ACTIVITY 2.4.1

HOW DOES MY LOCAL MARKET WORK AND WHY SHOULD I KNOW IT?



LEARNING POINTS:

At the end of this activity the learners will:

1. Know the concepts of market, demand, customers and competitors.

MATERIALS:
flip chart
markers

METHOD:
brainstorm
case study

STEP 1:

Facilitator: Introduce Activity 2.4.1 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: Write on the flip chart the words MARKET, DEMAND, CUSTOMER and COMPETITORS. **Brainstorm.** Ask the learners to define each word.

Q: What comes to your mind when I say the words: market, demand, customer and competitors?

Write the relevant answer under each word.

LEARNING POINTS!

DEMAND	When a product or service is needed/ wanted (demanded) by a group of people, there is demand.
CUSTOMERS	The people who need the product or service and are willing to pay for it.
COMPETITORS	Business people who provide similar products or services and who are located in the same market, compete over the same customers.
MARKET	The number of customers in the community represents the market.

STEP 3:

Facilitator: **Case study.** Read the following case study to the class:

Munene (or use a local name) is a small farmer. Last month he noticed that the price of tomatoes in the market increased considerably because there were not many tomatoes available in the market but the demand for tomatoes was high. Many people in the community, customers, needed tomatoes and were willing to buy.

Munene decided to plant tomatoes. When the tomatoes were ready to sell in the market the price dropped because there were many competitors (other farmers) selling tomatoes. They had his same idea.

Munene noticed that the price of spinach increased, because now there was a demand for spinach, but unfortunately he planted only tomatoes.

Munene was very sad. He had really hoped to make some money from selling the tomatoes. He wanted to buy a new tool for the farm and to pay for his youngest daughter school fees.

STEP 5:

Facilitator: Ask the learners to take some minutes to think over the case study of Munene and answer the following questions:

Q: Why was Munene not able to make a good business?

Discuss the case study.

For example:

“Munene did not plan his crops (product) ahead in order to have a variety at all times.”

“Munene did not have tomatoes and spinach when the market demanded it.”

“Munene did not take in consideration his competitors.”

“Munene was not able to buy the new tool and could not pay the school fees for his daughter.”

STEP 6:

Facilitator: Ask each team to reflect on the case study and come up with a solution for ‘Munene’.

Q: What should Munene have done?

Q: Which information should Munene have collected before setting up his business?

Discuss the answers.

STEP 7:

Facilitator: Ask the participants to identify the reasons why it is important for a business owner to know how the local market works.

Q: Why do you think it is important to know how your local market works?

For example:

“It is important to know your local market in order to be able to sell your products or to provide services.”

“The products and services must respond to the market demand, the customers’ will and need to buy them and have competitive prices.”

STEP 8:

Facilitator: Recap the learning points of Activity 2.4.1.

Q: What did you learn?

Q: Do you have any questions?

ACTIVITY 2.4.2

HOW CAN I ASSESS MY LOCAL MARKET AND WHY SHOULD I ASSESS IT?



LEARNING POINTS:

At the end of this activity the learners will:

1. Be able to compile a market survey.

MATERIALS:

flip chart
markers
sample of market survey
adhesive tape

METHOD:

brainstorm
group work
market survey

STEP 1:

Facilitator: Introduce Activity 2.4.2 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: In Activity 2.4.1 we learned that in order to know how our local market works we need to know about our customers' needs and ability to pay, we need to know the demand for a product or service and we need to know our competitors and their prices for the products and services that we want to sell and provide. In this activity we will look into how we can assess the local market.

Write the words: competitors, customers, product/service and prices on a flip chart and ask the learners.

Q: How can we collect the information we need for our business in relation to our competitors, the customers, the product/service, and the prices in our local market?

For example:

"We can ask the customers, observe other businesses, note the prices in different periods of the year, and look at the prices of our competitors."

STEP 3:

Facilitator: **Group work.** Distribute a flip chart sheet and some markers to each team. Ask each team to reflect and identify the information they need for their business from the local market:

Q: What do you want to know about competitors in your local market?

Q: What do you want to know about customers in your local market?

Q: What do you want to know about products/services in your local market?

Q: What do you want to know about prices of products/services in your local market?

