

# Unit 4



## Entrepreneurship Skills

### Introduction

Entrepreneurship is the process of running a business using a new idea or in a different way, which ultimately helps the buyer or the customer. The new ideas in a business can be in the form of a unique product or service. A different way of doing business makes an entrepreneur different. A traditional business person runs his venture like most others. Whereas an entrepreneur uses unique ways of doing business — be it reaching out to the customers through marketing and advertising, new ideas or new ways to meet customer needs or running the operations in a more efficient way. In this module, the focus is on helping you to understand what are the different values and attitudes of an entrepreneur which makes them successful.

This course will explain the basics (with more advanced content in later classes) — with a lot of examples and group practise on the following:

- Values and attitudes of a successful entrepreneur
- How to think like an entrepreneur
- A business cycle, from starting to growing the business.



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## SESSION 1: INTRODUCTION TO ENTREPRENEURSHIP

Let us begin by looking at some common terms used in business.

### Entrepreneur

An entrepreneur is a person who tries to meet needs of a customer through new ideas or ways of doing business and makes profit in return.

New ideas with which an entrepreneur adds value to a business can be of many kinds, including new products — like adding varieties, new services like home delivery or credit services, new marketing ideas, new cost reduction ideas and many more.

### Entrepreneurship

Entrepreneurship is a process of developing a business plan, launching and running a business using innovation to meet customer needs and to make a profit.

Let us read a story to further understand the meaning of entrepreneurship and who is an entrepreneur.

### Pratap, the Vegetable Seller

Pratap was a vegetable seller in Agra. He was well known in the market for always selling fresh vegetables. He used to wake up every morning at 3 am to get there. However, during summers, a lot of his leftover vegetables used to get wasted at the end of the day.

To stop this wastage, he started selling the stale vegetables. This earned him a bad name in the market and people stopped going to his shop.

Pratap then came-up with an idea! *Vegetables home-delivery services* — people could order the type and quantity of vegetable they wanted a day before, and Pratap would buy exactly that much from the wholesale market and deliver it fresh to their house.

Now his customers do not have to go through the inconvenience of commuting to the market and thus can have the vegetables delivered at their doorstep. All they have to do is call Pratap on his mobile phone and place an order.

### Questions to think about

- How do you think he spotted the opportunity?
- How did he serve the needs of the customer?
- What would you have done, if you were in Pratap's place?

#### Do you think Pratap is an entrepreneur?

Yes, he is! Pratap was self-employed as a vegetable seller. He solved the customers' problem of getting fresh vegetables at their door-step through a new idea of home-delivery service. Since Pratap used a new way of providing his products to the customer, as a result making their life easier. This makes him an entrepreneur (vs. any normal businessperson).

### Types of Business Activities

Our needs and wants are never constant. They are everchanging. We may want something today but not the same thing tomorrow. For example, Sameer wanted a pair of shoes today but after a few days he wanted a pair of jeans.

We can clearly see our wants change over time. Markets provide us with a product in the form of a good or a service to meet our specific needs.

In the market, different types of businesses exist. The three different types of business activities (Figure 4.1) are as follows:

#### **Manufacturing Business**

A manufacturing business is one that converts raw material(s) into finished product(s) to meet the demands of the customer. In this form of business, the finished product can be directly sold to the customer. Kartik has a factory that produces purified packaged drinking water. This is an example of a manufacturing business.

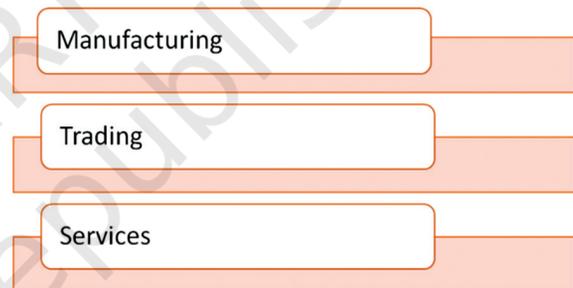


Figure 4.1 Types of business activities



Figure 4.2 Trading business

### **Trading Business**

A trading business does not manufacture a good or product but only facilitates the act of bringing the finished goods from the manufacturing unit to the buyer or customer (who is ready to pay for the produced good) as shown in Figure 4.2. For example, Gupta Pharmacy sells medicines produced or manufactured by

different pharmaceutical companies. Gupta pharmacy is a trading business.



Figure 4.3 Services business

### **Services Business**

Any business activity that is intangible, which cannot be seen and felt, but is for the benefit of a buyer is called a service. Services do not have a fixed time and it is flexible as per the demands of the customers. Services do not even need a shop to sell their products. Amar is a painting contractor as shown in Figure 4.3.

## **Practical Exercises**

### **Activity 1**

Role-Play — Businesses Around Me!

#### **Procedure**

1. In this activity, you will work in groups to come up with examples of different kinds of businesses we see around us.
2. Each group will act out the business they are running.
3. The rest of the group members will guess what kind of business the acting team is doing.

#### *Instructions*

- Make a group of 5 students each. If there are 30 students in a class, there would be 6 teams. Select a leader per team who will be responsible for running it.
- Each team comes up with 3–4 examples of entrepreneurs around them.
- Each team will get 15 minutes to come up with examples and plan their acting.
- Each team will then plan a skit or acting to have others guess what businesses the entrepreneurs do.
- Each team will get 2 minutes to act for others to guess and 2 minutes to explain.

**Questions for Group Discussion**

1. Did you know that the people and businesses you spoke about were entrepreneurs?
2. Does business solve the needs of a customer?
3. Does this business make money in return?
4. How would you categorise the business(es) in discussion?

**Check Your Progress****A. State whether the following statements are True or False**

- (a) An entrepreneur runs a business to only make profits.
- (b) Entrepreneurship and business are exactly the same thing.
- (c) In service business activity, the services are intangible and cannot be felt or seen.
- (d) In manufacturing business activity, an entrepreneur makes the product.

