

ICS

BUSINESS TOOLKIT



Starting, managing and growing an
Improved Cook Stoves
Business in Uganda

This ICS Business Toolkit belongs to:

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- ☑ Scope
- ☑ Acknowledgments
- ☑ Purpose of this toolkit
- ☑ Structure of this toolkit

Introduction to the ICS Business Toolkit

Scope

This business toolkit comprises of 9 separate modules which together combine to make complete business plan for an improved cook stove (ICS) for last mile entrepreneurs.

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Purpose of this toolkit

☑ Overall goal of this toolkit.

“To increase the number of SMEs engaging in profitable ICS businesses. This will in due course increase the usage of ICS at the households and institutional levels.”

☑ Purpose

- ✓ This toolkit has been designed for use by stove sector stakeholders, particularly last mile entrepreneurs, to set up, manage and improve their businesses.
 - ✓ It is a sector support tool sponsored by SNV under the Integrated Renewable Energy Services (IRES) project, to improve the capacity of the sector stakeholders by bridging the gap between the suppliers, financial institutions, distributors and the last mile customer.
 - ✓ The toolkit is aimed at helping the both suppliers and entrepreneurs to increase penetration of ICS products in rural communities and to make their businesses sustainable.
 - ✓ For the benefit of improved cook stoves to be realized, it is important that their dissemination is carried out with high quality at all stages including selecting the most appropriate intervention including the type of stove, determining on how the stoves are produced or procured, their promotion, their uptake and their sustained use.
 - ✓ This toolkit will guide ICS SMEs, end users and development partners in the establishment and management of a sustainable cook stove enterprise.
- ☑ The toolkit is developed in a practical approach outlining the steps of turning your ICS business idea into a reality.
- ☑ The toolkit covers all topics that must be addressed in a business plan with exercises at the end of each topic, design to complete sections of your business plan. If you therefore complete the templates provided in each exercise, you will have completed development of your ICS business plan by the time you complete the toolkit.
- ☑ The last chapter in the toolkit is designed to help you combine and organize sections of the business plan into one complete document that can be used to:
- ✓ Provide strategic guidance to your business operations.
 - ✓ To attract financing.
- ☑ The ideas, steps, examples and templates provided in the toolkit are designed as guidelines to help you develop your own ideas and plans.
- To be effective, your plans must:
- ✓ Be informed by your ideas and choices.
 - ✓ Reflect your capabilities and resources; and,
 - ✓ Informed by your business environment.

Structure of this toolkit

This toolkit comprises 9 modules that can be used both independently or jointly. These modules represent the different components that make up complete plan for an ICS business. Therefore the exercises at the end of each module are meant to help you put together your business plan.

- ☑ Module 1 – ICS business opportunities in Uganda
 - ✓ Highlights the existing business opportunities in Uganda’s ICS market.
- ☑ Module 2 – Entrepreneurial skills to make an ICS business a success
 - ✓ Highlights key entrepreneurial skills that contribute to success of an ICS business enterprise.
- ☑ Module 3 – Starting an ICS business and developing a business profile
 - ✓ Highlights the key steps in starting an ICS business and developing a business profile.
- ☑ Module 4 - Identifying and assessing the best market for your ICS products
 - ✓ Highlights the key steps and considerations in identifying and assessing both the target market and business competition, with the aim of identifying the best market for your ICS products.
- ☑ Module 5 - Developing an ICS sales and marketing strategy
 - ✓ Highlights the key considerations and steps in developing an effective sales and marketing strategy.
- ☑ Module 6 - Operations and management.
 - ✓ Highlights the steps and key considerations in developing operational and management strategies.
- ☑ Module 7 – Financing business operations.
 - ✓ Highlights business funding sources and the key steps towards access to business funding.
- ☑ Module 8 – Managing business finances.
 - ✓ Highlights the importance and procedures for managing business finances with the aim of controlling and assessing the financial performance of business operations.
- ☑ Module 9 – Combining business plan components.
 - ✓ Provides guidelines on combining the exercises completed at the end of each topic in the toolkit to form an ICS business plan.
- ☑ Appendices
 - ✓ Acronyms and references.

Acronyms

| | |
|--------------|---------------------------------------|
| AfDB | African Development Bank |
| BDS | Business Development Services |
| BP | Business Plan |
| DFCU | Development Finance Company of Uganda |
| EAC | East African Community (EAC) |
| GVEP | Global Village Energy Partnership |
| ICS | Improved cook stove |
| IFC | International Finance Corporation |
| IRES | Integrated Renewable Energy Services |
| LPO | Local Purchase Order |
| MFI | Micro Finance Institution |
| SACCO | Savings and Credit Co-operative |
| SME | Small and Medium Enterprises |
| UNBS | Uganda National Bureau of Standards |

References

Training manual for micro, small and medium entrepreneurs in Energy Business Financing;

- East African Cook stove Market Assessments
- Market Survey on Possible Co-operation with Finance Institutions for Energy Financing in Kenya, Uganda and Tanzania
- Cook stoves and Markets: Experiences, Successes and Opportunities
- Mentoring guide for energy entrepreneurs
- BDS toolkit for energy entrepreneurs
- Training manual for senior and middle level managers in energy financing
- GVEP Loan Guarantees: Lessons learned from Uganda and Best Practices for the future
- Toolkit - Energy Programme Implementation: Review of Household Clean Energy Technology for Lighting, Charging and Cooking in East Africa – Kenya and Tanzania

Module 1

ICS Business Opportunities in Uganda

This module highlights the existing ICS business opportunities in Uganda.

Topics in Module 1

- 1.1 End-user benefits of Improved cook stoves (ICS).
- 1.2 Types of ICS products.
 - Portable Stoves.
 - Fixed Stoves.
- 1.3 ICS market potential in Uganda.
- 1.4 ICS business opportunities in Uganda.

Developing my business plan

- BP1– My ICS business.

By the end of **Module 1**, you will identify business opportunities within the Uganda ICS market.

1.1 End-user benefits of improved cook stoves (ICS)

An improved cook stove (ICS) is a cooking stove that has been modified to:

- ☑ Use less fuel - therefore saves money; reduces the destruction of forests - leading to protection of water towers - hence more rainfall.
- ☑ Cook faster - saves cooking time; enables family members (especially women) to use more time on productive activities - hence better incomes.
- ☑ Produce less smoke - reduced smoke inhaled by the user; cleaner cooking environment and better health.
- ☑ **Example:** A traditional metal charcoal stove can be improved by adding clay as insulating material which helps conserve heat and make it save fuel while cooking.

1.2 Types of improved cook stoves (ICS)

ICS are broadly classified into two:

- ☑ **Portable ICS** - This is a cook stove that can be carried away. It is of light weight, easy to move/transport. Portable stoves can be used both in rural and urban households.



*Example: Improved charcoal stove.
Image No. 2 - See image source pg. 83*

- ☑ **Fixed ICS** - This is a cook stove permanently fixed either on the floor or wall. It is ideally used in rural households.



Example: A woman cooking with a fixed improved cook stove.

Illustration by: Integral Media

Types of Improved cook stoves (ICS)

This classification can be further broken into two:

- ☑ Local manufactured stoves.
- ☑ Imported stoves.



*Briketi Eco-Stoves
Image No. 3 - See image source pg. 83*

Types of Improved cook stoves (ICS)

1. Fixed Stove

- ☑ There exist different sizes and design. It can be made for one pot or multiple pots depending on the needs and preference of the customer.
- ☑ Most use a clay brick chamber surrounded by ant-hill mud, built indoors or outside against the wall.
- ☑ Chimneys and multiple burners are included in some models.
- ☑ Estimated 40% reduction wood use compared to open fire.



Fixed ICS designed for multiple pots

Image No. 4- See image source pg. 83

Types of Improved cook stoves (ICS)

2. Rocket Stove

- ☑ Rocket-type can be made from fired clay only or metal casing with inserted clay lining as shown in the diagram below.
- ☑ Stoves are high off the ground and distinctive in shape. Some are designed with a chimney.
- ☑ Reduction in wood use can be as high as 60% compared to open fire.



Rocket Portable ICS

Image No. 5 - See image source pg. 83

3. Ceramic cladded Stove

- ☑ Portable and dominantly used in urban households.
- ☑ Insulated using a clay liner, which is normally fired.
- ☑ The size depends on the need, but it is usually of a standard size that can use different sizes of cooking pots.



Ceramic cladded stove

Image No. 6 - See image source pg. 83

4. ICS clay liner

The stove is made from clay and mud to form a burning space. The stoves can be built permanently against the wall on the outside of the house, or portable as shown in the images below.

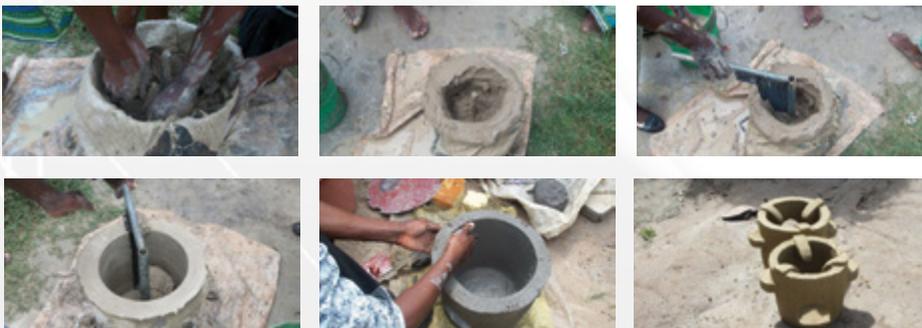


Image No. 7 - See image source pg. 83

Types of Improved cook stoves (ICS)

ICS Liner

- ☑ ICS Liner clay Stove are locally produced from clay by artisans.
- ☑ Is a one pot portable stove.
- ☑ The liner can be fired or can be used without firing.
- ☑ The stove can last up to 5 years when fired.



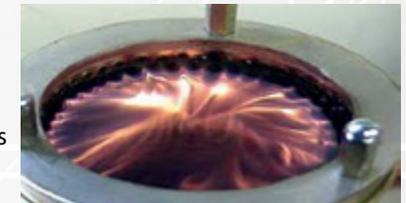
ICS clay Liner

Image No. 8 - See image source pg. 83

Types of Improved cook stoves (ICS)

5. Gasifier Stove

- ☑ This is a portable metallic stove, uses a wide variety of small-size of wood fuel, pellets.
- ☑ Gasifier stoves are made in a way that the fuel is first converted into combustible gases through intense heating which then burns with a clean flame.
- ☑ They use less biomass fuel with indicative fuel saving of up to 60%, cook faster with less smoke.
- ☑ Clean burning: less air pollution than many types of biomass stove, including charcoal cook stoves that releases a lot of carbon monoxide. The emission reduction is up to 80%.
- ☑ The stove also produces charcoal as by-product. The amount of charcoal produced depends on type of fuel used.
- ☑ The stove burn continuously with time varying with amount and type of fuel used, mainly within the range of 1 hour to 2 hour.
- ☑ The burning can also be improved by use of a fan.