STEP 4:

Facilitator: Ask each team to write the relevant questions under each category: competitors, customers, products/services and prices. Refer to the case study of Munene to help the learners identify relevant questions.

STEP 5:

Facilitator: Following you can find a **sample of a market survey** you can adapt to your context.

NOTE

It is important to highlight that a market survey should be carried out at different times of the day because the number of customers changes throughout the day.

NOTE

This sample of market survey is indicative. The most important thing is to get each team to identify the relevant information they need to identify the right products and services for their business in the most realistic way.

SAMPLE OF MARKET SURVEY

Note that observations should be carried out in the morning, at noon and in the evening.

COMPETITORS:

Objective: Identify where there are gaps in the local market.

1. Which businesses are available in my local market?

2. How many business of the same type are available in my local market?
For example: there are five hairdressers, four butchers, and ten kiosks selling vegetables, four carpenters.

3. Where are they located?
For example: all the kiosks selling vegetables are at the entrance of the market, or in the same street.

4. Which products are the most requested?

5. What do people buy more frequently?

6. Make a list of the five products under each business that are sold more frequently.

7. Make a list of the five products under each business that are requested rarely or never.

CUSTOMERS:

Objective: Identify my potential customers.

1. Which businesses have the most customers?
 This observation should be carried out in the morning, at noon and in the evening.

2. Ask some of the customers why they went shopping in that business or service
For example: because the shop is nearby the school, the quality of the goods is high, there is a variety of goods, you can sit and watch TV while waiting.

3. Ask some of the customers what they would like to buy in the market not available.

PRODUCT/SERVICE:

Objective: Identify a product or service that has a potential to be sold in the local market.

1. Think about a product or service which you would like to sell or provide.

Q: Which product or service did you plan for your business?

Q: Is there a product or service in the local market that can match your idea for a product or service? Identify it by looking around your local market.

If you identified a product or service in your local market that is similar to your idea (for example, the frame of a bed) observe its characteristics.

Q: Can you make or provide something different that can better meet the demand of the customers? How?

2. Ask some of the customers the reasons why they bought the product or used the service similar to your idea.

Q: Are you satisfied with the product/service you just bought? Why?

Q: What would you change in the product/service if you could? Why?

PRICES:

Objective: Identify the market prices for your product/service.

1. Ask different businesses the price of their five most sold products/service and note it down:

1.....

2.....

3.....

4.....

5.....

For example:

"Potatoes in business one cost \$1 per kilogram, in business two they cost \$2 per kilogram and in business three they cost \$3 per kilogram."

Remember to thank the people you interview for the information provided. The people you meet during your market assessment may be your future customers.

STEP 6:


Facilitator: Ask one team to volunteer and present their market survey.

STEP 7:

Facilitator: Assess if the questions are well formulated in order to get the wanted information. Ask the other teams to comment and supplement.

Discuss with the learners, which are the most suitable questions for the market survey. Use the examples of the **SAMPLE OF MARKET SURVEY** if necessary.

STEP 8:

Facilitator:  **Group-work**. Ask each team to revise the market survey and prepare the final draft of their market survey.

STEP 9:

Facilitator: Ask the learners the reasons why it is important to conduct a market survey.

Q: Why do you think it is necessary to conduct a market survey before opening your business?

Discuss with the learners.

For example:

"The market survey helps one to identify products."

"A market survey provides accurate information needed to determine the costs of products and services."

"Likewise, the market survey helps one to understand how the local market works."

STEP 10:

Facilitator: Recap the learning points of Activity 2.4.2.

Q: What did you learn?

Q: Do you have any questions?

ACTIVITY 2.4.3

HOW CAN I CARRY OUT THE MARKET SURVEY IN MY LOCAL MARKET?



LEARNING POINTS:

At the end of this activity the learners will:

1. Know what products or services are in demand in their local markets.
2. Know who are their competitors.
3. Know which are the acceptable prices for their products.
4. Know their customers.

MATERIALS:

flip chart paper
markers
A4 paper
pens
notebooks
local market coordinator
posters

METHOD:

practical exercise
simulation

NOTE

Particular care should be given to the handling of cash. Each team must have a safety box and a designated person to look after it.

