



Generate Your Business Idea

Module 5: Selecting your Business Idea

March 2023

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Zwolle, the Netherlands
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Module overview

Objectives

- To shortlist your business ideas to 3 options.
- To assess the top 3 business ideas and select your best business idea.
- To clearly describe your selected business idea.

Materials

- Flipcharts and markers
- Papers and pens
- Figure of 3 the elements of a good business idea
- Example of Miranda: selecting best business ideas (attached)
- Flipchart with screening questions (see theory)
- Business Idea form (attached)
- Picture of the steps of the Generate Your Business Idea training

Duration

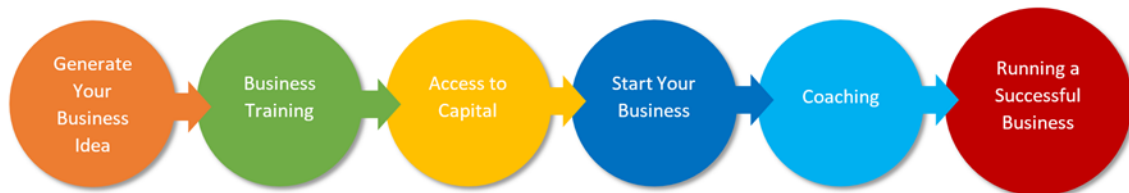
Element	Duration
Introduction	15 minutes
19. Screen your ideas	60 minutes
20. Conduct a field research	60 minutes
21. Make a SWOT analysis	90 minutes
22. Your final business idea	45 minutes
Closure	15 minutes
Total	4 hours and 45 minutes



Introduction

- Welcome the participants and make sure everybody feels at ease.
- Introduce the session of today to the participants and go through the objectives of this module.
- Show them schedule of the day, including the breaks.
- Explain the ground rules of the training.
- Make sure that everybody understands how the current module fits within the total picture of the ‘Generate Your Business Idea’ training (make reference to below roadmap towards a successful business).
- Go back to the previous module (‘Business Concepts’) and shortly discuss the main learning points.

Roadmap to a Successful Business



19. Screen your ideas

Introduction

Read and explain the theory 'Screen your Ideas'. Refer back to the figure of the 3 elements of a good business idea and tell the students that we are looking for the business ideas that are in the intersecting area (where the 3 elements come together). Show the flipchart with the screening questions for each of the 3 elements (see also the theory). Show the Miranda example of screening of business ideas.

Exercise



- Give each student a piece of paper and a pen.
- Ask the students to make pairs of 2.
- Ask each student to take their Ideas list and to have a good look at it. Are there any ideas that no longer appeal to the students? Let them eliminate these ideas from the list. The remaining ideas are now going to be screened more carefully.
- Students will now work in pairs. Together they will go one by one through the business ideas on each other's Ideas list. Let them take turns: first they will look at an idea from one student and then at an idea from the other student, and so forth. They will do this until all business ideas have been screened.
- For each business idea, the students will try to answer the questions related to the 3 elements of a good business idea and write them down. Point to the questions on the flipchart and to the Miranda example.
- Based on what they have filled in, they will now choose their top 3 business ideas. Have them remember the importance of combining the 3 elements.

Reflection

Ask the students if they are satisfied with their top 3 business ideas. Tell them that they can always redo this exercise at home if they are still not convinced about their top 3 ideas.

Theory: Screen your ideas



By now you probably have quite a few possible ideas for your own business – at least five, or perhaps even more. Your next task is to take your Ideas list and try to bring it down to three ideas – the ones that are most suitable for you.

As we have mentioned before, a good business idea combines 3 important elements: 1. Needs; 2. Abilities and resources; and 3. Motivation. So the first step to filter out suitable business ideas is to screen your Ideas list and see to what extent each idea combines the 3 mentioned elements.

Questions that can guide you include:

Needs

- How do you know if there is a need for this business in your area?
- Who will be your customers for this particular business?
- Will there be enough customers?
- Can the customers afford the products or services?
- Will this be the only business of this kind in your area?
- If there are other similar businesses, how will you be able to compete successfully?

Abilities and resources

- How much do you know about the products or services for this business?
- What knowledge and skills do you have that will help you to run this business?
- What experience do you have that will help you to run this business?
- Does this business need equipment, premises or qualified staff? Do you think you will be able to get the finances to provide what is needed?