Micro Gasifier Stove

Image No. 9 - See image source pg. 83



Image No. 10 - See image source pg. 83

Examples of imported stoves in Uganda

1. Envirofit G-3300

- ☑ Lightweight metal rocket stove are durable, patented metal alloy combustion chamber and designed to maximize stove life, quality control, safety and heat transfer. Minimizes emissions, weight and overall cost of the stove over the stove life
- ☑ Current stove technologies in Uganda include the Envirofit G-3300, Biolite, EZY Stove, SmartHome stove, Jiko Poa and Envirofit- wood. These clean cookstoves reduce smoke and harmful gases by up to 80%, reduce biomass fuel use by up to 60%, and reduce cooking time by up to 50%.



Envirofit wood stove
Image No. 11 - See image source pg. 83

2. Biolite Stove

- ☑ Biolite is wood-burning stoves that also function as chargers for portable electronic devices. It is designed to convert the heat of fire into usable electricity to power a fan, which then reduces fuel needs by 50%, toxic smoke by about 95%, and Carbon Monoxide emissions by 91%.



Lighting biolite stove
Image No. 12 - See image source pg. 83



A woman cooking with biolite stove
Image No. 13 - See image source pg. 83

3. Jiko-poa

- ☑ The stove is made of metal cylinder with three legs, two handles, a grate, a hotplate and a ceramic lining.
- ☑ The stove is designed to allow wood to be burned quickly and completely while the insulated lining directs the heat to the pot.
- ☑ From tests the stove has proven to be 45 percent more efficient than open fires and it reduce toxic smoke by 50 percent.
- ☑ The stove is aimed at rural families, for whom charcoal is often unavailable or too expensive; the stove is made to burn wood.



Jiko poa
Image No. 14 - See image source pg. 83

4. Ezystove

- ☑ The stove is a 'rocket stove' design, which implies that the stove uses a clever mix of insulation and air venting to ensure a clean and intense burn.
- ☑ Primary air is drawn in under the fuel, and secondary air (to burn off the smoke) is drawn in over the fuel.
- ☑ The double-walled stainless steel combustion chamber provides right environment for combustion.
- ☑ The stove exactly boils smoke out of the wood and then burns it!

Image No. 15 - See image source pg. 83



Operating stoves: Ezy and Biolite with LED light



Woman cooking with Ezy Stove

Image No. 16 - See image source pg. 83

Cook stove sector

- ☑ The use of wood fuel and charcoal fuel in Uganda is almost universal, with 96% of households using solid fuel for cooking. These are households using open fire and wood fuel predominately and are exposed to smoke and use of traditional cooking devices that consume more fuel.
- ☑ Wood is the fuel used for cooking in 85% of rural households, and charcoal is the fuel used in 68% of urban households (Uganda Bureau of Statistics and ICF International, Calverton, 2011).
- ☑ The ICS market in Uganda is not as developed with most improved cook stoves available in and around Kampala and availability in more rural and remote areas is low.
- ☑ Estimates set the number of households using improved stoves at around 9% whilst over 72% of the population still uses the three stone fire for cooking.
- ☑ Despite strong demand, supply-side constraints inhibit greater ICS market penetration. Currently, there are notable few companies with distribution beyond the vicinity of the capital (Kampala) and with the capacity to expand to new markets: for example; International Lifeline Fund (IFL), based in Lira, and Ugastove, based in Kampala.



Image No. 17 - See image source pg. 83



Contrast illustration of rural households' use of open three stone fire place vs. improved cook stove

Image No. 18 - See image source pg. 83

Key ICS Market Segments

- ☑ There are two distinct segments within the Uganda ICS market.
- ☑ The first segment is comprised of urban and peri-urban households that purchase fuel, possess more income and are less satisfied with their current cooking technology. This segment is more likely to adopt ICS new technologies that are imported into the country than the second segment.
- ☑ The second segment comprises of rural households which sometime get free fuel (wood fuel) and prefer to use cheap cooking devices. This segment requires awareness creation on the benefits for using ICS.

CS Value chain

The key components of the ICS value chain are: production, retail distribution and use.

Along the ICS value chain there exists different ICS business opportunities. It is important to identify and analyse gaps / needs in order to provide the appropriate business solutions.



Image No. 19 - See image source pg. 83



Image No. 20 - See image source pg. 83



Image No. 21 - See image source pg. 83

Production

The production of ICS is undertaken by different stakeholders that include, local artisans, NGOs and research institutions. The production of ICS involves;

- Production of liners stoves.
- Production of liners and cladding.
- Assembly of liner plus cladding.



ICS production site

Image No. 26 - See image source pg. 83

Retail and distribution

- Involves selling of ICS products to customers.
- Involves use of either retail or wholesale depending on the size of stock.
- Done either at production site, taking product to the market, stocking and selling to customers.



Local distribution of cook stoves

Image No. 22 - See image source pg. 83

Use

- ICS are used at household level for cooking.
- The benefits of the ICS include (fuel saving, less emission of smoke).
- Women are the main beneficiary as ICS saves them from the drudgery of fuel collection and smoke.

There exist various opportunities along the value chain that can be tapped

- Retail / distributors of ICS in Uganda for the penetration of ICS for both rural and urban household market.
 - a. Business diversifying into ICS.
 - b. Starting ICS business (production, fabrication, assembly).
 - c. Offering after sale support for ICS.

My ICS business opportunities

1. What type of ICS business opportunity do I see for myself along the ICS value chain?

2. What is my potential market target?

3. What ICS types/sizes/brands can I potentially sell in my target market?

- ICS types
- ICS sizes
- ICS brands

4. Who are my likely potential suppliers?

5. What customer benefits will my ICS products address?

6. What ICS business challenges do i foresee?

7. How I will address such challenges.

2. Do i have the knowledge to start and run an ICS business?

— Guiding questions to identify my knowledge gaps:

- Knowledge of ICS products and quality control? YES NO
- Knowledge of potential ICS customers? YES NO
- Knowledge of ICS business competitors? YES NO
- Knowledge to plan for my ICS business? YES NO
- Knowledge to finance my business operations? YES NO
- Knowledge to manage my ICS business operations and finances? YES NO
- Knowledge on marketing ICS products? YES NO
- Knowledge of ICS sales and distribution? YES NO
- Knowledge to price my ICS products? YES NO

List of my knowledge gaps based on the guiding questions above.

How I will address each of the knowledge gaps I have identified above.

3. What are my business skills and attributes?

Using the key characteristics of successful entrepreneur as my guide, here are my key strengths and weaknesses.

What strategies will I use to overcome my weaknesses?

How will I take advantage of my strengths?

3.1 Steps in starting an ICS Business

Step 1: Describe your business idea

- ✓ Identify the types and sizes of ICS products for your business.
- ✓ Identify the type of ICS business depending on the business opportunity you have identified for your business. The common business lines include producer, supplier (wholesaling and/or retailing). You can choose one business line or a combination of different business lines.
- ✓ Decide if you are starting a new ICS business or expanding an existing one.
- ✓ Identify the start date.

Step 2: Develop a business profile to describe your business

Why develop ICS business profile?

- ✓ You need to provide business profile for business registration and licensing.
- ✓ The profile acts as a marketing tool to reach out to customers, suppliers, banks and financiers will require basic information about your business operations.

What comprises a business profile?

- ✓ **Business overview** - In the section, you need to give a description of the business such as the name, the address, the contact details.
- ✓ **Business history** - In the section, you need to show the business history, the business development, the ICS business scope and the ICS products.
- ✓ **Business resource** - show the ICS business experience and capabilities of the management team.

Step 3: Register your business name

Business name registration procedures in Uganda.

- ✓ Application to the register of business at registrar of companies for names search to find out whether the name is booked for use by somebody else.
- ✓ Reservation of the name for 60 days if nobody else is using it.
- ✓ If the name is free for use, the applicant will be allowed to proceed with the registration of the business name.
- ✓ The applicant will be provided with a 'CERTIFICATE OF REGISTRATION' for the name applied for.

Step 4: Comply with licenses, permits and registrations relevant for your ICS business

- ✓ It is important to know the obligations related to hiring employees and to familiarize with the labour laws in Uganda.
- ✓ Identify the procedures required to register and acquire business licenses, permits and/or certificates.
- ✓ Undertake the required steps to acquire the licenses, permits and/or certificates.



Entrepreneur persuading customers

Image No. 23- See image source pg. 83

3.2 Complying with laws and regulations

It is important to know the laws governing the operation of an ICS business in Uganda because of the following reasons:

- ✓ Laws and by-laws in Uganda are clearly included in the country's constitution and are meant to provide the guidelines for starting and operating any business in Uganda.
- ✓ The laws are critically formulated to protect indigenous businesses from unfair competition from international businesses which have much wider markets and resources to operate their businesses anywhere in the world.
- ✓ In every business there are by-laws that govern that particular business. A good insight to and understanding of these by-laws is important to an ICS entrepreneur. In particular, Uganda government is very sensitive and has provided comprehensive energy by-laws that are geared towards protecting the environment.
- ✓ "IGNORANCE OF THE LAW IS NOT DEFENSE" is a common phrase among legal fraternity. Poor knowledge of law can lead to business failure.

3.3 Steps in developing your ICS business profile

Step 1: Describe the legal structure of your business.

- ✓ Decide how many people will invest in your business and how you will contribute capital, share profits or losses, commonly referred to as shareholding percentage.
- ✓ Choose a business structure suitable for your needs.
- ✓ The most common business structures include: Sole proprietorship, Partnership or a Company.

Step 2: Choosing a business name.

- ✓ Short names are easier to remember.
- ✓ Unique names differentiates your business from other existing businesses.
- ✓ A good name can be an effective advertising tool.

Step 3: Choosing a location and contacts.

- ✓ Important to choose a location convenient for your customers. Consider location of business competitors.
- ✓ Business address is often needed for registrations, licences, permits/certificates.
- ✓ Business contacts are important for your customers, suppliers, banks and other business linkages.

4.1 Steps in selecting the best market for your ICS products

If you want to sell ICS effectively and succeed you must identify your target customers and gather information that you will use to develop your strategy to reach and satisfy the targeted customers.

Step 1: Identify, assess and select high potential target customers.

Success of your ICS business will largely depend on the viability of the market you select. The following factors will determine viability of your targeted market.

- Targeted customers must be willing to buy ICS products as a solution to their needs and wants.
- Targeted customers must be willing to pay for the ICS products.
- The targeted customers must have the ability to pay for ICS products.
- The selected customer groups should be large enough to allow you to sell more and make profits.

Step 2: Identify competitors and their competitive advantages.

ICS entrepreneurs operate in competing environments with other businesses providing cooking products to the same target market. Therefore, for an ICS business to succeed there is need for the owner to know almost as much about competitors as they do about their own business and customers; and use that information to make better decisions on choice of ICS products (module 6 of this toolkit) and plans to sell more than the competitors (modules 7, 8 and 9 of this toolkit).