**B. Subjective Question**

- (a) Who is an entrepreneur? Give an example.
- (b) What are the three types of business activities?
- (c) What is the difference between manufacturing and trading business activities?

**What Have You Learnt?**

**After completing this session, you will be able to**

- describe the meaning of entrepreneurship.
- describe the meaning of an entrepreneur.

**SESSION 2: VALUES OF AN ENTREPRENEUR**

Read the following story and identify actions that make Sunita special.

Sunita used to live in Kochi with her parents. During her summer holidays, she went to meet her grandparents who lived in a small town. They were very old and had to take a lot of medicines during the day. They often used

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to be tired to go to the market to buy their medicines and sometimes forgot to take it, as they did not have help. This affected their health. She then saw that other old people living around face the same problem. Sunita felt very bad about the situation and wanted to help them.

Sunita thought of many ways to solve this problem, so that her grandparents and other old people living in the colony remain healthy and get their medicines on time. She then thought of an idea! — to make a special remote, with just one button. This remote would send the signal to the nearest medical shop, who would deliver the medicine within a day. The remote also had an in-built, easy-to-use alarm system which old people could use to set reminders for taking the medicines. Every time the alarm went on, they would take the medicines and turn the alarm off by merely touching the button on the remote. She made this and tried it out at her grandparents' house, and it worked! They now did not have to travel long distances to buy the medicine or need help to remind them to take their medicines on time. This 'Remote control' became very popular in her village and soon, in all of Kerala. She now runs a business and sells these remote controls all over India.

### Values

Values are qualities and principles which make a person think and act in a certain way. From the above example of Sunita, we saw how she felt bad about the problem her grandparents faced and came up with a solution on her own. She thought and made a product that no one had thought of before. Let us find out what qualities makes an entrepreneur successful.

### Values of an Entrepreneur

Each entrepreneur has certain unique qualities that make them successful. As one chooses the path of entrepreneurship, there are various thoughts, fears and doubts that comes to ones' mind as shown in Figure 4.4. An entrepreneur's ability to overcome these determines his or her ability to be successful.

It is the entrepreneur's values which will therefore help them face and overcome the difficulties and challenges involved in entrepreneurship.

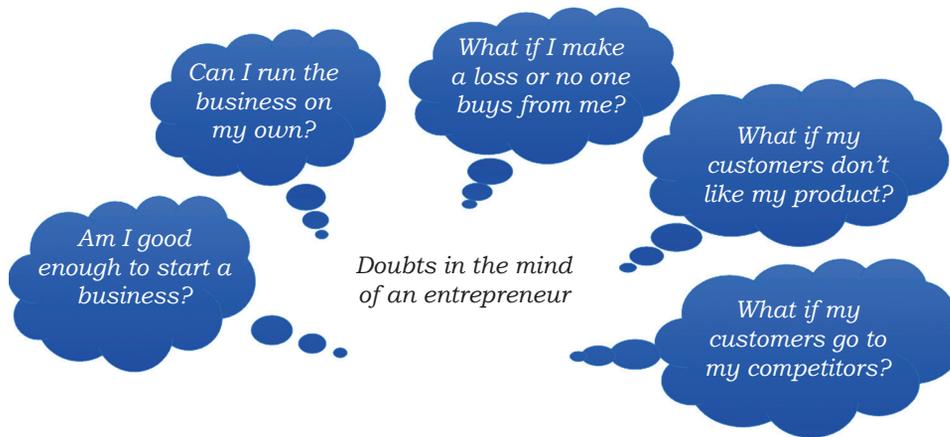


Figure 4.4 Doubts in the mind of an entrepreneur

The internal motivation, which allows an entrepreneur to overcome these doubts are called 'values'. Here are some values which make an entrepreneur successful.

## Confidence

Confidence means to believe in one's self and one's approach. Being confident helps an entrepreneur to take the first step of starting a new business and then trying new things to grow the business. It pushes the entrepreneur to keep going even if there are failures. Confidence also encourages an entrepreneur to go to customers and ask them for their feedback about the product or services. The feedback helps the entrepreneur to keep improving and growing the business.

While being confident is crucial for an entrepreneur, it is also important to keep in mind that the ultimate purpose of an enterprise is to serve the customer, therefore, they should not be over-confident. Being over-confident may lead an entrepreneur to take shortcuts in business, like selling a product while knowing that its quality is bad, or over-charging a customer. Such actions may make the customers distrust the business.

Therefore, striking a balance between confidence and over-confidence is one of the most important values of an entrepreneur.

## Independence

Independence means one's ability to work alone and have the confidence to make one's own decisions. The responsibility of deciding what work needs to be done and how it can be done is made by the entrepreneur.

An entrepreneur is her or his own boss and has to be self-motivated to set goals and follow them. He or she is also responsible for motivating others to work to achieve the goals of the business and keep a check on how the business is performing on a day-to-day basis.

While, independence allows an entrepreneur to work alone, with no one to report to, it also comes with the responsibility of ensuring that the customer remains the main focus at all times. Delivering good-quality product or service, at the right price, is one of the primary responsibilities of an entrepreneur.

## Perseverance

Perseverance means not to give up and keep going even when a difficult situation comes up. Running an enterprise, or a business involves many failures. An entrepreneur is responsible to overcome these failures, learn from them and keep going, no matter what happens. The entrepreneur has to stay positive and motivated when things get difficult.

While working hard, it is also important for an entrepreneur to think about improvement and growth. This happens when one tries different approaches. Therefore, perseverance does not mean doing the same thing, in the same way again and again. It means to come up with different and innovative ways to overcome difficulties and always thinking about achieving the goal, no matter what comes in the way.

## Open-mindedness

Open-mindedness means to be open to trying new things and being open to other's feedback. In the process of starting and growing the business, an entrepreneur tries many different things. They will often have to consult others, such as market experts, peers and colleagues

for information and insights. During this process, it is important to keep an open-mind and allow for new thoughts and ideas to come your way. This will allow the entrepreneur to learn from failures not just of oneself but also of others and keep improving the business.

