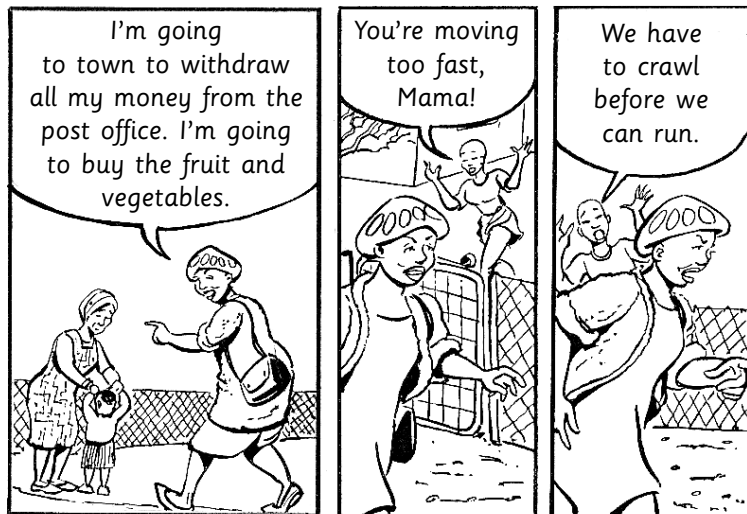


“We have to crawl before we can run.”



If, like Mam'Langa, you think you have found a business idea that can work, you can't just rush off and start! There are still many questions that you have to ask yourself about your business idea.

Planning your Business: Preparing a Business Plan

Every business, however small, needs a Business Plan. Not all entrepreneurs write down their business plans, but it is a very useful exercise that will help you plan, start and run your business. (A written Business Plan is essential if you are thinking of applying for a loan for your business. More about this later.)

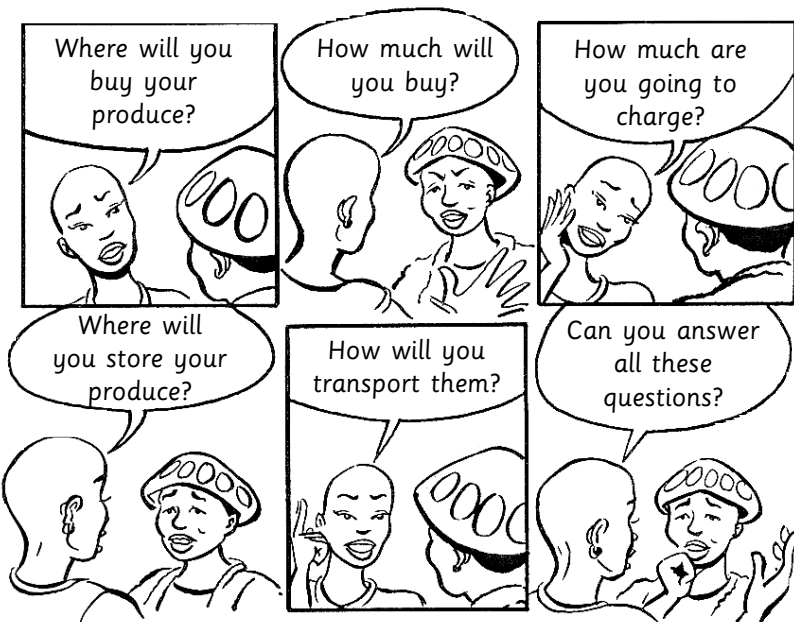
Think about everything you will need to do, and everything you will need to have, to start and run your business.

Here are some of the most important things you need to think about:

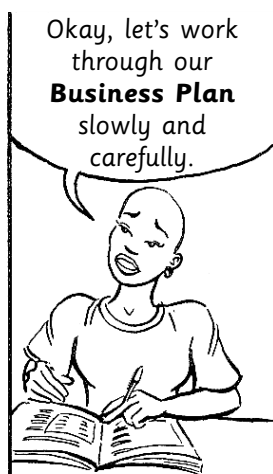
Market

Who will your customers be?

Without customers, you won't have a business! Think very carefully about who your market will be. What age are your customers? How much do your customers earn? Where do your customers live?



Once you have a feasible business idea, you need to think about planning your business. You will need to think about each part of the **business process**, so that you can plan each step in detail.



Location

Where will you operate your business?

For some businesses, location is just as important as market. Many trading businesses, for example, **must** be close to their markets. Mam'Langa's business needs to be close to the taxi rank, where it is easy for people coming home from work to buy from her.

Different businesses need different kinds of location. If your business employs workers, it will need to be near transport. If your business needs electricity for machinery, you will need a location that has electricity. If your business needs water for cooking, you will need a location that has access to clean water.



You also need to think about **storage**. Does your business need space to store raw materials, machinery, or finished products? Does this storage space need to be at the same location as, or near to, your place of business? Remember that the place where you store your goods and equipment must be safe and secure.

If you need to rent premises, be sure that you can afford the rental.

Competition is also something you need to think about when you plan the location of your business. Are there other businesses similar to yours in the area? Can you compete with them, or should you find another more suitable location?

Product or service

What will your business sell?



You can sell a product that you have made (manufacturing business), or bought (trading business), or you can sell a service (service business). Your business might be a combination of these different kinds of business. For example, if you have skill in working with leather, you might repair shoes, which is a service, and you might also sell belts, which you manufacture.

Once you have chosen your products, you need to think about how much stock to keep. You also need to think about what range (different types) of stock to carry. This is important. Your range should not be too narrow - too few different items - or too wide - too many things.