Methods of acquiring market information

| Assessment Tool | Main Features | What should be asked / Looked out for |
|--------------------------------------|--|---|
| Individual Interviews | <ul style="list-style-type: none"> ☑ Respondents should be female since they are the ones who usually cook ☑ Should target households | <ul style="list-style-type: none"> ☑ Family size ☑ What type of fuel being used ☑ What types of cooking device/s are being used ☑ What are some of the constraints or barriers that stop people purchasing cook stoves available in their local market ☑ Preferences in buying stoves ☑ Accessibility to ICS ☑ Buying power including economic activities, income levels, access to credit and loans |
| Market or sector studies and reports | <ul style="list-style-type: none"> ☑ Desk based research and document reviews. ☑ Should select information from credible sources such as those sponsored by independent market actors e.g. Government, sector associations and programmes. | <ul style="list-style-type: none"> ☑ Any information on the type of products and markets in Uganda |

4.2 Methods of acquiring market information

When you want to get information about customers and competitors, you can use the following methods:

| Assessment Tool | Main Features | What should be asked / Looked out for |
|-----------------|---|---|
| Observation | <ul style="list-style-type: none"> ☑ Target households ☑ Visit competitor businesses | <ul style="list-style-type: none"> ☑ Fuel type ☑ Cooking devices ☑ Economic activities ☑ Cooking habits and challenges ☑ Social class/ lining standards ☑ Competitors way of doing business ☑ Customer buying habits and patterns |
| Focus Groups | <ul style="list-style-type: none"> ☑ Should be organized by demographic. ☑ Should be conversational; it's important to ask "why" a lot in order to dig deeper into questions; yes/no questions should be avoided. | <ul style="list-style-type: none"> ☑ Preferences in buying cook stoves ☑ Types, availability and cost of fuel types in the local market. ☑ Types, availability and cost of Cook stove products in their local market. ☑ What are some of the constraints or barriers that stop people purchasing cook stoves available in their local market. ☑ Challenges they face using cook stoves ☑ Available in their local market. |

4.3 Steps in identifying and selecting high potential target customers

The following outlines the process of identifying target customers.

- Start by identifying areas with a high potential for ICS products. These areas are characterized by the following:
 - ☑ A wide population using charcoal, firewood and kerosene.
 - ☑ Use of traditional cook stoves and open fire.
 - ☑ A wide population that cannot afford advanced cooking technologies like gas cookers.
 - ☑ In-sufficient supply of improved Cook stove products.
- Gathering information about the population in the identified areas.
 - ☑ Note the characteristics of the customers e.g. geographical location, economic activities, income levels etc.
 - ☑ Analyze their cooking needs and wants; cooking habits, fuel used (charcoal or firewood) and Cook stove products they use for cooking.
 - ☑ Analyze their buying habits; preferences, spending habits, buying patterns.
- Group together those who have common characteristics.
 - ☑ Each group with similar characteristics is called a segment or sub-market.
 - ☑ The groups must have clear differences so that each group is really different from the others.

The following outlines the process of selecting target customers.

- d. Group customers on the basis of characteristics affecting market trends and buying habits:
 - ☑ Availability and cost of fuel types; cooking needs also influence the type of fuel and products used; ICS products for charcoal and firewood are different; Some customer many need to advance their cooking products while others may need to change fuel types.
 - ☑ Social class largely determined by income levels, geographical locations and cooking habits; ICS products offer different features and benefits; Differentiate between urban and rural markets which will in most cases have different needs, wants and preferences.
 - ☑ Buying power influenced by income levels and/or access to credit or loans; ICS products are available at different prices; differentiate between those who prefer cheaper products and those who can afford more expensive products.
- e. Develop information profile of each customer group. The profile should include the following information:
 - ☑ Geographical location; key features they are looking for based on their needs, wants and preferences;
 - ☑ Buying power including the price they are willing or able to pay for ICS products and;
 - ☑ How they plan or prefer to pay (cash, credit or loans); and, estimate market size per location.
- f. Then, compare and select group or groups with a high potential for different types of ICS products, based on the criteria for viable target market **(Module 5)**.

Competitive analysis is an ongoing process. Below are some of the steps that an ICS entrepreneur need to follow to analyze the key competitors.

Step 1: Identify the major competitors.

Competitors are those businesses that offer:

- ☑ ICS products similar to the products you may select for your target market.
- ☑ Those who offer products (e.g. Kerosene) that satisfy the same cooking needs and wants as those to be satisfied by your ICS products.

Identify the following key information about competitors.

- ☑ Business name;
- ☑ Geographical coverage,
- ☑ Product by type,
- ☑ Manufacturer brand
- ☑ Product sizes.

Step 2: Identify your competitor's strengths and weaknesses.

- ☑ This involves identifying those advantages that could give/make your competitors sell more than your business and how you can advantage of their weaknesses to sell more than them.
- ☑ To do this, analyze the following areas and characteristics.
 - ✓ Advertising and promotion: what methods and materials do they use to advertise and promote their products; how often; how effective are these methods and materials.
 - ✓ Product: which products do they offer; what are the feature and benefits of these products; how well do customers buy and get satisfaction from these products.
 - ✓ Pricing; what prices do they sell their products; is the market price sensitive; are customers willing to pay for those prices; do customers have the buying power.
 - ✓ Distribution; what are their distribution channel and methods; are their products always readily available; customer care; how well do they reach and serve the target market.



ICS businessmen analysing competitors strengths and weaknesses

Image No. 24 - See image source pg. 83

Step 3: Developing a profile of my business competitors.

- Using the guidelines in **Module 4**, I will now identify, group and select my potential competitors.

| Competitor name | Geographical coverage | ICS product types, brands/manufacturers and sizes | Competitor Strengths/ Advantages |
|-----------------|-----------------------|---|----------------------------------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |
| 6 | | | |

Module 5 Developing an ICS Sales and Marketing Strategy

This module highlights the key considerations and steps in developing an effective sales and marketing strategy.

Topics in Module 5

- 5.1 Key factors to consider in development of a marketing strategy.
- 5.2 Developing a product strategy.
- 5.3 Developing a pricing strategy.
- 5.4 Developing a distribution strategy.
- 5.5 Developing an advertising and promotion strategy.

Developing my business plan

- My sales and marketing strategy.

By the end of **Module 5**, you will:

- Understand the key factors to consider in development of a sales and marketing strategy.
- Understand the key steps to undertake towards development of an effective sales and marketing strategy.
- Develop your sales and marketing strategy.

5.1

Key factors to consider in development of an ICS marketing strategy

- ✓ A good marketing and sales plan is customer focused. Therefore, driven by customers' needs and wants.
- ✓ A customer driven marketing strategy should include information on Product, Price, Place and Promotion; commonly referred to as the 4 Ps of marketing.



- ✓ **PRODUCT** – Customers are looking for an ICS product that will address their cooking needs and wants.
- ✓ **PRICE** – Customers are looking for an ICS product they can afford.
- ✓ **PLACE** – Customers are looking for convenience in accessing your ICS products.
- ✓ **PROMOTION** – Customers are looking for information that will help them make the decision to buy your ICS product.

Implementation of the marketing strategy requires action and resources, therefore, a complete marketing strategy comprises the 4Ps and a marketing plan.



- ✓ Include information that communicates ICS product benefits to a customer.
Example: you will spend 50% less on charcoal.
- ✓ Include information that will communicate cost and solutions to make the product affordable for the ICS customer.
Examples: ICS will cost Ugx: 35,000; we facilitate access to ICS loans.
- ✓ Include information on where or how the customer(s) will access ICS product.
Example: we offer door to door delivery of our ICS products.
- ✓ Include information on how the customer will get to know about the ICS product and the message to be delivered to customers.
Examples: we will advertise our products using posters; we will communicate to our customers how our ICS product save money on fuel and hospital bills.
- ✓ Include information on how you will implement the marketing strategy.
Examples: when to implement each marketing activity; employees required etc.

5.2

Developing a product strategy

Product

More concerned with ICS product features and benefits to customers

- ✓ To be successful in the market, the targeted customers must be interested and willing to pay for an ICS product because it provides a solution to their cooking needs, wants and preferences.
- ✓ Therefore, it is important to consider the following while comparing and selecting suitable ICS products for each of your target market segment.

Product strategy – key questions

- What options are you giving your ICS customers to choose from?
 - How does each product you are offering provide a solution to the ICS customer?
 - What is your quality assurance to the customer?
 - What is your profit potential in each of the products you are offering?
- What options are you giving your ICS customers to choose from?
 - ✓ Preferred sizes (small, medium, large),
 - ✓ Design preferences (fixed, portable),
 - ✓ Type of fuel used by the product (wood, charcoal, briquettes or multiple fuel use).
 - Solutions offered to the customer: consider if your product/s enable customer to:
 - ✓ Cook faster; therefore, save time.
 - ✓ Use less fuel (charcoal or firewood); therefore save money.
 - ✓ Clean and less smoke; therefore, improve health.
 - Consider if your ICS product/s ensure quality for the customer:
 - ✓ Check if the product meets quality standards; save fuel and durability.
 - ✓ The quality of cook stoves available in the market can vary and is an important consideration when deciding on the cook stove type and supplier to use. Below are some pointers that can be used for assessing the quality of cook stoves.
 - ✓ Check if the supplier/product meet quality regulations and standards. These are available for cook stoves products. Look for Uganda National Bureau of Standard (UNBS) certification.
 - Consider the potential market size of each selected products to ensure profitability.
 - ✓ Calculate the potential profit for each product by multiplying the gross profit per unit (price less buying price and transport) by the number of units you think you can sell over a period of time (e.g. the next one year).

Checklist for choosing ICS Suppliers

- ☑ The following are some pointers when considering the cook stove suppliers you could potentially work with.

| Objective | Indicators |
|---|--|
| Production capacity/ supply capacity | <ul style="list-style-type: none"> ☑ What is their production capacity? ☑ What is their supply capacity? ☑ What is the time taken for the product to reach the market? |
| Support from suppliers | <ul style="list-style-type: none"> ☑ What service support (warranty, delivery) is provided? ☑ How frequent is the support provided? ☑ What is the procedure for accessing the support? |
| Performance of stoves | <ul style="list-style-type: none"> ☑ What is the amount of fuel saved? ☑ What is the time taken to boil/ cook a meal for average 5 people? ☑ What is the time taken to light it up? ☑ What is the temperature of the outside casing? |
| Cost and profit margins | <ul style="list-style-type: none"> ☑ What is the cost of production for producing one unit? ☑ What is the profit? |
| Warranties / guarantees and return policies | <ul style="list-style-type: none"> ☑ What is the warranty period? ☑ What return policies are in place? ☑ Who takes the cost for returning the product? ☑ How long does it take to get a product replaced? |
| Experience in the cook stove sector | <ul style="list-style-type: none"> ☑ What is the supplier's reputation and track record in the cook stove sector? ☑ Are there new sector developments that can affect the supplier of their products? ☑ Any sector support available for ICS suppliers? |
| Aesthetics/consumer appeal | <ul style="list-style-type: none"> ☑ What is the value addition for the cook stove customer? ☑ What consumer appeals are being addressed? ☑ What are the benefits? ☑ What is the cost implication? |
| Terms and conditions | <ul style="list-style-type: none"> ☑ What is the mode of payment? ☑ What is the mode of delivery? ☑ What are the conditions for customer support? |

Price

Concerned with affordability of your products to your potential ICS customers

- ☑ A pricing strategy is concerned with the following key decisions.

Product strategy – key questions

- What prices can we afford to offer our customers?
- How much money are our target customers willing to pay?
- How do our prices compare with those of our competitors?
- What discounts can we offer customers who want to re-sell our products?
- How can we improve or facilitate customers' ability to pay?

a) What prices can we afford to offer our customers?