## Case Study

Read Poonam's story and identify which actions made her better than others?

### Poonam, the Purse-maker

Poonam makes handmade purses for women in Odisha. She takes the help of local women who know embroidery to make the purses. Poonam used to sell these in Kolkata. She however, could not sell many pieces and also had to spend a lot of time and money on travelling to Kolkata.

Poonam then tried to sell this by going door-to-door but only few more people bought her products. In fact, people were rude and did not talk to her respectfully. However, she did not give up hope and continued to go to more people to sell the purses. She even added new styles and designs to the purses and began making them in different sizes and colours.

Then someone told her about a shopping website through which she could sell her products without going to big cities. She immediately registered her company and started getting orders. Earlier she could sell maximum 50 purses in a month, but now she sells more than 500 purses every month.

S. No.	Poonam's Actions	Value
1.	Goes to Kolkata alone to sell the purses	Independence
2.		
3.		
4.		
5.		

### Activity 1

## Practical Exercises

Role-play — Qualities of Entrepreneur

### Procedure

1. This activity shows students how to think and practice in real life and the qualities of an entrepreneur.

- Each student writes the actions of a successful entrepreneur on a chit. For example, *Shoe shop owner talking to customers politely.*
- All the students give the chits to the teacher.
- The class gets divided into groups of 5.
- One member from each team picks the chit and does the action without talking.
- Others guess the action and super-powers (qualities) of the entrepreneur.

### Questions for Group Discussion

1. What are the different qualities you saw during the act?
2. Which of these qualities do you think you also possess?
3. What are those qualities which help an entrepreneur to deal with an angry customer?

## Check Your Progress

### A. Subjective questions

1. What values does the entrepreneur have?
  - (a) Rohit runs a special hair salon in Bidar. Young boys come to him and ask him to give a *Justin Beiber* haircut. Rohit doesn't know about this haircut so he searches on the Internet and finds the pictures. What value does Rohit have? \_\_\_\_\_
  - (b) Shalu makes special Indian snacks and goes door-to-door in her town to sell it to different people. Only 1 in 10 people to whom she goes, buys her products. What value does Shalu have?
2. What values does a successful entrepreneur have? Write any three values, with examples.
3. Write the meaning of the following values with examples:
  - (a) Independence
  - (b) Confidence
4. Identify three entrepreneurs from your area. Write down the actions that make them successful and what values they have.

## What Have You Learnt?

**After completing this session, you will be able to**

- list the actions that make an entrepreneur successful .
- list values of a successful entrepreneur.
- explain entrepreneurial values with examples.

## SESSION 3: ATTITUDE OF AN ENTREPRENEUR

In this session, you will learn about the differences in the attitude of an entrepreneur versus those of a salaried employee.

### Attitude

The meaning of attitude is one's tendency to respond in a certain way towards a certain idea, object, person, or situation. An entrepreneur's attitude affects their choice of action while running the business.

Let's understand the difference between the attitude of an entrepreneur and an employee (someone who works for a salary or wages).

### Difference between the Attitude of Entrepreneurs and Employees

Attitude	Entrepreneurs	Employees
Belief in Self	When an entrepreneur starts a new business, there are a few people who might support them. There is no manager or boss who would encourage or support when things get difficult. Therefore, an entrepreneur believes in self so that they can confidently face any challenge and become successful.	An employee usually is managed by someone, who helps him or her, and supports him or her when he or she starts the job. He or she is also given training and support to understand how to do the work, and what to do when things get difficult.
Customer Focus	An entrepreneur is responsible for ensuring that the business they are doing adds value to the customer. The responsibility of delivering good quality products or services to the customer is the most important part of entrepreneurship. An entrepreneur is also responsible for running his or her business ethically, following rules and regulations set by the government.	An employee delivers on the goals set by the company. Not all employees of a company work towards serving the needs of the customers directly. They may not have any direct responsibility towards the customer.

Decision Making and Responsibility	Entrepreneurs decide the kind of work they will do and how they will do it. They themselves make decisions and work towards completing the work.	Usually a manager or the boss makes the decisions for employees. Employees decide how they want to do their work, but what they are doing and in how much time they should complete it, is decided by a senior.
Belief that Environment can Change	Entrepreneurs usually work in an unknown environment, where they do not know what will happen after they start something new. Therefore, it is important for an entrepreneur to remain positive and believe that the market environment can change.	An employee's job is focussed internally and is not usually affected by the outside environment. Therefore, the belief in change is not necessary for an employee to get the work done.

### Reading the Story

Here are the stories of Surabhi, the entrepreneur and Akash, the employee. Read the stories and think about how their values and attitudes are different from each other.

#### Surabhi, the Painter

Surabhi has always liked art and makes paintings. She started her business of selling these paintings to her friends. They all liked the paintings and asked Surabhi to make and sell more.

Surabhi took a loan from the bank to buy more art-supplies so that she could make more paintings. She went to different customers to first understand what they wanted, and then made paintings based on their taste. She now has an art studio where people come to learn how to paint in their free time.

She also frequently puts up exhibitions of her work in different places.

#### Akash, the Employee

Akash works at a shop that sells art-supplies. His job is to arrange paint-brushes, colours and papers in different shelves. He goes to work at 9.00 am and finishes by 4.00 pm.

Every time a customer comes to Akash, he tells them where they can find what. He then directs them to the cash counter to pay for what they liked. Akash's boss decides the work he is supposed to do on a monthly basis.