Motivation

- Can you imagine yourself running this business in the long run?
- How does this business match with your personal characteristics and abilities?
- Are you motivated for this type of business to put a lot of time and effort into making it a success?
- After doing the screening it will probably be easier for you to select the top 3 business ideas.

20. Analyze business ideas

Introduction

Read and explain the theory ‘Analyzing Business Ideas’. Include the part of the SWOT analysis. Tell the students that they are going to conduct a field research in their community for their top 3 business ideas. In case the big majority (80% or more) are from the community in which the training is held, this exercise can be done during the training session. If not, it is better that they do it as homework. For some students it may be scary or intimidating to interview people in their community. You can suggest that they can work in pairs and first finish a plan of one student and after that from the other student. Tell them that during their field visit they should also take into account important opportunities and threats to the business, as this information will help them with the SWOT exercise later on.

Exercise

- Give each student a big piece of paper and a pen/marker.
- Ask the students to make pairs of 2.
- Tell the students to start with one of their selected ideas, their favourite from their top 3 business ideas.
- Let them (individually) make a field research plan for that business idea. Let them write down the following information:
 - What I need to find out
 - Who I will talk to
 - Questions I will ask
- Tell the students in the pairs to look at each other’s plans and make suggestions for improvement. Are some questions missing? Are some questions not clear?
- Tell them to repeat this for the other two business ideas. So in the end each student will have 3 field research plans: one plan for each of their top 3 business ideas.
- Tell the students that now they can go into their community and collect the information from the people they mentioned in their plan.
- Once they collected the information they will probably begin to see which business has the best chance of success.



Reflection

After finishing this exercise, in a plenary session ask the students about their experiences. What went well and what didn’t go so well? Encourage students to give feedback to each other and share learning points. Assess whether the field research helped them to select their best business idea.

Theory: Analyzing business ideas



Now that you have reduced your business ideas to the three that you think are most suitable you need to get more detailed information about those ideas. Your goal is to consider factors that will help you to accept or reject a business idea. Here are two methods you can use to analyse your ideas:

1. FIELD RESEARCH

In a field research you collect first-hand information that will help you to decide which business to start. Basically there are three groups of people that you want to talk to: 1. Potential customers, 2. Competitors and 3. Suppliers and wholesalers. Especially the research among potential customers is crucial because it relates directly to the needs for your product or service.

Potential customers

No matter what your idea is, you must be sure to talk to potential customers. Their views are essential to knowing whether you have a good idea. The first question you need to ask yourself about your business idea is WHO would buy. Who would your customers be: young, old, rich, poor, men, women? (Remember the Theory about People and Needs: different people usually have different needs). Once you have identified your type of customer, then you should try to interview a sample of these customers in order to get relevant information to assess your business idea.

What to ask: You ask different questions if your product or service is new to the area or if it already exists. For an existing product or service your questions could include:

- Where do you buy this product or service?
- Why do you buy from this particular store or person?
- How often do you buy?
- What price do you pay?
- What do you think of the quality of your purchase/service?
- Is there any way it could be improved?

If it is new product or service, you should ask them what factors would be important to them. This can include factors such as: style, quality, packaging, timeliness or service (reliability), location of purchase (or how it is delivered), price and service.

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Competitors

Before starting a business you always need to find out if there are other existing businesses that sell the same products or services. These are called your competitors. Since they are targeting the same customers as you are, it is very important to know what their strategies are concerning price, quality, location, service and promotion. Only when you know this, you can design your own strategy in order to attract customers over your competitors. Sometimes it can be difficult to ask questions to potential competitors. In that case you can also obtain a lot of information by just visiting a competitor. You can look for yourself at prices, quality, service, discounts, etc.

What to ask:

- Why do customers buy at your place instead of other places?
- Is the demand constant throughout the year? Or does it change throughout the year?
- What trends do you see coming in the future? Do you think it is a business that could grow over time?
- What are the biggest risks in this business?

Suppliers and wholesalers

If you are thinking of selling certain products, you must talk to wholesalers who can supply you with the needed items. If you are thinking of making a product you need to find out how it is made and talk to people who supply the materials that go into your product and to the people who sell the tools or machines you will use.