- ☑ Costs – Prices must cover costs to avoid making losses.
- ☑ Profit objective - In addition to costs, the prices must include a profit margin.

b) Are customers willing to pay for our ICS products?

- ☑ Income levels – how much our target customers can afford to pay based on their household incomes.
- ☑ Willingness – how much customers are willing to pay for the product or similar products. This will determine the quantities you are able to sell.
- ☑ Product quality - A high quality product offers great value to customers and can easily sell itself. Customers pay for a product if they realize the value for their money.

c) How do our prices compare with those of competition?

- ☑ Competition – compare your price(s) with those of competitors selling similar product(s).
- ☑ Substitute products – compare your price(s) with products serving the same purpose as your product(s). The products may not be the same but will affect customer's willingness to pay for your product(s) if substitute products are cheaper.

d) What discounts can we offer customers who want to re-sell our products?

- ☑ Discounts – consider discounts for customers who buy large quantities especially those who buy in order to sell to others.

e) How can we improve affordability of our ICS products?

- ☑ Credit or loans – consider how you can facilitate customers access to loans or credit.
- ☑ Frequent reviews – it's important to review prices frequently to ensure they cover changes in costs, competitor prices and customers willingness to pay.

Steps in developing a pricing strategy

Step 3: Compute unit cost of each product.

Direct costs are divided by the number of units purchased or produced while indirect costs by the number of units to be sold.

Examples below are based on a business that buys ICS products from manufacturers or importers and sells to end users.

a) For direct costs

- Compute total direct cost related to each type of product purchased.
- Divide by the total number of units purchased for each product type.

| Direct cost | Product A | Product B | Product C |
|---|-------------|-------------|-------------|
| A. Cost of purchases | Ugx 300,000 | Ugx 600,000 | Ugx 630,000 |
| B. Delivery transport | Ugx 50,000 | Ugx, 50,000 | Ugx 50,000 |
| C. Total direct cost (A + B) | Ugx 350,000 | Ugx 650,000 | Ugx 680,000 |
| D. Units bought | 50 | 80 | 70 |
| E. Direct cost per unit (C divide by D) | Ugx 7,000 | Ugx 8,125 | Ugx 9,715 |

b) For indirect costs

- Compute or estimate total indirect costs per month.
- Divide by the total number of units you expect or estimate to sell per month (Sales estimate in Step 1 Above).

| Indirect costs (total expenses per month) | Ugx |
|---|------------|
| Salaries & wages | 300,000 |
| Rent | 60,000 |
| Transport | 50,000 |
| F. Total indirect costs | 410,000 |
| Total sales per month | Units |
| Product A | 50 |
| Product B | 80 |
| Product C | 70 |
| G. Total units | 200 |
| H. Indirect cost per unit (F divide by G) | Ugx. 2,050 |

Steps in developing a pricing strategy

c) Total cost per unit

Combine the total direct cost per unit (a) and total indirect cost per units (b).

| Unit cost per product | Product A | Product B | Product C |
|---------------------------|------------|-------------|-------------|
| E. Direct cost per unit | Ugx. 7,000 | Ugx. 8,125 | Ugx. 9,715 |
| H. Indirect cost per unit | Ugx. 2,050 | Ugx. 2,050 | Ugx. 2,050 |
| I. Total unit cost | Ugx. 9,050 | Ugx. 10,175 | Ugx. 11,756 |

Step 4: Set product prices.

The price you set for each product will be determined by your pricing objectives including:

- Amount of profit you want to make - This can be set as a fixed amount or expressed as a percentage of total unit cost.
- Quick recovery of business start-up costs - Involves initial high prices targeting a smaller number of customers who can afford and latter reduction of prices.
- How quickly you want to penetrate a new market - Involves setting initial low prices to promote a new product in the target market and later increasing the prices once a product is established in the market.
- The price advantage you want to create over your competitors - Involves setting prices at the same level or lower than competitors.
- Sales and distribution channels - Involves setting different prices with a discount for those who buy your products with the intention of selling to others.

Based on these objectives, there are different approaches used to set prices:

- Cost plus – this approach adds a profit margin to the total unit cost.
- Skimming – this approach sets a high initial price to recover capital costs and latter increased to target more customers.
- Market penetration – offers very low prices (usually at cost) when introducing a product to the market and increased after the product is known to the target market.
- Competitive approach - sets prices the same or slightly less than direct competitors.
- The most effective pricing strategy is to use the cost-plus approach as the basis for all other pricing methods. If prices have to be lower than the cost plus methods, look for ways of lowering costs.

Example: Cost – plus approach.

Step 5: Compare competitiveness of your prices and develop your price competition strategy.

- ☑ Develop a competitive analysis on the basis of customer and competitor profiles you developed (in Module 5 of this toolkit).

Example: Product C is not offered by competitors in the target market.

| Comparative Analysis | Product A | Product B | Product C |
|--------------------------------|-------------|-------------|-------------|
| Your prices | Ugx. 11,550 | Ugx. 12,675 | Ugx. 14,265 |
| Competitor pricing | Ugx. 13,000 | Ugx. 10,000 | |
| Price customers willing to pay | Ugx. 10,000 | Ugx. 10,000 | Ugx. 10,000 |
| Price of substitute products | Ugx. 5,000 | Ugx. 5,000 | Ugx. 5,000 |

Guidelines for developing a competitive strategy.

- ☑ Where competitors offer the same product for less prices (e.g. Product B), the best option is to lower prices.
- ☑ Where competitors do not offer a product (e.g. Product C), you have to consider customers willingness to pay. You can either lower prices to their expected levels or alternatively demonstrate a higher product value to change customer's price perception.
- ☑ Where the market offers substitute products at significant low prices (Product A, B & C), you have to differentiate (show more value) your products from substitutes.

Step 6: Develop your strategy to support customer payments.

- ☑ Based on customer buying habits from the analysis you developed (in Module 5 of this toolkit), develop your strategy to improve customer's ability to pay.

Guidelines:

- ☑ The most common method is offering customer credit; however, you must assess their credit worthiness of each customer before selling goods on credit. This method will also require more capital for your business.
- ☑ Another method it to link customers with access to end-user finance. Your business can partner with existing rural financial institutions such as the Savings and Credit Cooperatives (SACCOs) who can offer end-user credit.

Step 7: Undertake frequent price reviews.

- ☑ It will be important to review your product prices in the following cases:
 - ✓ You costs change.
 - ✓ You introduce a new product.
 - ✓ You target a new market.
 - ✓ Your competitors change their prices.

Place

More concerned with accessibility of your ICS products.

- ☑ A distribution strategy is concerned with the following key decisions.

Distribution strategy - Key questions

- Which is the nearest distribution point where customers will find your ICS products?
- What quantities of each ICS product do we need at the distribution points?
- How will ICS products get to the distributor points?
- Which geographical areas of the ICS market, will each distribution point cover?

Different methods can be used to distribute ICS products to customers.

- ☑ Selling directly to end-users – This can be done in two way's:
 - ✓ Establish one distribution point for all target regions. This will however require more field work to attract sales and deliver products to customers. It also requires well coordinated sales, marketing and product delivery activities to reduce costs.
 - ✓ Establish sales outlets in different target regions. This will however increase retail outlet costs such as rent and labor; therefore, the targeted sales must be large enough to cater for the additional cost of the sales outlet.
 - ✓ Selling through agents.
 - ✓ Establish a distribution channel owned by other entrepreneurs – this involves selling ICS products to resellers at a lower price allowing them to make some profit. The agents can be wholesalers or retailers and may require different product pricing.

Choosing your distribution strategy.

- ☑ The best strategy is determined by the number of targeted regions and profitability.
- ☑ When targeting many regions, selling through agents/resellers will increase your sales and profit potential.
- ☑ Consider the location of your competition. Ensure you are not disadvantaged by the location of your major competitors.

Promotion

Concerned with communication about your product.

- ☑ To succeed in the market place, it is important to influence customer opinions and decisions resulting to purchase of our ICS products.
- ☑ The advertising and promotion communicates value of an ICS product to potential customers and should achieve the following:

Advertising and promotion - Key questions

- a. What message do we want to communicate to customers?
- b. What should the message achieve ? Inform, educate, persuade and/ or remind ?
- c. What methods do we use to communicate?

Challenges faced by many ICS entrepreneurs.

- ☑ Limited resources such as finance and time.
- ☑ Limited knowledge and expertise to carry out marketing activities.
- ☑ Low customer awareness on use and benefits of ICS products.
- ☑ Substandard ICS products in the market trading at lower price.

Key considerations

- ☑ Market research is relevant in identifying customer segments, customer preferences, market sizes for various energy products and how to bridge the gaps that may exist.
- ☑ In addition, a feedback system will be essential to communicate back the customer satisfaction levels and areas of improvement in the products as well as the delivery process.

Step 1: Define the target customer group.

- ☑ The first step is to determine which group of customers (market segments) we want to communicate with. Each group of customer have different needs and wants. We therefore develop marketing messages suitable for each customer group.
- ☑ Using the market segments you developed (in Module 5 of this toolkit), choose the customer group you want to communicate with.
- ☑ The choice of customer segment to target is determined by the marketing strategy you choose.
 - ✓ Mass marketing - attempt to appeal to an entire market with one message.
 - ✓ Target marketing – provides different messages for different market segments. The messages are customized to provide unique benefits to each customer group/segments.

Step 2: Decide why we want to communicate.

- ☑ Before we determine what we want to communicate, we need to decide why we need to communicate. This will be determined by the customers level of awareness and what we want to achieve.
- ☑ We can communicate to either:
 - ✓ Inform customers about your ICS products.
 - ✓ Educate customers on the benefits of your ICS products.
 - ✓ Remind customers of your products and benefits.
 - ✓ Persuade customers to buy your ICS products.

Communication

Inform **Educate** **Remind** **Persuade**

Step 3: Decide what message we want to communicate to our target customers.

- ☑ Using the customer groups you developed (in **Module 5** of this toolkit) identify those preferences, needs and wants your products need to satisfy.
- ☑ Using the product features and benefits you developed under the product strategy (**Module 6** of this toolkit) identify those product features and benefit that would satisfy the needs, wants and preferences identified.

EXAMPLES

- ➔ Use less charcoal, saving money used on charcoal.
- ➔ Less smoke saving you hospital bills.
- ➔ More heat to cook food faster.

Step 4: Decide which methods we want to use to communicate.

Some of the methods effective for ICS products include:

- ☑ Consumer promotions include some incentives such as free offers e.g. get a gift for buying one ICS product, price discounts and other incentives.
- ☑ Advertising through verbal or print media such as local radio stations, newspapers and magazines.
- ☑ Personal selling which includes one-on-one selling, networking, word of mouth and product presentations.
- ☑ Networking – involves building or maintaining informal relationships especially with people whose friendship could bring advantages such business referrals.

Networking has at least 4 main benefits:

- ✓ It will help increase your sales, through referrals.
- ✓ It will help you learn things that you need to know to manage and grow your business.
- ✓ It will help you find people that you can buy goods and services from.
- ✓ It can help stimulate your creativity about new things or approaches for your business.
- ✓ Networks are important because they help strengthen and support your business. Networks can be formal or informal.