**What do you think is the difference in attitude of Surabhi and Akash? Write with examples.**

Surabhi	Akash

### Practical Exercise

#### Activity 1

Outdoor Interaction: Interviewing Employees and Entrepreneurs

##### Procedure

1. The class is divided into two groups.
2. Group 1 would interview people who work for others: Employees.
3. Group 2 would interview people who work for themselves: Entrepreneurs.
4. In each group the following questions will be asked:
  - How is your regular day at work? What are the different activities you do from morning to evening?
  - What do you enjoy most about your work?
  - What are the challenges you face?
  - How do you overcome the challenges that you face?
5. Each group gets one-hour time to go out to talk to as many employees or entrepreneurs as possible.
6. Each group will present their experience to the entire class.

##### Questions for Discussion

1. What are the major differences between qualities and values of an entrepreneur and employee?
2. Do you think entrepreneurs thrive on risk? Give your opinion in five sentences.

## Check Your Progress

### A. State whether the following statements are True or False.

1. An entrepreneur reports to the boss or a manager
2. An employee has to adapt to the outside market environment while doing the job.
3. An entrepreneur has to always think about what the customer wants.
4. An employee makes all the decisions by himself or herself.

### B. Subjective Questions

1. Define the meaning of attitude. Give two examples of attitude of an entrepreneur.
2. Write the key differences in attitudes between entrepreneurs and employees. Describe with examples.

## What Have You Learnt?

### After completing this session, you will be able to

- describe the difference between entrepreneurship and employment.
- confidently talk to strangers while interviewing.
- present the differences between entrepreneurship and employment to peers.

## SESSION 4: THINKING LIKE AN ENTREPRENEUR

“How does an entrepreneur think while running their business?”, “Can I think like an entrepreneur too?” Through this session, you will be able to answer these questions!

### Problems of Entrepreneurs

Can you think about what are the problems that an entrepreneur would face on a day-to-day basis?

List all the problems an entrepreneur may face.

1	E.g.: Not knowing how to get customers to buy.
2	E.g.: Customers bargaining and not paying the correct price for the product.
3	
4	
5	
6	

## Problem-solving

Problem-solving is the process of thinking, through which entrepreneurs can come up with many solutions to improve their business. This process starts with first recognising what the problems are. Once the problems are known, there are many ways in which an entrepreneur can think of solving them.

An entrepreneur may face many problems or challenges. It is their ability to solve them that makes them so special. Below is the list of some problems an entrepreneur may face while running a business. An entrepreneur often thinks about these questions while starting and running a business.

1. **Idea:** What should my business idea be? How do I know that this idea will work?
2. **Money:** How much money should be raised to start a business?
3. **Acquiring material:** From where to get the material and at what cost?
4. **Manufacturing:** How to manufacture (if it is a product business)?
5. **Pricing:** At what price should I sell the product so that I make enough profits? How do I know what price the customer is willing to pay?
6. **Marketing and advertising:** How would I tell my customers about business which will attract them to come to me?
7. **Selling:** How would the customer buy from me? Will the customer come to me or will I go to the customer?
8. **Accounting:** How do I keep a track of the money I am spending and making? How do I know how much profit I am making?
9. **Standing out:** How can I be better than what is already available in the market? How do I add value to my customer?
10. **Growing business:** How can I grow my business and continue to get better?

## Reading the Story

Read the story of Kiran and see how she practised thinking like an entrepreneur

An entrepreneur needs to think about different ways to solve these problems to become successful. We will learn about what are different ways of thinking like an entrepreneur by reading the story of an entrepreneur from rural India who came up with a different way of solving her customers' problems. As you read the story, think what Kiran did differently, as compared to other entrepreneurs you know. Also think about how Kiran solves problems.

Kiran lived in Gwalior, a town in Madhya Pradesh. Kiran's father used to sell chaat on a small handcart. He used to go to different houses to sell the delicious food, which both young and old people enjoyed.

Sometimes, Kiran used to go with her father after school to help him. They used to go to different places throughout the town. She however, used to feel bad when she would see her father struggling to turn the handcart when they would have to cross narrow lanes. While turning, he had to lift and rotate the cart many times.

For a school project, Kiran was asked to make something which would make the life of her parents easy. She thought of solving the problem her father faced with the handcart. She thought of a great idea to make it easy for him to move through narrow lanes.

She made a *steering system* for hand-carts as shown in Figure 4.5, which is controlled by hand, and can be used to lift and rotate the cart.

This system was easy and cheap to make, so Kiran started making it with her friends. They would give it to mechanic shops, who would then sell it to people who used handcarts. The product became very popular among a lot of fruits and vegetable sellers, and is now used throughout the country.

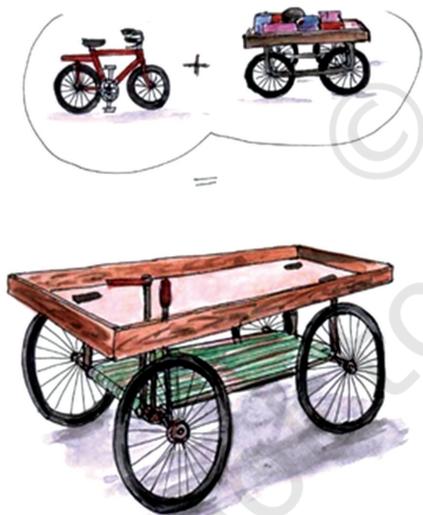


Figure 4.5

### **Think about the following question**

How do you think Kiran came up with idea of the *steering for handcarts*?

## Thinking like an Entrepreneur to Solve Problems

Entrepreneurs solve many different types of problems in their day-to-day operations. In the above example, Kiran solved the problem of identifying which business idea would he work with. Listed below are three ways most entrepreneurs think when they are trying to solve a problem.

### Creativity

Creativity means to come up with ideas that others have not thought of before. Creativity does not mean being artistic or being good at drawing. An entrepreneur has to believe that they can come up with new ideas to solve a problem. In the case of Kiran, she solved the problem of rotating a handcart by thinking of a new idea.

### Innovation

Innovation means to think of new ideas and come up with ways to make it work in real life. The difference between creativity and innovation is that while creativity is about just coming up with an idea, innovation is about also coming up with ways to make idea into reality. Kiran's idea was not just in her head. She made it work by installing the break system in her father's cart.

### Critical Thinking

Critical thinking means to understand a situation or problem by asking oneself questions (why, what, when, how) and researching about reasons for the situation or a problem. An entrepreneur has to always think critically when faced with a problem. They just cannot get worried about the problem and not do anything about it. In the case of Kiran, she saw her father struggling with a problem, and found a solution for the same.

## Practical Exercise

### Activity 1

Pair-work—Identifying and Solving Problems

## NOTES

### Procedure

1. In this activity, you will identify problems of a family member, and then think like an entrepreneur to solve their problem.
  - Find a partner and sit in pairs.
  - Each person will think of a family member whose problem they want to solve.
  - Tell your partner about your family member's problem.
  - As a pair, you will come up with three ideas to solve each problem.
  - The teacher will ask volunteer pairs to come in front of the class and present the problems they have identified with their solutions.
  - Use the format below to record your activity.

Family Member	Problem	Solution

### Questions for Group Discussion after Presentation

1. How did you think of this solution?
2. Do you think this solution will help more people like your family member? Can this solution become a business?

## Check Your Progress

### A. Subjective Questions

1. What are the key problems an entrepreneur may face while running a business?
2. What are different ways in which an entrepreneur can think to solve problems?

## What Have You Learnt?

### After completing this session, you will be able to

- list the kind of problems usually faced by an entrepreneur.
- state and define different thinking styles to solve problems.
- apply problem-solving techniques to come up with creative solutions.

## SESSION 5: COMING UP WITH A BUSINESS IDEA

In the previous session, we learnt about different ways in which an entrepreneur thinks.

Starting a new business is very exciting! In order to start and run a successful business, the first step is to come up with an idea.

Vivek is a restaurant owner. His restaurant is called '*The Wow Bowl*'. He was studying for a career in medicine when he discovered his interest and skills in cooking. He mixed his interest in medicine and his love for food, and came up with unique and healthy dishes.

He mixed natural herbs and medicines in common food like *dal-rice*. This not only made it tasty, but also healed illnesses like common cold and cough.

He wanted to turn this idea into a business. Immediately after completing his studies, he arranged some finance and started the restaurant. It was an interesting journey for him.

He explains his journey of starting the business through these four steps as shown in Figure 4.6. In this session, you will learn about the first step of coming up with a business idea.

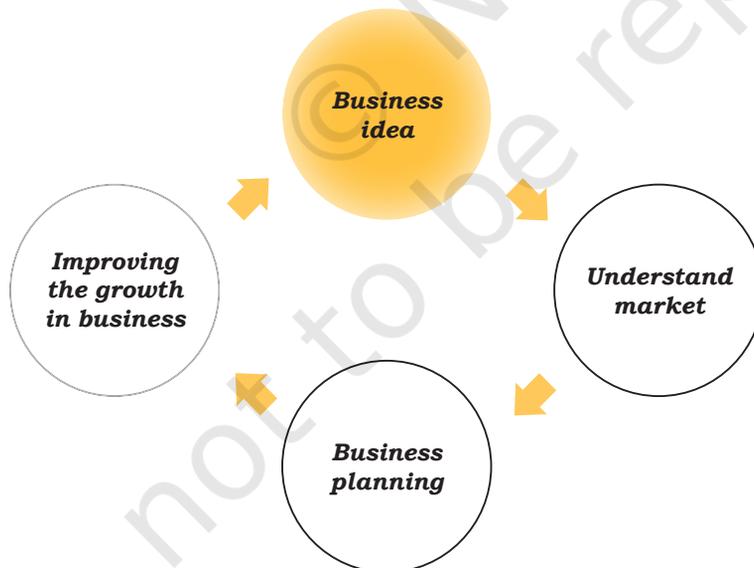


Figure 4.6 The Business Cycle

## **What is a Business Idea?**

A business idea is a solution that an entrepreneur thinks of, to serve the customer. An idea determines what business activity an entrepreneur would take up to make financial gains. An idea can be product-service-based or a hybrid model.

## **Principles of Idea Creation**

There are a few important principles to keep in mind while coming up with an idea.

### **Customer Need**

An idea should serve the customer's need or demand. A business idea can come from an existing demand in the market or through a desire to make what is available in the market, better. A product or service, which is either not meeting customer's needs, or is partially meeting needs is available, so there is a demand to fill in the gap. Hence, an entrepreneur thinks of starting a business to meet this demand.

For example, during the summer season, when the weather is very hot, people who walk in the sun, like students, workers, etc., want a cold drink to feel fresh, so an entrepreneur can start a sugarcane juice stall or a lemonade stall in a busy area.

### **Entrepreneur's Own Interest or Talent**

An entrepreneur often works with an idea that she or he is passionate about. Not all entrepreneurs start with just what is in demand or what the market needs. Some entrepreneurs start with using their own interest or talent to serve the customer. Knowing one's interest or talent is in fact important for an entrepreneur as it leads to self-confidence and even others believing and trusting in their capabilities.

For example, a girl who is studying to be a fashion designer can use her interest in the subject to start a shop where she sells different types of clothes.

### **Innovative**

Innovative means new methods or original ideas. A business can be innovative in its idea or the way it is

done. The chances of a business growing increases if the idea is innovative and the way it is implemented is also innovative.

For example, in Vivek's case, the food he serves in his restaurant is different and no one else sells food for people who are sick.

## **Form a Business Idea**

Most ideas come from either needs of customer or inspiration from what others are doing. There are many ways in which one can come up with innovative, yet practical ideas for a business. Let's practice a few ways to come up with ideas.

### Location-based Ideas

An entrepreneur can come up with idea to serve needs of customer at a specific location. For example, in a small village in Rajasthan, where there is limited supply of pure drinking water, an entrepreneur can set up a business of selling water.