What to ask:

- How much would my products/materials cost at a given quantity?
- How reliable is the supply?
- Who else supplies these products/materials?
- What kind of storage/packing/servicing is necessary?
- What terms of credit can I get?

(Continue reading on the next page...)



2. SWOT ANALYSIS

One method people often use to decide which is the most suitable business idea is a SWOT analysis. It helps you to focus on possible problem areas and potential advantages of each idea.

SWOT stands for: **S**trengths, **W**eaknesses, **O**pportunities, **T**hreats.

When looking at Strengths and Weaknesses, you focus on factors inside of the business.

Strengths are the specific positive aspects which will give your proposed business an advantage over your competitors. For example: you are able to produce high quality goods.

Weaknesses on the other hand are the specific things that your business is not good at. Perhaps your costs will be high because your business is located far from suppliers and you will have to pay more for transport.

Opportunity and Threats relate to factors outside of the business, i.e. the external environment.

Opportunities are ongoing developments around you that will be good for your business. For example: increased tourism in your area may be an opportunity to sell locally made souvenirs.

Threats are probable events that may affect your business negatively. For example: if prices of petrol go up, this may increase transportation costs for your business.



The following figure shows an example of a SWOT analysis conducted for a particular business idea:

SWOT ANALYSIS	
Business idea: Low price clothes shop	
• Inside the business	
STRENGTHS	WEAKNESSES
1. Good marketing skills 2. Once worked in a clothing shop 3. Have an eye for quality fashion 4. The proposed business site is close to both suppliers and customers	1. Monthly rent for the shop is high
• Outside the business	
OPPORTUNITIES	THREATS
1. The price of new clothes is unaffordable for many of the potential clients 2. Prices are going up all the time so more people will buy low price clothes	1. There are plans to start a weekly market where low priced clothes will be available
Are there more strengths than weaknesses? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Are there more opportunities than threats? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
How I will deal with the weaknesses and threats: I will spend more time to find a shop with lower rent I can also take a stall at the weekly market and use it to advertise the shop.	



21. Make a SWOT analysis

Introduction

Read and explain the theory about the SWOT analysis again. Tell the students that they will conduct a SWOT analysis for their top 3 business ideas. Tell them that much of the information collected through the field research will also help them to do a SWOT analysis.

Exercise

- Give each student 3 big pieces of paper (one for each SWOT analysis) and a pen.
- Ask the students to make pairs of 2.
- Tell students to copy the SWOT analysis form from the example to the three pieces of paper. One paper for each business idea.
- Let them start to focus on the first of the three business ideas. Let them first think about the most important strengths and weaknesses within the business. These may be personal characteristics, financial issues, selling aspects, and marketing issues related to price, quality, promotion or location. Let them write this information down at the form.
- Ask students to shortly discuss these strengths and weaknesses in pairs and revise them were needed.
- Now tell the students to think about the external environment of the business. Which are the most important opportunities and threats to this business? Tell them to remember the information collected during the Field Research. Let them write this information down in the form.
- Ask students to shortly discuss these strengths and weaknesses in pairs and revise them were needed.
- Now let each student look at his/her SWOT analysis form and ask him/herself:
 - Are there more strengths than weaknesses?
 - Are there more opportunities than threats?
 - In pairs, ask them to discuss the following questions:
 - Can I overcome the weaknesses and avoid the threats for this business?
 - Can I build on the strengths and opportunities for this business?
 - Let them write down the answer to these questions (very short).
- Now let them repeat the above steps for the second and third business idea in the Ideas list.
- When they completed the three SWOT analysis for the three business ideas, let them compare them carefully and select the business which has more strengths and opportunities and which they think will be most suitable and successful for them to start.



Reflection

Tell students that this SWOT analysis is not only useful for selecting the best business idea; it is also useful to define your business strategy later on.



22. Your final business idea

Introduction

Read the theory 'Your Final Business Idea'. Tell students that we have come to the last exercise of the Generate Your Business Idea training. Congratulate them with all the work they have done and wish them success with their new business.

Exercise

- Give each student a Business Idea Form.
- Ask the students to provide a summary of their Final Business Idea by filling in the form.
- Ask each student to write down their Final Business Idea (just a few words. For example: bicycle repair business) on the flipchart or blackboard for everybody to see.