Step 5: Decide which materials we shall use to communicate.

Effective marketing materials include.

- ☑ Posters.
- ☑ Brochures.
- ☑ Magazines.
- ☑ Newspapers.
- ☑ Roll-up banners.

Step 6: Develop your strategies to beat the competition.

An effective marketing plan takes into account competition from other businesses. Therefore includes information on creating a competitive advantage in the targeted market. Such strategies include:

- ☑ Branding
- ☑ Packaging
- ☑ Customer services

Product branding and packaging

Branding is making a product attractive and appealing to customers. It may include packing an ICS product in a box with a label mark to distinguish from other products.

Example: Ceramic Jiko Poster

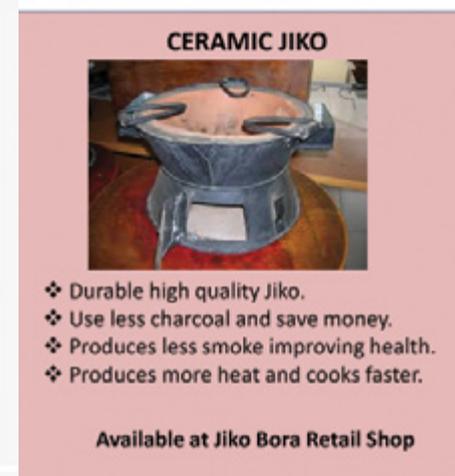


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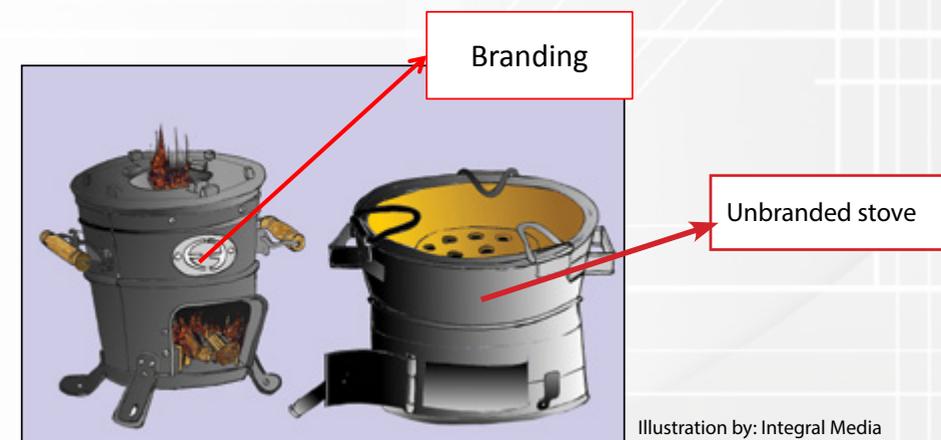


Illustration by: Integral Media

Branded and unbranded ICS

Why product branding?

Branding is vital for long-term profitability and growth, yet few ICS manufactures and producers understand the significance for branding.

Tips for branding

- ☑ **Focus on ICS product differentiation.** The best strategy in developing a powerful brand is to create the perception of difference. Being seen as both different and better than the competition is the biggest step in becoming a well-known brand and not just a well-known name.
- ☑ **Strong consumer relationships:** These underpin strong brands. Achieving strong customer relationships by delighting customers will not only produce loyal customers, it will transform those happy customers into an effective sales force.
- ☑ **Treat branding as an investment as not a cost:** Too much emphasis is placed on short-term implication and performance,; therefore, branding fails to receive the funding it needs. It is time to realize that brands are strategic assets that can be worth multiples of the tangible net assets of a company if nurtured properly.
- ☑ **Coloring is a major component in branding ICS business:** it's important that you select a color of your choice that is unique to differentiate your ICS products from others and that will be your brand. In the ICS sector color is critical in brand identification.

Customer Care

- ☑ Customer care is how you treat your customers and how they in turn relate to you and your ICS business. A business can only grow if there are good customer relations. This is because all activities in ICS business are geared toward satisfying customer needs and wants.
- ☑ Your survival in ICS business will depend on customer's who return to buy more from you. To ensure that the customers re-visit your business premise regularly, it is important to consider the following points:
 - ☑ Keeping good customer relations
 - ☑ The ICS, which you offer should be as per customers description e.g. design, quality, quantity, shapes, colors sizes etc.
 - ☑ All your employees should have a positive attitude to satisfy customers. Customers should be made to have trust that your ICS business enterprise has the relevant expertise to do the job- a professional job.
 - ☑ You should be able to explain to customers all questions so that they can create trust for your ICS products.

Dos (Tips)

- ☑ Always greet your customers and ask them "May I help you customer".
- ☑ Be courteous to all customers and serve them with a smile.
- ☑ Pay close attention to your customers.
- ☑ Welcome customers objections in the selling process and reply carefully.
- ☑ Be presentable always.
- ☑ Always try to be patient as some customers are slow in making decision.
- ☑ Always be polite and friendly.
- ☑ Offer help and free customer service to your customers.

The don'ts

- ☑ Do not argue with your customers.
- ☑ Do not confuse your customers with many products
- ☑ Never force a customer to buy what he/she does not need.
- ☑ Do not give up when customers' refuse your prices. Instead show them the benefits of the product/services.
- ☑ Do not drink, smoke or eat while serving your customers.

Customer retention/satisfaction

- ☑ For ICS businesses, utilization is the best indicator of a customer's dedication to your products. You should know which customers are using or buying different types of your business. These customers who buy throughout your offerings are perhaps your most important customers to focus on for your retention strategies.

Response time

- ☑ Customers will always come back to you with comments such as "your service is great, you got back to me right away..." "I was surprised with how quickly you responded to my order and it made all the difference even if I didn't get the ICS products I was hoping for..."
- ☑ In today's world of competition, response time is one of the only ways we can communicate our sense of urgency and concern for our customers and their experience with our product or service.

Step 2: My product acquisition strategy.

Step 2: My product acquisition strategy.

| |
|--|
| Product acquisition strategy <input checked="" type="checkbox"/> Decision whether I will procure complete ICS or assemble ICS parts to develop a complete product. |
| |
| |
| |
| |
| |
| <input checked="" type="checkbox"/> How I will identify and assess suppliers. |
| |
| |
| |

| |
|--|
| <input checked="" type="checkbox"/> How I will control quality of my ICS products. |
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Strategies to improve customers ability to pay for my products.

Review of my product prices: Why and how I will do it?

Step 6: Developing my distribution strategy.

a) Which ICS distribution channel will I use to deliver products to the target market.

b) How will this channel increase my ICS sales?

c) How will I reduce or control ICS distribution costs to increase profitability?

The success of an ICS business is largely determined by how well the business is managed on a day to day basis.

Management of an ICS business involves the following:

a) Planning

- Listing down all the activities that must be carried out to make the ICS business a success.

Examples:

- Marketing ICS products.
- Selling and delivering ICS products to customers.

b) Organizing

- Decide the best time to carry out each business activity.

Examples:

- Market ICS products on market days.
- Buy stocks once every week.
- Decide who will undertake each activity.

Examples:

- Choosing important activities that must be carried out by the business owner.
- Allocating duties and responsibilities to other employees, so that the business owner focuses on other important activities.



Fixed ICS installation depicting an organized working team

Illustration by: Integral Media

c) Leading

- Supervision and coordination of all activities carried out in the business.
- Communicating with those who work with you (workers) and also the outside world.
- Customer and public relations.
- Interpersonal relations. How you work together with others.
- Making sure others remain motivated to do their best for the goal of the business.

d) Controlling

- Controlling your budget - Make sure you do not spend beyond what you have budgeted.
- Control your cash the way you spend – make sure you have enough cash to meet your daily business activities.
- Control your credit sales– reduce the number of debtors
- Control your stock so that you don't have too much, too little or none at all.
- Control your workers so that they are able to meet the targets and that they stick to the work that you have planned.
- If you are doing any production / fabrication work like liner production, cladding, ICS assembly, you must control amounts produced, materials and also quality.

Dispute resolution in ICS Business

- Disputes arise from time to time in small businesses over a range of issues and can involve customers, suppliers, partners, and employees.
- Resolving a dispute can take considerable time, effort and money that would be better used to operate, manage, or grow your business. It is preferable to resolve the dispute amicably and with as little damage to the relationship as possible.
- While there could be several ways to resolve disputes, many can be easily managed through direct discussion, common sense and informal negotiation between parties. However, some significant or complex disputes may need to be resolved using a more formal process.

Types of Disputes

a) Debt Owed

- There will be occasions where you will need to follow formal debt collection procedures to recover money owed by clients who have not paid on time or refuse to pay at all.
- The process involves an escalating hierarchy of techniques until the debt is paid or you decide the cost of recovery is higher than the debt itself. Alternatively, you may need to dispute a debt raised against your business for products or services supplied.

b) Customer complaints

- ✓ Managing customer complaints, problems, and issues is part of being in business and its more than just keeping customers happy. It's about revenue, because customers make buying decisions based on the service they receive, not just price, quality and availability.
- ✓ A lost customer means lost revenue and an unhappy customer can damage your reputation. A well-managed complaint may convert a potentially lost sale into a loyal customer and is a way to stay ahead of your competitors.

c) Contractual Obligations

- ✓ Commercial contracts are the basis of doing business. Examples include customer orders, supplier contracts or rent agreements.
- ✓ Disputes arise when parties to a contract don't do what they agreed. It is preferable to resolve the dispute without court action wherever possible.
- ✓ First, read the contract and other associated documents to clarify the rights and obligations of each party about the issue in question. In many cases, a well-written contract will set out what both parties have agreed and the action required will often be obvious.
- ✓ Also, check your contract for a clause that outlines a process for dealing with disputes between the parties. If the contract or other associated documents do not clarify the issue, obtain professional advice.

Tips for resolving disputes

a) Tip 1: Be clear and logical about the facts

- ✓ Document the relevant details about the dispute. Record dates, times, product or service details, summary of discussions, promises or verbal agreements and the details of each party to the dispute.
- ✓ Document each problem relating to the same issue separately; it may be possible to resolve a few smaller issues one at a time.
- ✓ Find out the rights and obligations of each party to the dispute, and if there are any specific organizations you should be talking to.
- ✓ The solution or action required will often be obvious once the rights and obligations are clarified.
- ✓ Record how each party would like the dispute resolved.

b) Tip 2: Organize the evidence

- ✓ Collect all documents relevant to the issue (contracts, leases, receipts, warranties, invoices, orders, and photographs).
- ✓ Tag the relevant clauses of any contract or lease.
- ✓ Organize the facts in chronological and subject order.

c) Tip 3: Identify what you want

- ✓ Be clear about the remedy being sought by you or the other party. The remedy could include compensation, refund, repair, replacement, an apology, change in behaviour or a combination of these.
- ✓ Ask the other party about what is important to them and what remedy they are seeking.
- ✓ Remember that each party has a common interest in resolving the matter quickly, fairly and cheaply. A direct exchange of information may present a solution that is acceptable to both parties.

d) Tip 4: Be calm and show respect

- ✓ Present your case calmly and show respect for the other party's point of view. Animosity from a badly managed dispute can cause long term adverse effects on your business.
- ✓ Be prepared to compromise and give a little when the other party is prepared to do the same.