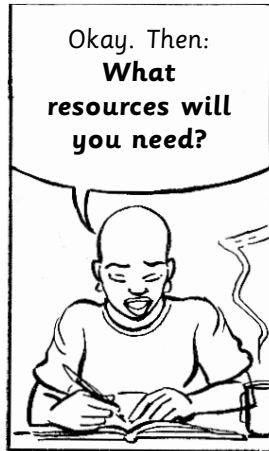
Resources

What resources does your business need?

The resources you will need will depend on the business you are starting.

Look at the 'Resources' list you made for your business idea in the last chapter. Be sure that everything is 100% necessary.

Don't spend money on anything that isn't essential to the business. See what you already have at home, instead of buying some new things. Remember that the aim of the enterprise is to make money, not to spend it!



If you do not have some of the resources, such as equipment, that you will need for your business, research where you can get these at the cheapest price. Shopping around for the best price is a good habit to get into.

Source

Where will you buy your product or raw material?



It is very important to **compare prices!**

Remember to compare the same size or weight of product.

Try to find your product or raw material **closest to source**. This means that you should buy the product closest to where it is made. You might buy from a wholesaler

or, better still, from the factory or farm where it comes from.

Remember that each 'middle-man' between the source of the product and you will add something to the price of the product.

Mam'Langa's Business Plan

(Part 1)

Dudu helps Mam'Langa write down her Business Plan. Below you will see how they describe the parts of the business we have discussed so far. In the following chapters you will see how they plan the other important parts of their business.

1. What business am I going to start?

Describe the business you are going to start.

I am going to start a fruit and vegetable stall. People struggle to carry heavy bags from town to home. There is a need for such a stall in the township that sells good quality produce at reasonable prices.

2. Who will my market be?

Describe the people who will buy from you. Who will your customers be?

MY market will be people from the township. Everyone needs fruit and vegetables!

3. Where will I operate my business?

Describe the location you will choose for your business, and say why you believe this is a good position for your business. Where will you store your produce or raw materials? Is there competition at the location you have chosen for your business. How much will you have to pay for these premises?

I will operate my stall near the taxi rank. This is where all the people pass on their way to and from town.

There is competition at the taxi rank, but his produce is not always fresh and people do not like his manners.

I will store my produce at home.

4. What will my business sell?

Describe the product or service you will be selling.

MY business will sell the fruit and vegetables that people need every day to feed their families: tomatoes, potatoes, cabbages, onions, apples and bananas.

5. What resources does my business need?

List the resources - equipment, materials, transport, etc. - that your business needs. Say which of these you already have and which you still need to get. Write down the cost of the resources you still need to get.

MY business will need a table and chair for the stall. And I will need somewhere to store these near to the taxi rank.

I will need to transport the fruit and vegetables from the wholesaler to my home. I will also need bags to pack the fruit and vegetables.

I will need a cart to carry the fruit and vegetables from my home to the stall.

6. Where will I buy my produce or raw materials?

Describe the source for your produce or raw materials. Explain why you have chosen this source. Write down the costs of the produce or raw materials you will be buying.

I will buy my produce from Patel's Wholesalers. The quality of his produce and his prices are very good. He will also deliver straight to my home for only R10.00 per delivery. And he will supply me with bags free of charge.

These are the prices of the produce I will buy from him:

Tomatoes (40 per box)	R10.00
Potatoes (60 per bag)	R15.00
Cabbage (10 per bag)	R10.00
Onions (80 per bag)	R10.00
Apples (120 per box)	R36.00
Bananas (200 per box)	R40.00

Your Business Plan

Now that you have seen how Dudu and Mam'Langa describe these parts of their business, go to page 41 and **start your own Business Plan!**

Making a Profit

If you have come this far in planning your business, you are well on your way to becoming a successful entrepreneur.

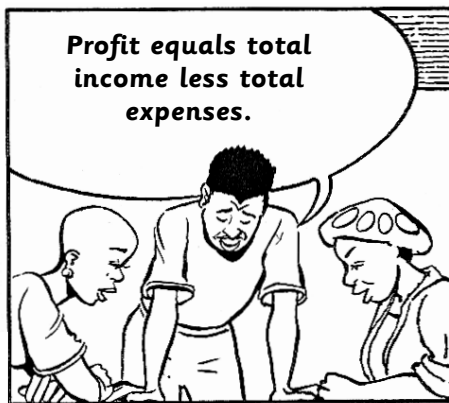
But there is still some very important planning that you have to do!

The most important word in business is **profit!**

You need to be able to calculate how much money you are making. And you need to be able to work out how much of that is profit.

To work out the **profit** that your business is making, you need to know what all your **expenses** are, and what your **income** is. We will look at this in more detail in the next chapter. But before we leave this chapter, let's make sure that we understand how a business makes a profit.

In our story, Vuyo explains to his mother and cousin how to work out profit.



Vuyo explains that in order to work out profit, you must minus all your expenses from all the money that comes in.



Knowing your terms

Vuyo uses some business language that, as an entrepreneur, you should also learn. Let's look at some of the terms that you will need to know.

Selling price:

When you **sell** a product or a service to a customer, the price you ask is the **selling price**. Your selling price is not the same as

the price that you have paid when you bought the product or raw materials from the wholesaler or supplier.

Buying Price:

The price that you **buy** the product or raw materials for from the wholesaler or supplier is the **buying price**. Buying price is also called **cost price**.

Margin:

The amount that you add to the buying price or cost price to make the selling price is called the **margin** or mark-up. Margin is not the same as profit, as we shall see in the next chapter.

Expense:

An **expense** is money that you spend on your business, or **money moving out** of the business.

Income:

Income, on the other hand, is **money coming in**, usually from sales. A business can also get income from the interest it earns on money it has in the bank.

Some of these terms may seem very foreign to you. But don't worry.

As Vuyo says:

