



**STRATHMORE INSTITUTE OF MANAGEMENT AND TECHNOLOGY
DIPLOMA IN BUSINESS CREATION & ENTREPRENEURSHIP
END OF SEMESTER EXAMINATION
DE 1105: CUSTOMER DISCOVERY AND BUSINESS PLANNING**

DATE: April 21st, 2022

Time: 2 Hours

Instructions

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.
3. Do not write on the question paper.

QUESTION ONE (1) (30 MARKS)

Munchies Arrested (MA) was founded in 2016 by Benja and two of his friends, Adan, and Tricia. Their original idea was a cloud kitchen concept. They had a plan to hire a kitchen, prepare and deliver the meals using a delivery company. On doing research the three realized that there were many individuals and businesses that were trying to provide the students with affordable meal options. The three decided to instead develop a platform that connects students with businesses offering either discounted services for students or within the vicinity of universities and hostels.

The business has grown fast and now the founders are considering expanding their business to either Uganda or Tanzania. Tricia knows that one mistake entrepreneurs make is assuming they can easily replicate their success in other markets. The three agree to conduct a PESTLE analysis, Porter Five Forces analysis and conduct market research and then decide which of the two countries to first scale to. After selecting the country, the three will have to decide on a beachhead market.

Adan has in his research identified some potential partners and thinks that they should also explore some external growth strategies. Internal growth strategies are risky because they involve the company using cash reserves. A wrong decision can cost the company its stability. Adan thinks external growth strategies might serve them best. Tricia thinks they can minimize risks associated with internal growth strategies by raising some cash from venture capital investors.

- a) Discuss four EXTERNAL growth strategies that the three founders can consider **(8 marks)**
- b) Identify two potential advantages for pursuing INTERNAL growth strategies **(2 Marks)**
- c) Identify two potential disadvantages of EXTERNAL growth strategies **(2 Marks)**
- d) Describe the five steps of the market research process. For each step make sure you explain the actions that happen during each step. **(5 Marks)**
- e) Identify three things that would indicate a high threat of new entrants. **(3 Marks)**
- f) Identify three ways in which the founder can try and create potential barriers if the threat of new entrants is high **(3 Marks)**
- g) In order to get the interest of the venture capital investors, the trio need to be able to speak about the market in terms of TAM, SAM and SOM. As the three project the size of their immediate market (SOM) what three factors would help them come up with a realistic number? **(3 Marks)**
- h) Identify any four criteria for selecting a beachhead market **(4 marks)**

QUESTION TWO (2) (15 MARKS)

- a) Market segmentation is the process of dividing a “broad” consumer or business market into sub-groups (or segments) in an aim to identify high yield segments. Providing an example, explain four ways in which entrepreneurs segment their markets **(8 marks)**
- b) Identify three categories of competitors entrepreneurs should be aware of **(3 Marks)**
- c) When a firm’s managerial resources are insufficient to take advantage of its new opportunities, the subsequent bottleneck is referred to as the managerial capacity problem. Identify four constraints to increasing managerial capacity. **(4 Marks)**

QUESTION THREE (3) (15 MARKS)

- a) Identify three “day to day” challenges a growing firm faces **(3 Marks)**.
- b) Pricing strategies vary during each stage of the product life cycle. For each stage of the product life cycle, discuss (i) the pricing strategy used, and (ii) the reasons for using the pricing strategy **(10 Marks)**

- c) identify two ways in which a new business can benefit from the “Start-up Ecosystem”.
(2 Marks)

QUESTION FOUR (4) (15 MARKS)

- a) Identify three benefits of creating a team (3 Marks)
- b) Describe the four phases of the business life cycle. To get full marks you need to describe the two activities that happen during each phase and one challenge the entrepreneur faces in each phase. (12 Marks)

QUESTION FIVE (5) (15 MARKS)

- a) Identify three reasons why it is important for entrepreneurs to write a business plan
(3 Marks)
- b) Customer acquisition cost is the best approximation of the total cost of acquiring a new customer. Discuss three ways in which you can reduce the cost of customer acquisition
(6 Marks)
- c) Michael Porter outlined the three primary ways companies achieve a sustainable competitive advantage, popularly referred to as the generic strategies. Using a grid diagram, discuss the three ways. (6 Marks)