### Seasonal Ideas

During summers, people want to drink cold, healthy drinks in big cities, while in winters, they like warm beverages. An entrepreneur can come up with the ideas based on the season.

### Events-based Ideas

Another way to come-up with a business idea is to think of ways to serve the people at events. For example, there are different businesses that come up during the wedding season, like card-designers and printers, *mehendi* (henna) designers, event managers, decorators, etc.

### Interest-driven Ideas

An entrepreneur can come-up with business ideas based on self-interest. For example, someone who is good at dance and likes dancing, can start a dance-training institute for serious dancers and also for people who want to slim down by doing fun exercises.

## Vocation-driven Ideas

Many people start a business based on what they are interested in and what they have studied. A farmer, who knows everything about farming, from where to get the seeds, to how to plough the ground can start a Farmer Training Institute for those who want to learn about farming, or can guide city dwellers how to grow vegetables on terraces and balconies.

### Case Study

#### Nagma, the Fashion Designer

Nagma went to Chennai to become a fashion designer. She was always interested in designing beautiful dresses for her friends when she was in school. After college, Nagma was not sure what kind of work she should do. In Nagma's culture, girls have to wear a scarf, or hijab at all times. In a city like Chennai, it was difficult for Nagma to find good quality hijabs, so she came up with an idea of making and selling them. She started making good-quality, fashionable and affordable hijabs. She would buy good material, stitch pearls and beads, and pack her products in a beautiful box.

She would sell them in hostels and colleges. Now, Nagma has a boutique of her own and also sells products online.

#### Rakesh, the Special Auto-wala



Rakesh came from a small village in Uttar Pradesh to Mumbai when he was very young. He had come to make money for his family. His friends gave him an idea of buying an auto to make enough money. For many years, Rakesh was driving around like any other auto-wala.

But with time, he really started enjoying his work. He loved talking to his customers and listening about their life. This gave him idea, which turned him from an *auto-wala* to an entrepreneur.

He came up with the idea of a 'Special auto experience', in which a customer would get special services – snacks, cold-drink, songs of their choice, newspaper, and Wi-Fi for their mobile. In addition to this, Rakesh would take them through special routes and tell stories. He shared his mobile number so that his clients could call and pre-book his service.

People starting using Rakesh's services, and would stand in ques to get one ride with him. Rakesh now has many *auto-walas* working under him. He has trained them to serve on the same standards to the customers. He has a flourishing business now.

### Anshula, the Story-teller

Anshula, used to write story-books for young children, but she wanted to do more with her talent. She thought of an idea to start a reading-café, which would be a coffee shop where people, especially mothers, can bring their children to learn how to read books, while they enjoy coffee. When she started the shop, no one wanted to help her with teaching how to read to little children.

But then she realised that young college-going boys and girls who often came to her shop, had free time. She trained them how to teach or read stories to young children. They were happy to help her in return for a certificate of service. Soon many mothers started coming to her shop with their children.

She started only one shop near her house in Bengaluru, but now runs five such shops in three different cities.

#### **Thinking time**

1. What principle of getting an idea did the three entrepreneurs follow?
2. How do you think Nagma, Rakesh and Anshula came up with these ideas?
3. If you could do a business, what would be your idea?

## Practical Exercise

### Activity 1

Group Activity: Crazy Ideas

#### Procedure

- Make groups of five members each.
- Each team comes up with 'crazy' business ideas, which no one has ever thought of or heard of before. For example, 'Special designer socks for Rs 5000/-' or, 'Books that read to you'.
- Every time someone comes up with a crazy idea, everyone in the group loudly say, YES LET'S DO IT! together and then give reasons for why the idea will work.
- Each group gets 20 minutes to come up with at least 10 crazy ideas.
- Each group presents their crazy ideas to the whole class.
- One student from the class makes a list of all the crazy ideas.

#### Summary

- No idea is a bad idea.
- One comes up with ideas when encouraged by others.

## Check Your Progress

### A. Subjective Questions

1. Define the meaning of a business idea.
2. What are the three principles of idea creation?
3. What are different ways of coming up with an idea? State different ways with an example.
4. Write any five business ideas that you would want to try out? Why have you chosen these ideas?

## What Have You Learnt?

### After completing this session, you will be able to

- explain the principles of idea creation.
- list the different ways to come up with business ideas.
- create practical business ideas that can be implemented in the market.

## SESSION 6: UNDERSTANDING THE MARKET

Understanding the market is the second step of starting a business as shown in Figure 4.7. Once an entrepreneur has an idea they are interested in trying, it is important that they first go to the market to test if it will work.

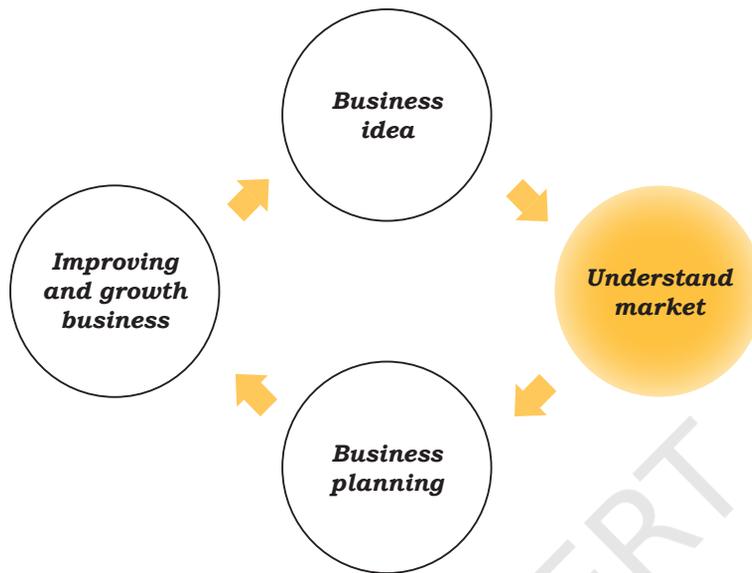


Figure 4.7 The business cycle

In this session, you will learn how an entrepreneur can look for opportunity to check if their idea will work in the market and also find ways to make it work as shown in Figure 4.8.