NOTE

It may be difficult for the YEP vocational skills that provide a service to set up a temporary stall, like in the case of hairdressing. Discuss possible solutions with your YEP colleagues and the NRC team.

MARKET SURVEY STRATEGY ONE:

In this activity each YEP team manufactures two or three testing products in the YEP centre and sells them in their local market. During the selling time the learners carry out the market survey. Discuss this activity with the YEP centre manager, your YEP colleagues and the NRC team and prepare for it in time.

STEP 1:

Facilitator: Introduce Activity 2.4.3 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: Ask each YEP team to identify two or three different products or services that they would like to sell in their local market. They can use the ideas developed during one of the simulations.

STEP 3:

Facilitator: Make sure that you have all the raw materials available and allocate the time needed to manufacture the products or services.

STEP 4:

Facilitator: Ask the relevant authorities in your local market permission to set-up a temporary selling post for three days.

STEP 5:

Facilitator: Distribute markers and a flip chart sheet to each team. Ask each team to make a list of the materials they need to set up their temporary stall in the local market.

Q: What do you need to set up your temporary stall in the local market and where can you find it?

For example:

"A table to place your products (borrowed from the YEP centre)."

"Containers for the products (manufactured in the YEP centre)."

"Labels for the prices and descriptions of the products (developed during the YEP classes)."

STEP 6:

Facilitator: Arrange for the YEP teams to reach the local market and set up their temporary stall. Make sure that the stalls are well spread out and in different locations of the market. Avoid having temporary stalls located next to each other since this may make it difficult to sell. If YEP teams set up the same types of businesses this may also make it difficult to carry out the market survey.

NOTE

Evaluate at what times it would be possible to collect market information in your context. Make sure not to put the learners at risk.

STEP 7:

Facilitator: Distribute one notebook and some pens to each team. The learners will record the information collected from their observations and enquiries. Make clear that information should be collected in the morning, at midday and in the evening for three days.

STEP 8:

Facilitator: Ask the learners to appoint a leader for the annotation in the notebook. Ask teams to appoint a responsible data collector for competitors, customers, product/service and prices.

STEP 9:

Facilitator: At the end of the three days running the temporary stall, arrange for a feedback session with all the teams.

STEP 10:

Facilitator: Ask each team to answer the following questions and share the information with the class.

Q: What did you learn about your competitors?

Q: What did you learn about your customers?

Q: What did you learn about your prices?

Q: What did you learn about your products and services?

STEP 11:

Facilitator: Ask the learners to adjust the new products to the market demand and if the exercise was useful for the YEP teams you can repeat this Activity with new products and services.

STEP 12:

Facilitator: Ask teams to formulate a market strategy based on the information they have gathered and include this in their business plan developed in Activity 2.4.1.

STEP 13:

Facilitator: Recap the learning points of Activity 2.4.3.

Q: What did you learn?

Q: Do you have any questions?

MARKET SURVEY STRATEGY TWO:

In case the temporary stall is difficult to implement in your context, you can try to carry out the market survey in the classroom. Ask one or two of your colleagues from other YEP skills to join you in this activity and arrange a suitable date to run this activity together.

STEP 1:

Facilitator: Introduce Activity 2.4.3 by reading the title of the activity and the learning points.

NOTE



You may have a different idea on how to carry out the market survey in your context. Please discuss it with the YEP centre coordinator and the NRC team if you need further support.

**LOCAL MARKET
EXPERT OFFICE**

GET TO KNOW YOUR MARKET

ASK ME!

STEP 2:

Facilitator:  **Role-play.** Ask your YEP colleague/s to assume the role of  **local market expert** and share the following description of the role they have to play:

The local
market expert:

You are the coordinator of your local market. You know all the types of businesses present in the market. You know the prices of all the products. You know how the market is working at this time of the year. Your task is to answer the questions of the YEP teams during the market survey as realistically as possible.

STEP 3:

Facilitator: Set up the local market experts' office in two different corners of the classroom using the local market expert office poster. If you are able to play open a third local market expert office.

STEP 4:

Facilitator: Make sure that each team has the draft of the market survey questions developed in activity two. If possible write the market survey questions on an A4 sheet or use the **SAMPLE OF MARKET SURVEY**.