Reflection

The facilitator makes a copy of each Business Idea Form and keeps the copy for his/herself. Tell the students that they can sign up for the 'Start Your Business' training in which they will learn how to develop a sound Business Plan and how to start their business.

Theory: Your final business idea



Congratulations! You have completed a first and very important step in the process of starting a new business: developing a good and promising business idea. During this training and the many exercises that you completed you have collected a lot of information about the consumers, about competitors and about yourself. All this information will also be very useful to develop your Business Plan which will guide you to really set up your business in the nearby future.

If you find that at this point you are still not 100% sure about your business idea, don't panic. Sometimes it takes some more time, more work and more information before you find the most suitable business idea. As you work towards this goal you will be increasing knowledge, experience and skills. All of this will increase your ability to become a successful business person.



Closure

Evaluation

Discuss the lesson with the students. What went well, what could have gone better, and what have they learned?

Annexes

On the next pages, you find the annexes for this module:

- Selecting top 3 business ideas (example)
- Business Idea Form

Follow-up

This is the end of module 5 of the 'Generate Your Business Idea' training. Interested participants can continue with the 'Start Your Business' training.



Annex: Selecting top 3 business ideas (example)



IDEAS LIST FOR MY OWN BUSINESS	
Idea	Comments
Candle making	I did it once in primary school and enjoyed making candles. I know how to make them. But candles are inexpensive in the shops. It might be difficult to make them cheaper and profit would be low. People mostly use kerosene or electricity now. X
A catering service delivering lunches to offices	I know about and enjoy cooking. No one else does this in town. There will be lots of customers. I can find out what they want and how much they will pay and make a good profit. Not much money is needed to start. It will probably be tiring with so much delivering to do. I would enjoy meeting so many people. ✓
A funeral service provider	I have experience of funerals but do not know the technical side of the business. I would have to employ people. There would be lots of customers. There are other businesses in town but I could provide a very good service. I might find it upsetting going to funerals all the time. X
A tile-making business	I don't know about making tiles but they are beautiful and I would enjoy learning. I could employ qualified staff. There is no other business like this in town. There is local clay easily and cheaply available. But I am not sure how many customers there will be or if I could make as good quality as tiles from the city. Equipment would be expensive. X
Low price clothes shop	I once worked in a clothing shop and have a good eye for what is fashionable, and know how to recognize good quality clothes. People always compliment me on my clothes. There are no other low price clothes shops and I could make mine fashionable and cheap. There are lots of customers who want nice clothes but can't afford high price ones. I could make a good profit. I would really enjoy running a shop, meeting people, and dealing with fashions. In 10 years time I could have opened more shops in other towns. I need to find out how much it costs to rent a shop. ✓

IDEAS LIST FOR MY OWN BUSINESS	
Idea	Comments
Agency for home based care for elderly and sick people	I have often looked after sick people. My sister is a nurse and she has lots of information. There is no business like this in town and there is a great need for it. The community really needs this service – a lot of people have to work and have no time to look after their old and sick relatives. Many women in the area could be employed to provide this service. I like to help other people. <input checked="" type="checkbox"/>
Movie house	I enjoy going to movies and there is no cinema in town. But I have no experience, and it would be very expensive to start. There would be lots of customers but it is a luxury which many can't afford. The finances needed to start are probably too much. <input type="checkbox"/>
Garbage collection compost making	I think this would be easy to run. A friend used to work in the city garbage collection so he could advise me and perhaps become a partner. There would be lots of customers. Many complain they don't know where to take their garbage anymore and the municipal workers never collect. Perhaps the municipality would give me a contract. But very expensive vehicles would be needed and drivers. <input type="checkbox"/>

Ms. Miranda looks through the ideas which she has ticked and chooses three ideas to analyze further:

- Low price clothes shop
- Catering business
- Agency for home-based care of elderly and sick people.



Annex: Business Idea Form

My business idea:
.....

Type of business: retailing manufacturing
 wholesaling service providing
 agriculture, forestry or fishing

My products or services will be:
.....
.....
.....
.....
.....

My customers will be:
.....
.....
.....
.....

The needs of the customers that will be satisfied are:
.....
.....
.....
.....

Skills and experience and knowledge I have of this type of business:
.....
.....
.....
.....

I have chosen this business idea because:
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