### Understanding Customer Needs

An entrepreneur is directly responsible for ensuring that the customers' needs are met through the product or service offered by the business. Therefore, in this stage of business, understanding exactly what most of the customers want in terms of the following factors is very important.



Figure 4.8 Understanding the Market

## Customer Needs

Customer needs can be categorised into four types of needs.

- (e) **Served Needs:** These are needs that customers know and are fulfilled by different businesses or the government. For example, the need of travelling from one place to the other is taken care of by both, private bus services and government bus services.
- (f) **Partially-served Needs:** These are needs which are served through different products or services, but the customer is not completely satisfied and still faces problems while using. For example, people always used taxis and autorickshaws to go to different places, but they face problem in finding one on time, and paying a reasonable amount for it.
- (g) **Unserved and Known Needs:** These needs are known by the customers, but not fulfilled by anyone in the market. For example, people in small towns do not have electricity supply at all times, and therefore their children cannot study after sunset. A company realised this problem and created solar-lamps, which get charged during the day and can be used at night.
- (h) **Unknown Needs:** These are needs that people have, but are not aware or do not expect for it to get solved by a business. For example, people 10 years ago did not know that it will be possible to make video-calls across cities or countries. But through innovation, entrepreneurs and innovators found the technology to make this happen.

### Aspects to Keep in Mind while Understanding Customer Needs

The above mentioned needs about the specific product or service can be found out keeping in mind the following factors:

- (a) **Quality and Quantity:** An entrepreneur must understand what is a customer's expectation in terms of the quality. For example, an entrepreneur

who makes and sells biscuits needs to understand which flavours the customers like, the level of sweetness that customers prefer, etc.

- (b) **Price:** An entrepreneur must understand at what price the customer will be willing to buy a product of a particular quality. Knowing this helps the entrepreneur to decide their profit margin, as well as think of methods to lower the cost of making the product without compromising on quality.
- (c) **Location:** Location means the place from where customers usually buy the product or service. For example, an entrepreneur who wants to sell beautiful handmade jewellery may think of setting up a shop near a saree or women's clothing store. The products may not sell if the shop is near a men's clothing store.
- (d) **Time:** Time is also an important factor in understanding customer needs. An entrepreneur should understand in which season or at what time of the day, week or month, would a customer use the product or service. The production and advertisements can be planned accordingly.
- (e) **Frequency:** Frequency means the number of times a customer may buy the product or service. Some products are bought again and again, while others are bought once in a few years. For products like food items, the same customer may buy a samosa every day from the same shop, but for a product like a battery operated fan, a customer will repurchase only in 5–6 years.

## Customer Survey

Customer survey is an exercise that entrepreneurs do to understand whether there is a market for what they have to offer. Through this survey, entrepreneurs try to know whether they are meeting customer needs and also understand what their preferences are. Customer survey is one of the most effective ways to find out what customers want. It involves talking directly to customers and asking them questions. Later in this session, you will be doing an activity to practice taking a customer survey.

## Knowing Competitors for Understanding Supply

Before an entrepreneur starts the business, another important step for understanding the market is to know which other businesses in the market are providing the same product or service. This helps an entrepreneur to understand the competition they might face.

The key aspects to keep in mind while understanding your competitors are

- (a) **Positioning:** One should try and understand how the competitors position their business. This means, how the enterprise wants its customers to see them. One can be seen as a high-quality expensive brand, or they can be seen as a low-cost, affordable brand. This is important information for an entrepreneur who is starting new, since it allows them to decide how they would want their potential customers to see them.
- (b) **Pricing:** Pricing means an understanding of the price at which different competitors sell their product or service. Knowledge of competitor pricing helps the entrepreneur to decide the price and quality of their own products or service.
- (c) **Offers:** The next information that an entrepreneur can find out is about the kind of offers that the competitors give to their customers, and why does a customer go to them again and again? This knowledge will give the entrepreneur ideas on how they can be different from their competitors.
- (d) **Customer Relations:** Another important information that must be understood at this stage is how a business stays in touch with its customers and maintains a relationship with them, so that they keep coming back, giving repeat business.

## A Competition Survey

In order to figure out what is available in the market and what the competitors are doing, an entrepreneur should study all possible businesses. In a customer survey, one directly goes and talks to the customer, but in a competition survey, an entrepreneur must observe and ask others these questions. Here is a sample survey questionnaire that can be used for a competition survey.

Questions	Observations
How do customers see the business? a) High-end b) Low-cost	
At what price is the competitor selling their products?	
What are the offers made which attract the customers?	
How do the shopkeepers talk to the customers? How does the customer feel while buying the product?	

## Practical Exercise

### Activity 1

Outdoor Interviews and Presentation: Real Customer Survey

#### Assignment

1. Construct a simple questionnaire containing questions related to customer's satisfaction regarding a product or service.
2. Meet some people in the market or residential area and administer the questionnaire.
3. Analyse the responses received from the people about the performance of the product or service.
4. Discuss the observations in the class.

**Sample survey for the product or service you have thought of**

S. No.	Questions	Answers
1.	On a scale of 1 to 10, rate how you like the idea of this product or service?	
2.	How do you buy this product? (a) From a shop (b) Someone delivers it to you (c) Buy it online (d) Do not buy it yourself, someone else buys it for you	
3.	How often do you buy this? (a) Everyday (b) Once a week (c) Once a month (d) Once a year	
4.	How much money do you usually spend to buy this product?	
5.	What is your favourite brand of ___? Why do you like this brand?	

## Check Your Progress

### A. Subjective Questions

1. What are the two ways of understanding the market?
2. What are the different aspects of understanding customer needs and preferences?
3. How can an entrepreneur find out about customer needs?
4. What are the different aspects of understanding competition?
5. How can an entrepreneur find out about competition?