STEP 5:

Facilitator: Ask each team in turn to carry out their market survey by interviewing the local market expert. Make sure that all teams have the opportunity to interview the local market expert. Try to keep the interview time at a maximum of 30 minutes per team.

STEP 6:

Facilitator: After each team has finished interviewing the local market coordinator ask each team one of the following questions:

Q: What did you discover about competitors?

Q: What did you discover about customers?

Q: What did you discover about products and services?

Q: What did you discover about prices?

Discuss the answers with the YEP teams.

STEP 7:

Facilitator: Ask teams to formulate a market strategy based on the information they have gathered and include this in their business plan developed in Activity 2.4.1.

STEP 8:

Facilitator: Recap the learning points of Activity 2.4.3.

Q: What did you learn?

Q: Do you have any questions?

ACTIVITY 2.4.4

HOW CAN I DEVELOP MY PRODUCT OR SERVICE AND WHY SHOULD I DO IT?



STEP 1:

Facilitator: Introduce Activity 2.4.4 by reading the title of the activity and the learning points.

STEP 2:

Facilitator:  **Real life story** . Read the inspiring story of William.

William is a young man from Malawi, in Africa. William and his family live in a rural village where they grow crops, the little rain regularly affected the crops and in a bad season William and his family would struggle to have enough food to eat.

William read about windmills in a book. The book illustrated how a windmill produces energy and how the energy from the windmill can help pump the water from the bore hole to the crops.

William started dreaming of building a windmill. Supported by his innovative idea, his personal initiative and determination, William embarked on a daring plan to bring his family electricity and running water. Using scrap metal, tractor parts, and bicycle halves, William followed the pictures of the book and built a basic yet operable windmill, complete with homemade switches and a circuit breaker made from nails and wire. He used the power generated by the windmill to both recharge the mobile phones in his village and also to pump water to the farm.

William's determination and initiative provided income for his family and supported the regular irrigation of the crops, and the boy became an inspiration to those around the world.

STEP 3:

Facilitator: Discuss the story with the learners. Emphasize that thinking 'outside the box' and being creative can give great results.

STEP 4:

Facilitator: Ask the learners to think about simulation one and two and identify how they developed their products or services.

Q: How did you develop your products during simulation one and two?

Q: How could you develop the product or service further so it doesn't look like any other items in your local market?

Q: Why is it important to develop new products or services?

For example:

"To help develop the market further and to avoid saturating the market."

LEARNING POINTS:

At the end of this activity the learners will:

1. Identify different ways of developing a product or service.
2. Know the different concepts of value; quality value, cultural value and environmental value.
3. Be able to think on innovative ideas.

MATERIALS:

flip chart paper
markers of different colours
A4 papers


METHOD:

real life story
group work
picture gallery

NOTE

If you have access to a fast internet connection, you can see William telling his personal story on the following website:
www.ted.com/talks/william_kamkwamba_how_i_harnessed_the_wind.html
Ask the NRC team if they can support you showing the video.

STEP 5:

Facilitator:  **Group work.** Distribute a piece of blank A4 paper to each learner and distribute a set of different colour markers to each team.

STEP 6:

Facilitator: Ask each member of the team to think of and draw a new product or service related to their YEP vocational skill. It can be according to the market survey they undertook, a great idea they have, a simple solution to a specific problem that they have experienced, or a product or service they have seen that could be improved. Encourage learners to be creative.

STEP 7:

Facilitator: Ask each member of the team to use a pen to write the price of their product or service in the corner of the paper and place the drawing in the middle of the table.

STEP 8:

Facilitator: Ask the learners to look at the drawings on the table and indicate that those are the products for sale in their business. Ask the learners:

Q: How can you develop this product or service?

Ask each member of the team to pick up one drawing making sure that it is not the same drawing they produced. Ask each member of the team to add value to the product or services by drawing new details in the picture, and estimate the new price and write it next to the first price.

For example:

“A chair is worth \$1. By adding a cushion to the chair it increases it’s value to \$1.5. If one paints the chair an attractive colour it increases in value to \$2. Carving the chair with the name of the owner raises the price to \$3. Additionally, labeling the product would increase the value to \$5.”

STEP 9:

Facilitator: Ask the learners to pass the drawing to the person sited next to them. Again develop the product or service by drawing new details on the pictures, and re-pricing the product or service. Keep going until no one can think of any additional details.