6.3

Steps in developing operations and management strategy

Step 1: Determine the skills your business will require on a day to day basis.

- ✓ Analyze all the business functions and identify the number of people required to undertake each function.
- ✓ The functions include:
 - ✓ Management.
 - ✓ Product acquisition.
 - ✓ Marketing.
 - ✓ Sales and distribution.
 - ✓ Financing and financial management.

Step 2: Identify the number of employees required.

- ✓ Estimate number of employees for every business function.
- ✓ Analyze how much it will cost to fill each positions.

My Operations & Management Strategy

Step 3: Determine duties and responsibilities of the Owner / Manager

- Most Cook stove business are owned and managed by the same person. Therefore, he/she can be called an owner/ manager. Because of this the owner/ manager carries out the following duties and responsibilities.
 - ✓ Planning the business resources and activities.
 - ✓ Organizing work, recruiting staff and allocating work to himself/herself and workers.
 - ✓ Leading and communicating with those who work in the business.
 - ✓ Controlling resources such as materials, machines, finance etc.
 - ✓ Marketing and selling activities.
 - ✓ Looking for finances which will be invested in the cook stove business.
 - ✓ Communicating and working with others outside the business including public relations.
 - ✓ Gathering information on matters that affect your cook stove business.

Step 4: Identify the facilities you will need to start the business.

- Describe the size and usefulness of the facilities needed to start operations and as your business grows.

Step 5: Describe your Inventory strategy.

- This involves description of the following:
 - ✓ Describe what inventory you business will require e.g. raw materials, work in progress, finished products.
 - ✓ What Inventory levels will your business require.
 - ✓ How long will it take to deliver each type of inventory? How long does it take from the time you order from supplier to the time supplier delivers the inventory.

Step 6: Describe how you will manage your business.

- What management processes, techniques and procedures will you use.
 - ✓ Manage inventory to avoid stock-outs and losses.
 - ✓ Manage sales, distribution, sales team and customers.
 - ✓ Manage procurement or production.

Step 7: Describe your business operating hours.

- ✓ Indicate the days/dates when the business will be operating.
- ✓ Indicate the hours business is open .

a) Skills and number of people required to run my ICS business.

| Business functions | Number of people | Salary / wages required |
|--------------------|------------------|-------------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

b) Roles of a manager in my business.

c) Days and hours that my business will operate.

d) Facilities that I will need to run my ICS business.

| Business facilities | Cost |
|---------------------|------|
| | |
| | |
| | |
| | |
| | |
| | |

e) What is my inventory management strategy?

f) What are my key management processes, procedures and techniques?

g) What are my strategies to manage business relations?

Module 7 Financing ICS Business Operations

This module highlights business funding sources and the key steps towards access to business funding.

Topics in Module 7

- 7.1 The need and steps to access business finance.
- 7.2 Determine why and how much financing is required.
- 7.3 Determine sources of business finance.
- 7.4 Choosing a suitable source of business finance.
- 7.5 Guidelines on loan negotiations.

Developing my business plan

- My business finance strategy.

By the end of **Module 7**, you will

- Understand key steps to access ICS business finance.
- Understand different sources of business finance.
- Develop you business finance strategy.

7.1 The need and steps to access business finance

Need for business finance.

- ☑ Capital to start a business.
- ☑ Additional capital to grow or expand the business.

Challenges for ICS enterprises.

- ☑ Most ICS business owner do not have access to finance for their business and face the following challenges.
- ☑ Most businesses look for funds from banks but do not have the required security.
- ☑ Most SMEs do not have an ideas of how else they can finance their business.

Steps - Financing decision

- ☑ Access to finance requires careful planning and involves the following key steps:
 - ✓ Determine why you need to access financing.
 - ✓ Determine how much finance is required for you business.
 - ✓ Decide what type of financing source your business requires.
 - ✓ Determine when and how long the finance is needed.
 - ✓ Identify any security you business can provide if required for financing.
 - ✓ Identify the steps you need to take to access financing.

7.2 Determine why and how much financing is required

Step 1: Determine you business funding objective.

- ☑ The first step determines why a business requires financing.
- ☑ Do you need to start a new business?
- ☑ Do you require additional funds to grow or expand the business.

Step 2: How much money is required for each activity to achieve funding objective.

- ☑ The first step is to determine the amount required for each type of business operation.
- ☑ The type of business operations requiring funding is largely determined by the objectives which can either be starting of new business operations or expanding an existing business.
- ☑ An ICS business requires funding for the following business operations.
 - Equipment and tools – facilities required to facilitate ICS business start-up or expansion. Determined by the ICS business model.
 - Inventory – Stock of ICS products. This can include raw materials or unfinished products for assembly and/or finished products, depending on the business model.
 - Operating expenses – Includes costs that a business may require to cover before the business start-up or expansion begins to make money and/or break-even.

Determine why and how much financing is required

Guidelines for calculating financing requirements.

- Estimating equipment or tools.
 - ☑ Undertake a market research to determine the tools and/or equipment your business start-up or expansion may require depending on the business model.
 - ☑ Businesses that assemble or produce ICS products require more tools and equipment than those businesses that only undertake the retail functions. A retail business may for instance decide to brand or package ICS products if allowed by suppliers.
- Estimate inventory requirements.
 - ☑ Use your computation of the estimated monthly sales (**module 6**) of this toolkit.
 - ☑ Use a three months sales estimate at the very least, to cover for the following:
 - ☑ You need to stock more than you can sell in a month; therefore, factor in stock of each product.
 - ☑ Some of your sales may be in credit or held as stocks by distributors or re-sellers depending on your business model.
 - ☑ You need stock to factor in the time it takes suppliers to deliver products or supplier seasonal stock-outs or the time it takes to produce or assemble you products. This relevant situation is determined by your business model.
 - ☑ You need an allowance for business growth as your sales are likely to grow in line with your advertising and promotion activities.

c) Estimate operating costs.

- ☑ Use your computation of the estimated monthly expenses (in section 6.3 of this toolkit)
- ☑ Use an expenses estimate covering at least six months, to cover for the following:
 - ✓ The period it might take for your business start-up or expansion to break even or start making profits.
 - ✓ Allow more market penetration activates which may initially cost more than planned and in some cases include promotions which may require selling at cost.
 - ✓ Allow retention of business profits to provide additional funds to cover more growth or expansion.

Step 3: Determine the total amount required for start-up or business expansion.

- ☑ This involves combining the funding requirements of all business operations business operations to determine the total financing requirement.

Equipment/Tools + Inventory + Operation expenses = Total finding requirement.

Below are the different types of business financing:**a) Debt financing**

Debt finance is classified as medium risk with medium rates of return because lenders are usually repaid before distributions are made to business shareholders.

Types of debt financing:

- ☑ **Secured loans:** A loan secured with collateral which usually an asset. In case of default, the lender can recover their money by selling the asset.
- ☑ **Development bank or international institutions:** Loans to private companies can be made through regional development banks such as African Development Bank (AfDB) and multilateral institutions such as IFC, Micro-finance institutions etc..
- ☑ **Micro-credit:** examples (My C4, Kiva)
 - ✓ Is a subset of the traditional debt financing model, the loans are smaller and tailored to borrowers with limited ability to pay.
 - ✓ Due to lack of disposable income mainly by the rural customers, financing at the local level is critical in making renewable energy systems affordable and available.

Step 1: Assess how much is required from external funding sources.

Determine how much funds your business can raise from shareholders and internal business operations (in the case of business expansion).

Step 2: Assess and choose the appropriate external source of funding.

The source of financing you choose will be determined by different factors including:

- ☑ The requirements required to access funding in comparison to the ability of your business to meet such requirements. E.g. Business type, business sector etc.
- ☑ How much money you can get from the source depending on your financing needs.
- ☑ How long is funding offered in comparison how long your business requires funding.
- ☑ When can you get the funding in comparison to when you will get the funding.
- ☑ What is the required security in comparison to what security your business can offer.
- ☑ What is the interest requirement in comparison to the interest your business is able to pay.
- ☑ The application process and procedures and the ability of your business to meet such procedures. E.g. preparation of business plans, investment proposals etc.

Key considerations

- ☑ Feedback from financiers who say “no” and tell you why is among the most highly useful advice you’re going to get about your business plan. In many cases where a business concept has good potential, you will still be told that you need x, y and z in order to achieve an acceptable financing proposal. Your earnest compliance with any recommendations can only improve both your business prospects and your chances of getting financing.
- ☑ It’s useful to ask questions and get as much information as possible about the reason for a “no.” Ask what would have to be different in order to get a “yes.” Listen carefully to what’s being said to you and confirm with “So what you’re saying is....” to make sure you clearly understand the points the financier is making. Keep in mind that you can’t pay careful attention to the wisdom being offered if at the same time you’re taking a “no” personally or being defensive. Refusals aren’t personal, no matter what your emotional circuitry tells you. And financiers are very interested in how constructively you react when things don’t go your way or fall into place with the first try.
- ☑ The ideal solution, of course, is to send a team member to meet with financiers who can both present your financing proposal (and answer any questions that might come up), and take any criticism or detailed questioning with composure. But even when a “perfect” presenter isn’t among you, there’s still a lot of initiative you can take to bring your presentation and negotiation skills up to the required standards.

Case study

- ☑ Mr. Orombi, the ICS entrepreneur in Kisoko village, Tororo District, used to work for a stove company as a tin smith; his work was to assemble metal casings of the stove for 2 years.
- ☑ In his own words: “Having worked for 2 years with the company, I gained technical skill of making ICS, I then resigned from being employed to start my own business, it was not easy starting, I had saved some UGX100,000 from my salary and the company gave me UGX150,000 as my gratuity, given that I had acquired skills, I started buying scrap metal sheets and started making stoves at small scale.”
- ☑ “I got involved in some business training to improve my skills, I wanted the business to grow, I went to a micro-finance institution for a loan, they assessed my business and gave me UGX300,000 as a loan.”
- ☑ “From that time I have never looked back. My business has grown and I am able to meet my basics and pay school fees for my kids and provide health care for them.”
- ☑ This case study shows that Orombi negotiated for the loan that was manageable to him and then used it wisely.

Business finance tips

- ☑ Don't spend any money before you have it. This is one of the easiest ways to get your business in quick trouble.
- ☑ Don't assume you'll get a loan approved during your first meeting, or even second or third. Expect getting financing to be a long process, sometimes extending up to a year or more for ambitious projects.

Determine why your business requires financing.

What is your funding objective?

- ✓ **Is it start-up?**
- ✓ **Is it an expansion?**
- ✓ What reasons justify funding each of the above operations or activities?
- ✓ It is important to assess the need for funding.
- ✓ Why is it necessary to start a new business or expand the existing one?
- ✓ Are there other business operations that can cover the required business operations?
- ✓ How with the start-up make money or contribute to business growth?
- ✓ Which activities or business operations require funding.
- ✓ Is it the inventory costs?
- ✓ Is it the tools or equipment required?
- ✓ Is it the operating costs?

My Business Financing Strategy

Step 1: How much is required for funding?

Using the guidelines in Module 7 this ICS toolkit, here are my ICS business funding requirements.

a. Inventory funding requirements.

| A. Inventory needs | Monthly sales | Three months | Three months (Value) |
|-----------------------|---------------|--------------|----------------------|
| Product Name: | Units | Units | Ugx |
| Product A: | | | |
| Product B: | | | |
| | | | |
| Total inventory needs | | | |

Explanation:

b. Equipment & tools requirements.

| B. Equipment & Tools | Ugx |
|-------------------------|-----|
| Equipment | |
| Tools | |
| Total tools & equipment | |

Explanation:

c. Operating expense requirements.

| C. Operating expenses | Monthly | Six months |
|----------------------------|---------|------------|
| Expenses type: | Ugx | Ugx |
| Office / shop rent | | |
| Advertising and promotions | | |
| Transport / distribution | | |
| Licenses & permits | | |
| Communication | | |
| Salaries & wages | | |
| Total operating costs | | |

Explanation:

d) My total funding requirement.

| D. Total funding required (A+B+C) | Ugx |
|-----------------------------------|-----|
| Equipment and tools | |
| Inventory | |
| Operating expenses | |
| Total funding requirement | |
| | |

Explanation:

Step 2: A comparison of different sources of funding in comparison to my business needs.

Comparing funding qualifications, amount, period, effective date, security, interest and application procedures and approval processes.

| Funding source | Finding requirements | Business needs |
|----------------|----------------------|----------------|
| 1. | | |
| 2. | | |
| 3. | | |
| | | |

Explanation:

Step 3: Choosing the appropriate mix of funding sources for my ICS business.

| | Amounts | Cost / Interest |
|-----------------------------|---------|-----------------|
| Total funding required | | |
| Funding sources | | |
| 1. From shareholders | | |
| 2. From business operations | | |
| 3. From loans | | |
| 4. | | |

Explanation:

1. _____

Step 4: What strategy will I use to plan and negotiate for funding from each source.

Step 5: What steps do I need to take in order to successfully access financing.

Module 8 **Managing ICS Business Finances**

This module highlights the importance and procedures for managing business finances with the aim of controlling and assessing the financial performance of your ICS business operations.

Topics in Module 8

- 8.1 Financial management process.
- 8.2 Cash flow statements and management.

Developing my business plan

- My financial reports.

By the end of **Module 8**, you will

- Understand the importance and process of managing business finances.
- Develop your cash flow statements.
- Understand financial reports.

Financial management refers to the process of managing business finances to ensure the following.

- Adequate availability of funds to undertake business activities.
- Effective use of the available finances.
- The business achieves the profit objective to reward business owners.

Managing your business finances involves the following:

- Preparation and management of cash flow budgets.
- Keeping business records.
- Preparation of books of accounts.
- Preparation of financial reports.

What is cash flow.

- Cash flow is the movement of money into or out of a business. Movement of money into a business is referred to as Cash-Inflows and movement of money out of a business is called Cash-Outflows.

Cash inflows include:

- Sales on a cash basis.
- Cash paid by the business debtors.
- Cash from loans and grants..
- Cash from business owners.

Cash outflows include:

- Cash Payments to suppliers – for purchase of stocks.
- Cash payments for operating expenses such as salaries & wages, rent, insurance etc..
- Purchase of equipment and tools.
- Money paid to business owners..
- Taxes.
- Loan & Interest repayments.

A Cash flow Analysis is statement comparing timing of cash-inflows against cash-outflows; is a tool for measuring the ability of a business to meet its obligations on a regular and timely basis. The ability of a business to meet its obligations is dependent on the timing and amounts of money flowing into and out of the business.

Cash flow forecasting is the process of predicting cash-inflows and cash out-flows. It is therefore a statement analyzing cash inflows and outflows each day, week, month or several months.

Making a cash flow forecast

STEP ONE: Develop the cash-flow analysis format

- Develop a cash flow analysis format - there are a variety of ways a cash flow forecast can be structured. Below is a common method of structuring your cash flow projections.
 - ✓ Monthly columns – create number of columns equivalent to the number of months for the projection time period.
 - ✓ Balance at the Beginning of the Period (at the beginning of the first month in your cash flow projection) - Start with the current balance as shown on your cash and bank books. Don't use the last balance on your bank statement as it may not contain all the activity that you have recorded.

Sample cash flow format

| | JAN | FEB | MAR | APR | MAY | JUN |
|--|-----|-----|-----|-----|-----|-----|
| CASH AT HAND (beginning of month) | | | | | | |
| CASH INFLOWS | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| Total cash inflows | | | | | | |
| Total cash available (before cash out) | | | | | | |
| CASH OUTFLOWS | | | | | | |
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| Sub-total | | | | | | |
| Loan principle payment | | | | | | |
| Loan interest | | | | | | |
| Capital purchase | | | | | | |
| Total cash outflows | | | | | | |
| Net working capital / Cash flow | | | | | | |

STEP TWO: Consider your cash flow revenues (Cash Inflows)

- ☑ Forecasting - Find a realistic basis for estimating all cash inflows. The most effective basis is the activity based organizational plans.
- ☑ Important note – Recognize inflows on a cash basis; therefore, each month must show only the cash you expect to receive that month. Any sales made on a cash basis should be included in the month actual cash is received.
- ☑ Estimate sales – Both cash sales and credit collections during each month under consideration.

1. Estimate Cash Sales.

- i. Estimate collections on credit sales – If you sell products on credit terms, only include the part of credit collection expected in cash in the specific month under considering.
- ii. Example: sales cash flow planning
 - Cash sales make up 40% of sales per month.
 - Credit sales – 20% paid in the month of sale, 65% in the first month after sale and 15% in the second month after sale.

| SALES FORECAST | JAN | FEB | MAR | APR | MAY | JUN |
|------------------------------|---------|---------|--------|---------|---------|---------|
| Total sales target | 100,000 | 200,000 | 50,000 | 600,000 | 350,000 | 400,000 |
| Cash sales per month - 40% | 40,000 | 80,000 | 20,000 | 240,000 | 140,000 | 160,000 |
| Credit collections per month | | | | | | |
| Month of sale - 20% | 12,000 | 24,000 | 6,000 | 72,000 | 42,000 | 48,000 |
| 1st Month after sale - 65% | 39,000 | 78,000 | 19,500 | 234,000 | 136,500 | 156,000 |
| 2nd Month after sale - 15% | 9,000 | 18,000 | 4,500 | 54,000 | 31,500 | 36,000 |
| Credit sales month - 60% | 60,000 | 120,000 | 30,000 | 360,000 | 210,000 | 240,000 |

2. Estimate other non-trading cash inflow sources - from non-sale activities such as:

- ☑ Interest or income from Investments, or other miscellaneous cash receipts expected during the month.
- ☑ Cash from Shareholders - include any capital from shareholders or partners expected that month.
- ☑ Borrowing Anticipated - Enter the proceeds of any loans, overdrafts etc, that you expect to receive during the month.

3. Compute total cash inflows for each month.

STEP THREE: Consider your cash flow disbursements

(Cash Outflows)

- ☑ Forecasting - Find a realistic basis for estimating all cash outflows due in the corresponding month. The most effective basis is the activity based organizational plans.
- ☑ Important note – Recognize outflows on a cash basis; therefore, each month must show only the cash you expect to pay out that month. Any expenditure incurred on credit should be included in the month actual cash payment is to the supplier.

1. Estimate purchases:

- ☑ Cash Purchases – an estimate of all purchases to made on a cash basis during the month.
- ☑ Creditor Payments – an estimate of payments for goods previously bought on credit.

Example: Purchase cash flow planning

- ☑ Target purchases equal to total sales target for the next month.
- ☑ Cash purchases make up 60% of purchases per month.
- ☑ Supplier credit terms - 30% payment in the month of purchase and 70% paid in the first month after sale.

| PURCHASES FORECAST | JAN | FEB | MAR | APR | MAY | JUN |
|---|---------|--------|--------|---------|---------|---------|
| Basis - sales target for the next month | 200,000 | 50,000 | 60,000 | 350,000 | 400,000 | 150,000 |
| Cash purchases per month - 60% | 120,000 | 30,000 | 36,000 | 210,000 | 240,000 | 90,000 |
| Credit collections per month | | | | | | |
| Month of purchase- 30% | 24,000 | 6,000 | 72,000 | 42,000 | 48,000 | 18,000 |

2. Estimate all other activity based outflows including:

- ☑ **Loan Payments** - any loan payments that are due during the month. Include both principal and interest.
- ☑ **Purchase of Assets** - any planned purchase of assets during the month.
- ☑ **Income Tax or Other Taxes** – include all estimated taxes payable during the month.
- ☑ **Minus Payments** - Include any miscellaneous payments not included in your bills to be paid during the month. You can also include any cash drawings by shareholders or dividend payments expected to be paid in the corresponding month.

3. Compute total cash outflow for each month.

STEP FOUR: Computation of monthly Net Cash Flow balances

- ☑ This is the estimated end month balance, which is the net of all the cash activity expected during the month.
- ☑ Net Cash Flow (Closing balance) = Opening balance + Total Cash Inflows – Total Outflows
- ☑ The closing balance for the month becomes the opening balance for the next month.
- ☑ The amount can be a surplus or deficit for the month.

Financial reports

- ☑ Provide information about the financial performance and financial status of your business.
- ☑ Why maintain financial reports for your business?
 - ✓ Various persons in society require financial information in order to make economic decisions. Such persons include:
 1. Business managers – they require financial reports to make important business decisions that affect continuity of business operations.
 2. Business owners – require financial reports to assess return on their investment and risk of future investments in the business.
 3. Investors interested in the business – require financial reports to assess the viability of investing in a business.
 4. Financial institutions such as banks – require financial reports to assess and decide whether or not to loan money to the business.
 5. Business suppliers - use the financial reports to assess risk involved in providing credit to the business.
 6. Governments - use the reports to determine the correctness of tax declared in the tax returns.

Preparation of financial reports involves the following.

- ☑ Preparation of financial reports involves the following steps.
 1. The first step is to maintain business records.
 2. The second step involves preparation of books of account.
 3. The third step involves preparation of financial reports.

These steps are explained below.**Step 1: How to maintain business records..**

- ☑ Business records are the documents which provide evidence that a business transaction has occurred. A transaction is an exchange of money for goods and services.
- ☑ The process of keeping business records is referred to as book keeping.
- ☑ Record keeping or book keeping involves the following:
 - a. Writing down all business transactions in business documents.
 - b. Keeping business documents in an organized manner usually in business files.

Importance of book keeping

- ☑ Records provide the basis for preparation of financial statements.
- ☑ Without good records it will be difficult to know if the business is making profit or losses.
- ☑ Records help in monitoring debtors and creditors, without records the business will not know how much it is owed and what it owes other people.
- ☑ Business records help the owners to monitor the people who run the business and also to find out how they have performed.
- ☑ Tax assessment is made easier if business records are available.

Consequences of poor book keeping

- ☑ The business may lose money without records to tell customers who have not paid or suppliers who have been paid.
- ☑ It will lead to mistrust and accusations between employees.
- ☑ Business owners will not agree on how to share profits made from the business.