## What Have You Learnt?

### After completing this session, you will be able to

- list the basic needs of customers.
- list the aspects that help you to understand customer needs.
- list the aspects that help you to understand the concept of competitors.

## SESSION 7: BUSINESS PLANNING

After the entrepreneur has decided what to sell, and checked if the customers are willing to buy the product or service, the next step is to create a plan of action as shown in Figure 4.9. Let us understand why planning is important.

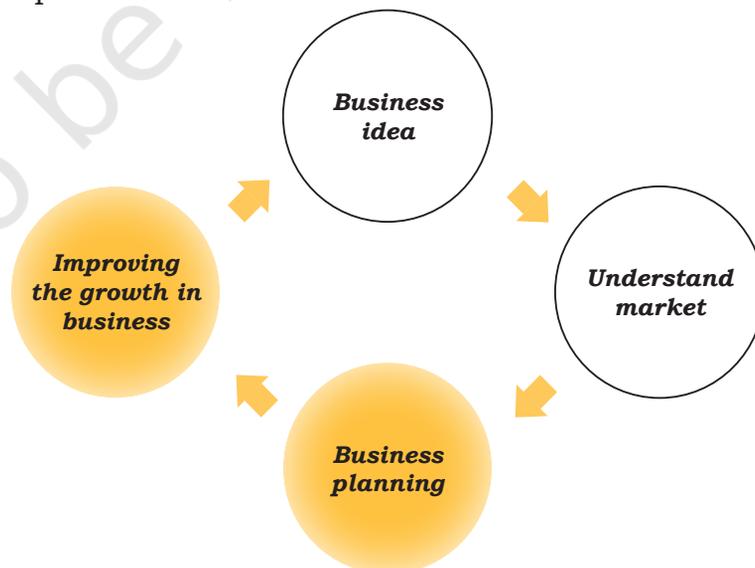


Figure 4.10 The business cycle

## Importance of Planning

A business plan is important for an entrepreneur. Some of the reasons why a business plan should be prepared are as follows:

- (a) Estimating the money required to be spent:** Once the entrepreneur knows what product to sell and whom to sell it to, the next step is to estimate how much money will be required to start the business. Without an estimate of how much money is required, an entrepreneur might invest too much money, or may start the business without enough money to run the business.
- (b) Estimating quantity of material required:** Knowing how much material is required helps an entrepreneur decide the cost of making each product or cost of delivering the service.
- (c) Standing out:** A business plan also makes an entrepreneur plan how they can make the customer see the business as standing out uniquely when compared with competitors.
- (d) Setting goals:** Another important reason of having a plan is to set ambitious, yet realistic goals. These goals motivate the entrepreneur to work hard.

## Business Plan

A business plan is a detailed plan of what an entrepreneur wants to achieve through the business and how it will be achieved.

While planning for a business, an entrepreneur has to think about different factors. Below is the sample template which can be used to plan for a small business.

### Business Planning Template

Customer Group	Product/Service	Material Required and Cost	Selling Method and Location	Price
Who is your customer? Which customer need are you trying to solve?	What product or service are you selling?	What material do you need? What is the cost of the material?	How will the customer buy from you? (Door-to-door, orders, stall, online)  Where will you sell it?	At what price will you sell it?  Why this price?

Business Activities and Team	Unique Selling Proposition 1	Unique Selling Proposition 2	Customer Goal	Profit Goal
What are the different business activities involved? What is the role of each person in your team?	Why will customers buy from you and not others?	How are you different from other businesses who sell the same product or service?	How many customers will you sell to, each day?	What will be your profit by the end of six months/year? How soon will you break even?

## Improving and Growing Business

After starting the business, an entrepreneur has to think about how they can continue to improve and grow by creating value for the customer. There are mainly three principles which can be followed to grow a business.

### Principles

- (a) **Quality:** An entrepreneur can improve the business by improving the quality of the product or service which is offered to the customer. This will help the business to stand out in the market and as a result, will justify the entrepreneur charging a higher price. More inflow of money will help the business to grow. For example, for a business of candles, an entrepreneur can improve on the quality by making scented candles or candles in different colours or sizes.
- (b) **Scaling Up:** Scaling up means growing the business by attracting more customers. There are many ways a business can reach out to more and more customers. One such way is to go to a different area where you will find new customers. For example, selling candles in different housing societies where a lot of people live instead of market where there is competition.
- (c) **Adding Substitutes:** Another way of growing a business is by giving offers to customers. Substitutes mean products and services which are similar to what is already being sold. For example, selling candle stands along with candles.

## Case Study

Richa started a candle making business to help her earn enough money for her college fees. A friend informed her about a candle making workshop, and even though it was quite far, she attended the workshop and learnt the art of candle making.

She saved ₹2000 over a few months, and bought raw materials — wax, wicks, molds and containers and dyes. She had enough material for making 200 candles.

In the beginning, she made many mistakes and a lot of work had to be re-done. Making one candle took her 20 minutes. She was able to make only 70 candles.

She tried selling the candles for ₹50 each, but realised that the price in the market for similar candles was only ₹25.

She decided to sell for ₹20.

*What could she do now? How could she create more value?*

Write three solutions for improving business using the principles:

Improving Quality	Scaling Up	Adding Substitutes

## Practical Exercise

### Activity 1

Group Exercise: Business Plan Pitching

#### Procedure

- Class forms teams of 5 members each.
- Each team creates a business plan for an idea they like.
- The teams get 45 minutes to make the plan.
- The teams present their plan to the teachers who give them feedback.

## Check Your Progress

### A. Subjective Questions

1. What is the meaning of business planning?
2. Why is business planning important?
3. What are the important parts of a business plan?
4. How can an entrepreneur improve and grow a business? State the principles.

## What Have You Learnt?

### After completing this session, you will be able to

- understand the importance of business planning.
- create a business plan of your own.