STEP 10:

Facilitator: Discuss the activity with the teams. Focus on the process of coming up with new ideas and developing a product and/or service.

Q: How did you develop the products and/or services?

Q: Why is it important to develop new ideas?

Q: How did the development affect the price?

STEP 11:

Facilitator: **Gallery walk.** Ask each team to post their drawings on the wall and take some time to look at the drawings of the other teams. Discuss how the different teams developed their products and/or services.

Point out the new details added to the pictures and the different prices from the original picture to the finished product.

STEP 12:

Facilitator: Ask the teams to identify the most original product among the drawings.

Q: In your opinion, which one is the most original product or service? Why?

Ask each team to select the most original and unique product/s or service/s produced during this activity and discuss the reasons why.

STEP 13:

Facilitator: Ask learners to identify which product or service is the most marketable.

Q: Which product or service meet the demand of your local market best? Why?

STEP 14:

Facilitator: The kind of value we can add to our products and services varies and different people have different ideas of what value is. In general we can say that there are three main categories of developing or adding value to a product or service. Write the three categories on a flip chart and explain the meaning of each category.

LEARNING POINTS!

QUALITY ADDED VALUE: involves making the product or service of a superior performance and longer resistance.

For example:

“If you add double stitching to a garment, it becomes more resistant; if you use good quality materials for a garment, it becomes of a better quality.”

“The quality can also depend on the quality of the material, like in the simulation, the orange raw material symbolised higher quality.”

CULTURAL ADDED VALUE: involves making a product or service culturally relevant for the needs and sensitivities of cultural groups.

For example:

“Making Halal meat according to Muslim traditions, or using your local language in marketing, packaging or other written communication, or decorating a product according to a specific perception of beauty.”

ENVIRONMENTAL ADDED VALUE: involves production methods or systems that do not harm the environment or are less harmful than those currently used.

For example:

“Using less electricity, using less fuel or using recycled material for making the products or the packaging.”

STEP 15:

Facilitator: ask learners in which ways they developed their products or services according to the three categories.

Q: In which ways did you develop your products or services?

STEP 16:

Facilitator: Recap the learning points of Activity 2.4.4.

Q: What did you learn?

Q: Do you have any questions?

UNIT 2.5

UNDERSTANDING THE COSTS OF MY BUSINESS

ACTIVITY 2.5.1

HOW MUCH DOES IT COST TO SET UP AND RUN A BUSINESS AND WHY IS IT IMPORTANT TO KNOW IT?



LEARNING POINTS:

At the end of this activity the learners will:

1. Be able to distinguish between direct costs and indirect costs of their business.
2. Understand when to pay for the different costs of their business.

MATERIALS:

flip chart paper
markers of different colours
A4 papers
rulers

METHOD:

brainstorm
group work

STEP 1:

Facilitator: Introduce Activity 2.5.1 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: Ask the learners to think at the word COST.

Q: What comes to your mind when I say the word cost?

For example:

"All the money a business spends to make and sell a products or services".

STEP 3:

Facilitator: **Brainstorm.** Ask the learners to identify the costs related to a business. Discuss with the teams and highlight the relevant examples.

Q: What costs are involved in running a business?

STEP 4:

Facilitator: Explain: there are different kinds of costs involved in running a business. All businesses have two types of costs: DIRECT COSTS and INDIRECT COSTS.

Ask the learners to think about the activities of a business and identify some examples of direct costs and indirect costs.

Q: Which do you think are the direct costs in your business?

Q: Which do you think are the indirect costs in your business?

For example:

"The rent for your workshop is an indirect cost, it is important to run your business, but it is not directly involved in the manufacturing process."

STEP 5:

Facilitator: Explain the difference between direct and indirect costs using the definitions in the learning points below:

LEARNING POINTS!**1. DIRECT COSTS**

Direct material costs are directly related to the products or services that your business makes or sells.

For example:

“Fabric and buttons used to make a garment are direct costs because they become part of the product of the business; these are direct material costs.”

Direct labour costs are directly related to the production of your products or services.

For example:

“The time and labour that the tailor put in the production of the garment; these are direct labour costs.”