*Business partners disagree because of lack of records*

Illustration by: Integral Media

The Business records include the following:

- Receipt** - This is a document given when a cash sale occurs, for example if a customer buys a product from the business premises and pays cash, he is issued a receipt.
- Cheque** - This is an instrument that transfers money from one person to another e.g. if a customer buys ICS from an ICS entrepreneur, he can pay using a Cheque. The entrepreneur will take it to the bank to get money.
- Invoice** - This is a document written when there is a credit sale. It reminds the customer to pay a given sum of money
- Payment Voucher** - This is prepared before making any payments. It is evidence that the business paid its suppliers or creditors.
- Goods received note** - This is written by the business to confirm that the goods ordered have been received and inspected.
- Delivery note** - This is written by suppliers to the business that goods have reached the specified destination.
- Pay slip** - This is evidence of moneys deposited or paid for example in a bank before depositing money ac customer is required to fill in slips.
- Local purchase order** - This is a document written by the business to the supplier specifying the quality and quantity of items required. It is used to ensure that the right orders were delivered and for payment thereafter.

Step 2: How to prepare books of accounts.

- Information from business documents is transferred to the business books of accounts.
- Books of accounts are used to.
 - ✓ Organize the same type of financial information. For example, all transactions relating to customers who buy goods on credit are recorded in the same book.
 - ✓ Track financial balances including cash balances, stock balances and unpaid debtor or creditor amounts.
- The most important books of accounts for an ICS business include:
 1. Debtors book.
 2. Stock cards.
 3. Creditors book.
 4. Cash book.
- These books of accounts are explained below.

Simple creditors record

- Used to track amounts owed to creditors.
- The record indicates the date of credit purchases, creditors name, what was purchased, the credit amount, the amount paid and date paid.
- Transactions without a payment record represent amounts owed to creditors.

Figure: Simple creditors record.

| Date | Creditors Name | Items Purchased | Quantity Purchased | Credit Amount | Amount Paid | Payment Date |
|------|----------------|-----------------|--------------------|---------------|-------------|--------------|
| | | | | | | |
| | | | | | | |
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How to maintain a stock card

- A stock card is divided into two sides. One side is used to records stocks purchases and the other side is used to record stock sales.
- Information from purchases and sales records is transferred to the stock card.

Figure: Format of a stock card.

Stock Card

Item Name: _____ Unit: _____

Manufacturer: _____

Minimum Stock (Re-order Level): _____

| Date | Received From | Issued to | Quantity Received | Quantity Issued | Balance | # | Signature |
|------|---------------|-----------|-------------------|-----------------|---------|---|-----------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

Simple debtors record

- Used to track amounts owed by debtors.
- The record indicates the date of credit sales, debtors name, what was sold, the credit amount, the amount paid and date paid.
- Transactions without a payment record represent amounts owed by debtors.

Figure: Simple debtors record.

| Date | Debtors Name | Items sold on credit | Quantity sold on credit | Amount paid | Payment date |
|------|--------------|----------------------|-------------------------|-------------|--------------|
| | | | | | |
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How to maintain a cash books.

- A cashbook is a record of money coming in and money going out of your business.
- A cash book is divided into two sides. One side of the cashbook is called receipts while the other side of the cashbook is called payments.
- Information from cash records is transferred to the cash book.

Figure: Format of a cash book.

| Receipts (Money in) | | | Payments (Money out) | | |
|---------------------|-----------------|--------|----------------------|-------------|--------|
| Date | Source of money | Amount | Date | Money spent | Amount |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
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- It is important to record all the cash coming in and leaving the business in a cashbook.
- Count your cash when the day begins and at the end of the day.
- Calculate the business (how much is left) every month, every week or every month whenever it is most convenient for your business. The balance should always be written at the start of a new page.

Example 1: Cash book

- Kantai sells Improved cook stoves, Briquettes, Charcoal in the market. On 1st March, she started recording in her cashbook. She has UGX40,000 cash.
- In the morning she buys the following items:
 - 3 Improved cook stoves at UGX1,000@:- 3*1000 = 3,000
 - 5Sacks of Briquettes at UGX2,000@:- 5*2000 = 10,000
 - 1 tin of Charcoal at UGX5,000

During the day she sells:

- Improved cook stoves for UGX1000
- Briquettes for UGX2,000
- Charcoal for UGX3,000
- She will sell the rest of the items the next day.
- She takes out UGX500 to buy mineral water.
- Before she goes home, she writes all her income and expenditure of the day in her cashbook and also calculates the income and expenditure and what is left with at the end of the day.

Kantai's Cash Book for the Month of March

| Receipts (Money in) | | | Payments (Money out) | | |
|---------------------|------------------------------|--------|----------------------|-----------------------------|--------|
| Date | Source of money | Amount | Date | Money spent | Amount |
| March | | | March | | |
| | Bal b/f | 40,000 | | Bought Improved cook stoves | 3,000 |
| | Sale of Improved Cook Stoves | 1000 | | Bought Briquettes | 10,000 |
| | Sale of briquettes | 2,000 | | Bought Charcoal | 5,000 |
| | Sale of charcoal | 3,000 | | Lunch | 500 |
| | | | | Bal c/f | 27,500 |
| | Total | 46,000 | | Total | 46,000 |

- ✓ The assets owned by a business are financed by liabilities and shareholders' equity.
- ✓ Financing provided by creditors creates a liability and financing provided by owners creates owners' equity.
- ✓ **A balance sheet is therefore made up of two sides:**
 - ✓ One side is made up of 'Business Assets' representing economic resources owned by the business.
 - ✓ The other side is made up of 'Claims against business assets' representing liabilities and shareholders' equity.
 - ✓ The Balance Sheet is therefore a statement detailing what a company owns (assets) and claims against the company (liabilities and owners' equity) on a particular date.
 - ✓ Since the assets have been financed by the claim on assets, the two sides of a balance sheet must balance (that's why it's called a balance sheet); As such, the assets must equal to the claims on assets.

ASSETS = LIABILITIES + SHAREHOLDERS EQUITY

| Balance Sheet Format | |
|----------------------|-----------------------|
| ASSETS | CLAIMS ON ASSETS |
| ✓ Fixed Assets | ✓ Liabilities |
| ✓ Current Assets | ✓ Shareholders Equity |

| ABC LTD BALANCE SHEET AS AT 31 DEC 2013 | | |
|---|---|------------------|
| Fixed Assets | Liabilities | |
| ✓ Land | 500,000 - Trade creditors | 100,000 |
| ✓ Building | 1,500,000 - Bank Loan | 500,000 |
| Current Assets | | |
| ✓ Trade Debtors | 200,000 - Shareholders Equity | 1,650,000 |
| ✓ Cash | 50,000 | |
| Total Assets | 2,250,000 Total Equity & Liabilities | 2,250,000 |

My Financial Reporting Formats

1: Format for developing my ICS business cash flow projections.

| | JAN | FEB | MAR | APR | MAY | JUN |
|--|-----|-----|-----|-----|-----|-----|
| CASH AT HAND (beginning of month) | | | | | | |
| CASH INFLOWS | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| Total cash inflows | | | | | | |
| Total cash available (before cash out) | | | | | | |
| CASH OUTFLOWS | | | | | | |
| 1. | | | | | | |
| 2. | | | | | | |
| 3. | | | | | | |
| 4. | | | | | | |
| 5. | | | | | | |
| Sub-total | | | | | | |
| Loan principle payment | | | | | | |
| Loan interest | | | | | | |
| Capital purchase | | | | | | |
| Total cash outflows | | | | | | |
| Net working capital / Cash flow | | | | | | |

2: List of financial documents that my ICS business will maintain.

3: Books of accounts that my ICS business will maintain.

4: Format for my ICS business balance sheet.

| Balance Sheet | |
|--|--|
| ABC LTD BALANCE SHEET AS AT | |
| <input checked="" type="checkbox"/> Fixed Assets | <input checked="" type="checkbox"/> Liabilities |
| <input checked="" type="checkbox"/> Current Assets | <input checked="" type="checkbox"/> Shareholders Equity |
| Total Assets | Total Equity & Liabilities |

5: Format for developing my ICS business profit and loss statements

| Income Statement | |
|------------------|--|
| Sales | |
| Less expenses | |
| | |
| | |
| | |
| | |
| Total expenses | |
| Profit | |

Module 9 Preparing your ICS business plan

This module provides guidelines on preparing your business plan by combining the exercises you have completed at the end of each Module in this ICS Toolkit.

Each of the exercises enables you to think through specific components of your ICS business and therefore together all these components make up your complete ICS business plan.

Topics in Business Planning Module

- Importance of business planning.
- Business planning.
- Combine business plan components.

By the end of exercise, you will;

- Understand the important of business financing.
- Consolidate the toolkit exercises to form a business plan.

Business Plans

A formal written strategy that specifies the steps to be undertaken in order to carry out a specific business activity and reach the planned targets.



Figure: Business plan development session

Illustration by: Integral Media

Aim of a business plan

- ✓ It gives sense of what we have to expect before we enter the business.
- ✓ Gives the owner guidance on how to run the business with focus. Finances are used prudently in accordance to the objective of the project.
- ✓ It is a way of selling your business to possible partners.
- ✓ It shows the business owner is organized and knows his or her business.
- ✓ Reduce financial investment risk. A well prepared business plan will increase your chances of obtaining financial assistance from financial institutions e.g. banks.

Why create a business plan?

- ✓ The process of planning your business.
- ✓ Encourages you to think about your objectives and goals.
- ✓ Encourages you to think about problems, possible problems and how to solve them.
- ✓ You get a clear picture of the whole project.
- ✓ You get new ideas.
- ✓ Collect all the material to one place.

The toolkits designed to complete part of your business plan; therefore, ensure to all the exercises at the end of the topics.

- ✓ 4.4 Business profile.
- ✓ 5.4 profile of the target market.
- ✓ 6.6 sales and marketing strategy.
- ✓ 7.4 Operations and management strategy.
- ✓ 8.6 Business financing strategy.
- ✓ 9.4 Financial reports.

Combining business plan components

Organize parts of the business plan as follows:

Executive Summary

- ✓ Comes first but prepared last after completion of a business plan.
- ✓ Summarizes key components a business plan including:
 - ✓ Purpose of the plan.
 - ✓ Product or service and its advantages.
 - ✓ Market opportunity.
 - ✓ Management team.
 - ✓ Financial projections.
 - ✓ Funding requirements.

2. Company Description

- ✓ Form of business organization.

3. Company Description

- ✓ Form of business organization.
- ✓ Ownership.
- ✓ Goal and objectives.
- ✓ Legal and regulatory compliance.
- ✓ Ownership.
- ✓ Goal and objectives.
- ✓ Legal and regulatory compliance.

4. Sales and marketing strategy.

- ✓ Target market.
- ✓ Competition.
- ✓ Products.
- ✓ Pricing strategy.
- ✓ Distribution.

5. Operations and management

- ✓ Equipment.
- ✓ Business Facilities.
- ✓ Management structure.

6 Financing and financial management

- ✓ Financial projections.
- ✓ Financing requirements.
- ✓ Sources of funding.

7 Major business risks

This section should identify the key issues that you believe are possible threats to the existence or success of your business, and how you will handle them to ensure they do not occur or their impact if they occur or exist is reduced.

ICS BUSINESS TOOLKIT

Starting, managing and growing
an ICS Business in Uganda

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