2. INDIRECT COSTS

Indirect material costs are all other costs, that a business needs for running. Indirect costs are normally not directly related to one particular product or service. They are costs for the whole business. Indirect costs are sometimes called overheads or expenses.

For example:

“Equipment; utilities (electricity, water, cleaning); rent deposit for your business; signage (the costs of advertising your business, painting the name on the front door); and taxes (cost of registering your business).”

Among the indirect costs of a business are also the indirect labour costs, which are the labour costs incurred outside the production process of your business.

For example:

“The salesperson for your business; the security person (if you have to pay for security staff at night); and, cleaning costs (if you pay for cleaning services).”

DIRECT COSTS=

DIRECT MATERIAL COSTS
DIRECT LABOUR COSTS

INDIRECT COSTS=

INDIRECT MATERIAL COSTS
INDIRECT LABOUR COSTS

STEP 5:

Facilitator: Ask the learners to identify the reasons why they should understand the costs of their business.

Q: Why is it important for a business owner to understand the costs of their business?

Discuss with the learners.


For example:

“A business must earn more money than the money (costs) spent to run it in order to make a profit, knowing the costs of a business helps in making good decisions.”

NOTE

Highlight that during the simulations learners are asked to keep business and personal expenses in two different boxes for this reason.

STEP 6:

Facilitator:  **Group work.** Distribute a flip chart sheet and markers to each team. Ask each team to think about costs that will incur in their future YEP cooperative and list them under direct costs and indirect costs.

Q: Which costs will you have to consider in your future YEP business?

STEP 7:

Facilitator: Ask each team to present their list. Discuss.

Q: Were all the costs involved in a business considered? Are they under the right category?

Discuss with the teams and correct where necessary.

STEP 8:

Facilitator: Ask the teams whether they considered 'personal expenses'?

Q: In which category did you consider 'personal expenses'?

Discuss with the teams.

LEARNING POINTS!

Personal expenses, like food for the family and mobile phone costs, should be considered part of the 'salary' of each employee and must be kept separated from business costs.

STEP 9:

Facilitator: Continue the group work. Ask each team to identify the amount of each cost involved in the running of their YEP cooperative or business. Use one month as time frame.

STEP 10:

Facilitator: The costs of a business happen at different times throughout the life of the business. Ask the learners to identify when the direct costs and indirect costs they have identified for their business will occur.

Q: When will you have to pay for the different costs in your business?

Use some of the costs as examples and discuss with the teams.

LEARNING POINTS!

Direct costs change depending on how busy the business is, if you produce more, you spend more.

Indirect costs happen regularly, for example, every month for electricity bills or every year in the case of taxations.

You can use the following sample of business costs table as an example. Ask learners to keep one month as the timeframe. Ask teams to make a column for additional observations if necessary:

SAMPLE OF BUSINESS COSTS

NAME OF THE BUSINESS: The Perfect Hair DATE: December 2013			
COSTS	AMOUNT	WHEN TO PAY	OBSERVATION
DIRECT COSTS			
Raw material, hair relaxer	\$ 50	50% at the beginning and 50% at the end of the month	I can use the money from the sale
INDIRECT COSTS			
Monthly rent	\$ 50	Every 30th of the month	If I delay the payment I will have a penalty of \$ 10 to the landlord

STEP 11:

Facilitator: Ask one team to present their table and discuss it with the teams.

STEP 12:

Facilitator: Ask the learners to identify the reasons why it is important to know the time frame of the business costs.

Q: Why is it important to know when you have to pay for the different costs of your business?

Discuss with the teams.

LEARNING POINTS!

1. Knowing the direct costs and the indirect costs of your business allows you to plan ahead for your business.
2. The time frame of the payments helps to understand how much and when cash is needed.
3. Keeping track of your costs will help you to understand the different costs. We will discuss this further when we talk about record keeping in Module 3.

STEP 13:

Facilitator: Ask teams to include their business costs calculations to their business plans developed in activity 2.4.1.

STEP 14:

Facilitator: Recap the learning points in Activity 2.5.1.

Q: What did you learn?

Q: Do you have any questions?

ACTIVITY 2.5.2

HOW CAN I SET THE PRICES OF MY PRODUCTS AND SERVICES AND WHY SHOULD I DO IT?



LEARNING POINTS:

At the end of this activity the learners will:

1. Know the concepts of cost, price and profit.
2. Be able to set a realistic price for their products or services.
3. Know different ways of making prices more attractive.

MATERIALS:

flip chart paper
markers of different colours

METHOD:

brainstorm
group work

STEP 1:

Facilitator: Introduce Activity 2.5.2 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: Write on the flip chart the words COST, PRICE and PROFIT. **Brainstorm.** Ask the learners to define each word.

Q: What comes to your mind when I say the words: cost, price and profit?

Write the relevant answers on a flip chart.

LEARNING POINTS!

COST	All the money your business spends to make and sell your products or services. Costs can be divided into direct costs and indirect costs.
PRICE	Price means the amount asked for a product or service. It is connected to the value or worth of the product or service, customers willingness to pay, and it reflect the cost of production making sure the price gives a high enough profit.
PROFIT	The amount of money a business earns. You make a profit when the amount of money that comes into the business from sales is higher than the amount of money that goes out of the business for costs.

STEP 3:

Facilitator: In Activity one we learned how to identify and price direct costs and indirect costs in the YEP cooperative or business. Ask the learners to identify the relation between costs and prices of products and services.

Q: Why do you think it is important to understand the costs of your business before determining a price for your products and services?

Discuss with the learners.

For example:

"If the costs of your business are higher than the price you set for your products and services, you will lose money."

"Knowing the costs helps you to negotiate better with your customers."

"Knowing the costs of your business helps you set the prices in order to make a profit."

NOTE

The salaries are included in the cost.

STEP 4:

Facilitator: Setting the price for products and services is very important for the survival and success of a business. To determine the price for a product or service one must know how cost, price and profit work together. Copy the following table to the flip chart and explain.

$\text{COST} + \text{PROFIT} = \text{PRICE}$	or	$\text{PRICE} - \text{COST} = \text{PROFIT}$
$\$7 + \$3 = \$10$	or	$\$10 - \$7 = \$3$

Discuss with the teams

For example:

"Your total profit from sales depends on how much profit you make on each product or service."

"Your total profit from sales depends on how many of each product or service you sell."

STEP 5:

Facilitator: Ask the learners to identify the consequences of setting prices too low.

Q: What happens if you sell your products and services at a price that is too low?

For example:

"Most likely you will sell a lot of the product, but you won't make much profit because you are not covering your costs."

"The customers may think that your products and services are of poor quality and not buy them."

STEP 6:

Facilitator: Ask the learners to identify the consequence of setting prices too high.


Q: What happens if you sell your products and services at a price that is too high?

For example:

"Your customers will buy from your competitors."

"You may not sell many products and services and you will not make much profit."

STEP 7:

Facilitator:  **Group work.** Ask each team to identify two products or services they would like to sell or provide in their business and write them on a paper.

STEP 8:

Facilitator: Ask each team to calculate the price of the products and services of their business. Ask each team to use their business plan as a guide. Allow 10 minutes for the exercise.

STEP 9:

Facilitator: Ask one of the teams to explain how they calculated the prices of their products and services.

Q: Which costs did you take in consideration to set the prices?

For example:

"To set your prices you need to know how much customers are willing to pay for the product or service. You gathered this information from the market survey."

"To set your prices you need to know your competitors' prices. You gathered this information from the market survey."

"To set your prices you need to know your costs. You elaborated on this information in activity one."

"To set your prices you need to know how to make your prices more attractive."

"Your prices must be low enough to attract customers to buy."

"Your prices must be high enough to give your business a profit."

STEP 10:

Facilitator: Invite the learners to swap their pricing list with other teams and discuss if the prices set for the products or services allow profit.

Q: Do you think that the prices listed will bring profit to the business? Why?

Discuss with the teams and highlight significant examples for your context.

NOTE

Your selling skills should encourage your customers to buy other products or services. We will discuss customer care and selling skills in the next module.

STEP 11:

Facilitator: Prices can attract customers, especially if the quality of your products and services is good. There are different strategies to set prices that are attractive.

LEARNING POINTS!

1. You can put your prices down a little to make them sound lower to the customers, for example:

\$0.99	<i>Instead of</i>	\$1.00
\$4.99	<i>Instead of</i>	\$5.00
\$99.99	<i>Instead of</i>	\$100.00

2. To attract customers to come to your business, you can sometimes use special offers, even with low profits. When your customers come for the special offers, they often buy other products as well.

3. When you begin to sell a new product or service, you want to attract people to try it. You can set a low introductory price that only gives you a small profit for the first few weeks that you sell the new product. If customers like the product, you can slowly increase the price so that it gives you a higher profit.

4. A discount means a lower price, you can get a discount from a supplier and you can give a discount to a customer. For example, if a customer buys a large quantity, you can offer a quantity discount, if a customer pays cash, you can offer a cash discount, at certain times of the year, you can offer a seasonal discount.

STEP 12:

Facilitator: Recap the learning points in Activity 2.5.2 .

Q: What did you learn?

Q: Do you have any questions?

ACTIVITY 2.5.3

HOW CAN I CALCULATE MY PERSONAL INCOME AND WHY SHOULD I DO IT?



LEARNING POINTS:

At the end of this activity learners will:

1. Be able to calculate their weekly income.
2. Know how to account for personal expenses.

MATERIALS:

flip chart paper
markers of different colours

METHOD:

brainstorm
group work

STEP 1:

Facilitator: Introduce Activity 2.5.3 by reading the title of the activity and the learning points.

STEP 2:

Facilitator: In Activity 2.5.1 one we learned that we have to consider both direct and indirect costs when running a business. In this activity we will focus on labour costs in a small business. In order to calculate the personal income of each member of the YEP cooperative we need to focus on the DIRECT and INDIRECT LABOUR COSTS.

NOTE

Recap the division of direct costs and indirect costs.

DIRECT COSTS=

DIRECT MATERIAL COSTS
DIRECT LABOUR COSTS

INDIRECT COSTS=

INDIRECT MATERIAL COSTS
INDIRECT LABOUR COSTS

STEP 3:

Facilitator: It is complicated to distinguish between the direct and indirect labour costs in the YEP cooperative because it is a small scale business and each member contributes both directly to the production and also in the running and general maintenance of the business. We will therefore assume that all members are counted as direct labour cost.

NOTE

Once the business is up and running the salaries should be accounted for in the weekly cost/ cash out of the business.

STEP 4:

Facilitator: In order to calculate the weekly income of each member of the YEP team it is necessary to calculate the weekly profit of the business.

Weekly sales	- minus	Weekly costs	= equals	Weekly profit
Cash in	- minus	Cash out	= equals	Weekly profit

NOTE

This exercise can be repeated in the numeracy/ literacy classes.

STEP 5:

Facilitator: Ask the learners how to calculate the weekly income of each member of the YEP cooperative.

Q: How can you calculate the weekly income (salaries) of each member of the team? Use the amount of profit you estimated in step 4.

Weekly profit	/ divided	Number of team members	= equals	weekly income of each member
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STEP 6:

Facilitator: In a YEP cooperative salaries can be paid weekly and are calculated by the team member designated to record keeping with the help of the other members. It is important to keep in mind that the weekly income (cash) must be kept in a safe place in order to avoid unpleasant surprises. Discuss among your team members how and where to keep your cash safely.

For example:

"At least two trustworthy YEP members must handle the cash with the regular supervision of the other members."

"They must keep the cash in a safe place."

STEP 7:

Facilitator: Ask the teams to think about the discussion on 'personal expenses' in Activity 2.5.1 and ask:

Q: Under which business costs were 'personal expenses' considered?


Q: Where should 'personal expenses' be calculated?

Discuss with the team.

LEARNING POINTS!

1. Personal expenses, like in the case of food during simulation two, should be considered as salaries, it is therefore important that each team member receive some income every week.
2. Business cash should NOT be used to pay for personal expenses. In case this happens under exceptional circumstances the money should be recorded as SALARY ADVANCE in the record book under cash-out.

STEP 8:

Facilitator:  **Group work.** Discuss with the learners what the YEP cooperative members should do in the case of the YEP cooperative not making profit. Try to highlight realistic alternatives and solutions.

Q: What should you do in the case your YEP cooperative fails to make profit for some time?

STEP 9:

Facilitator: Recap the learning points in Activity 2.5.3.

Q: What did you learn?

Q: Do you have any questions?