

Sources of Finance & Market Research

Week 4 • Managing Enterprise

By the end of today, you can...

- Compare ways to fund a new business
- Choose suitable finance for your own business idea
- Explain primary and secondary market research
- Collect and use simple evidence in your business plan

Part 1

Sources of finance

How will you pay to start and grow your business?

- Every business needs money to get started.
- This money is called finance, and businesses can obtain it in different ways.
- Choosing the right source of finance can help a business grow while managing financial risk.

The first question: what will it cost?

Before choosing finance, work out what you need to pay for.

01 Start-up costs

One-off expenses to get your business ready to open.

Examples: Equipment • initial stock • website

02 Running costs

Regular expenses to keep your business operating.

Examples: Rent • wages • utilities • ongoing supplies

03 Emergency buffer

Money set aside for unexpected costs or slow sales.

Examples: Repairs • broken equipment • lower-than-expected income

**THINK ABOUT YOUR
BUSINESS PLAN**

What must you pay for before making your first sale?

Five habits of sensible funding

1. Work out how much you really need
2. Avoid borrowing more than you can repay
3. Think about combining suitable funding sources
4. Allow for unexpected expenses
5. Review your cash flow regularly

Can a business be profitable but still struggle to pay its bills? Why might this happen?

Personal savings: your own money

- HOW IT WORKS — You invest your savings in the business.
- ✓ ADVANTAGE — No lender to repay; you retain ownership.
- x RISK — Your personal savings may be lost.
- BEST FIT — A smaller start-up you can afford to fund.

What does “skin in the game” mean when using your own savings to start a business? What money should you avoid putting at risk?

Family and friends: funding with trust

- HOW IT WORKS — Someone you know lends or invests money.
- ✓ ADVANTAGE — Terms may be flexible.
- x RISK — Financial disagreements can damage relationships.
- ✓ GOOD PRACTICE — Agree whether it is a loan or investment and put terms in writing.

Investors: money for a share

- HOW IT WORKS — An investor provides funds in return for a stake in the business.
- ✓ ADVANTAGE — Capital without ordinary loan repayments.
- TRADE-OFF — You share ownership and potentially decisions.
- RETURN — Investors hope to earn dividends or sell shares at a gain.

Angel investors: early-stage support

- An angel investor often uses their own money to back a young business.
- ✓ POSSIBLE BENEFIT — Funding, experience, contacts and mentoring.
- x POSSIBLE COST — Giving up equity and some influence.
- CHALLENGE — Finding an investor who believes in your idea.

Does every small business need an angel investor?

Compare two very different business ambitions.

LOCAL LIFESTYLE BUSINESS

Example: independent café

Aim: earn a sustainable income and serve local customers.

May prefer savings, a small loan or grants to keep ownership.

SCALABLE BUSINESS

Example: software start-up

Aim: grow quickly and reach many customers.

May seek an angel investor for funding, contacts and mentoring.

Which business is more likely to benefit from an angel investor — and what might it give up in return?

Bank loans: borrow and repay

- HOW IT WORKS — Borrow a sum and repay it, usually with interest.
- ✓ ADVANTAGE — You normally keep ownership of the business.
- x RISK — Repayments are due even if sales are disappointing.
- CHECK — Interest, repayment period, affordability and any security required.

Business grants: funding with conditions

- HOW IT WORKS — Eligible businesses apply for support from a grant provider.
- ✓ ADVANTAGE — Many grants do not require repayment if conditions are met.
- x LIMITATION — Eligibility, deadlines and permitted uses may be strict.
- ACTION — Check current local and national schemes before relying on one.

Crowdfunding: support from a crowd

- HOW IT WORKS — Many people contribute through an online campaign.
- TYPES — Donation, reward, lending or equity crowdfunding.
- ✓ ADVANTAGE — Can test interest and build awareness.
- x RISK — Campaigns take work; funding is not guaranteed.

Which option would you choose?

- Savings — keep control, risk your own money
- Loan — keep ownership, take on repayments
- Investor — gain funding, share ownership
- Grant — no ordinary repayment, strict conditions
- Crowdfunding — build an audience, uncertain outcome

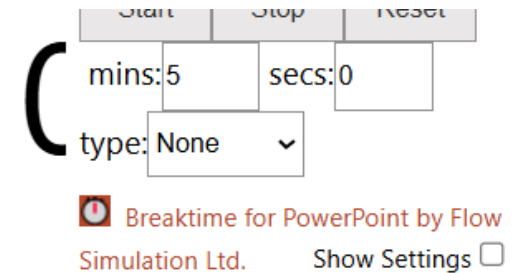
**THINK ABOUT YOUR
BUSINESS PLAN**

Which funding option would you reject for your business — and why?

Finance challenge: choose your funding

- Your business needs £3,000 to launch.
- You have £800 in savings.
- You want to keep control of the business.
- Which other source might you explore? Why?

Options: Family / Investor / Angel investor / Bank loan /
Business grant / Crowdfunding



THIS WEEK - Apply it to YOUR business plan

1. ESTIMATE YOUR COSTS

List realistic costs for your own business idea (e.g. equipment, stock, rent).

2. CHOOSE YOUR FUNDING

Select one or two sources that could cover those costs.

3. JUSTIFY YOUR CHOICE

Explain why each source suits your business — don't just name it.

4. CONSIDER THE RISKS

Identify one financial risk and explain how you would manage it.

Which funding source would you choose, and what makes it suitable for YOUR business?

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Part 2

Market research

Find out what customers
need before spending
money.

What is market research?

- Market research means gathering information to make better business decisions.
- It helps you understand customers, competitors and demand.
- It reduces uncertainty — but does not guarantee success.

Would you open a café without knowing what local customers want or what competitors charge?

What would you want to know?

- Who might buy your product or service?
- What problem are you solving?
- What price would customers consider?
- Who else sells something similar?
- Where and how do customers prefer to buy?

Two ways to research your market

Both approaches help you understand your customers and make informed business decisions.

PRIMARY RESEARCH

You collect new information yourself.

Surveys • Interviews • Observations

Best for: answers specific to YOUR business

Consider: takes time to collect

SECONDARY RESEARCH

You use information already collected by others.

Government statistics • Industry reports • Articles

Best for: understanding the wider market

Consider: may be outdated or less specific

Neither is automatically better — using both can give a clearer picture.

Primary research: ask your customers

- SURVEY — Ask a group of potential customers the same questions.
- INTERVIEW — Explore their needs in more detail.
- OBSERVATION — Watch relevant behaviour or activity.
- PRODUCT TEST — Ask people to try a sample and give feedback.

Example: a new juice bar

- QUESTION — Would people buy a healthy drink near campus?
- SURVEY — Ask about flavours, price and purchase frequency.
- INTERVIEWS — Ask why customers choose one drink over another.
- OBSERVATION — Look at busy times and nearby competitors.

Secondary research: start with what exists

- Government and local-area statistics
- Industry and market reports
- Academic and business publications
- Competitor websites, menus and prices
- Reliable news and trade publications

Example: research before opening a café

- Look for local population and footfall information.
- Compare nearby café menus and prices.
- Read reports on relevant consumer trends.
- Then ask local customers what they would actually buy.

Primary vs secondary: Quick test

- You interview five potential customers
→ PRIMARY
- You read a government population report
→ SECONDARY
- You observe queues outside nearby cafés
→ PRIMARY
- You read an industry trends article
→ SECONDARY

Write better survey questions

A good question is clear, neutral and asks only one thing.

LEADING QUESTION

“How amazing is our new café?”

NEUTRAL QUESTION

“How would you rate our new café?”

YOUR TURN — 2-minute challenge

Rewrite: “Don’t you agree our product is better than the competition?”

Mini survey: a student café

Finding out what students want, how often they buy and what they might pay

- 01 How often do you buy a drink on campus?
- 02 Which drink would you most likely choose?
- 03 What price would you expect to pay?
- 04 What matters most: price, taste, convenience or choice?

Are these questions suitable for the target customers?

Class activity: collect real responses

STEP 1 — Write 3–4 short questions that you want to find out.

STEP 2 — Ask classmates and record responses.

STEP 3 — Count the results.

STEP 4 — Explain one business decision the findings might inform.

Let's look at my example first...

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Turn answers into a business decision

- EXAMPLE ONLY — 12 of 20 classmates choose iced drinks.
- FINDING — Iced drinks were popular in this small sample.
- POSSIBLE ACTION — Test an iced-drink option before buying lots of stock.
- x LIMITATION — Classmates may not represent the wider market.

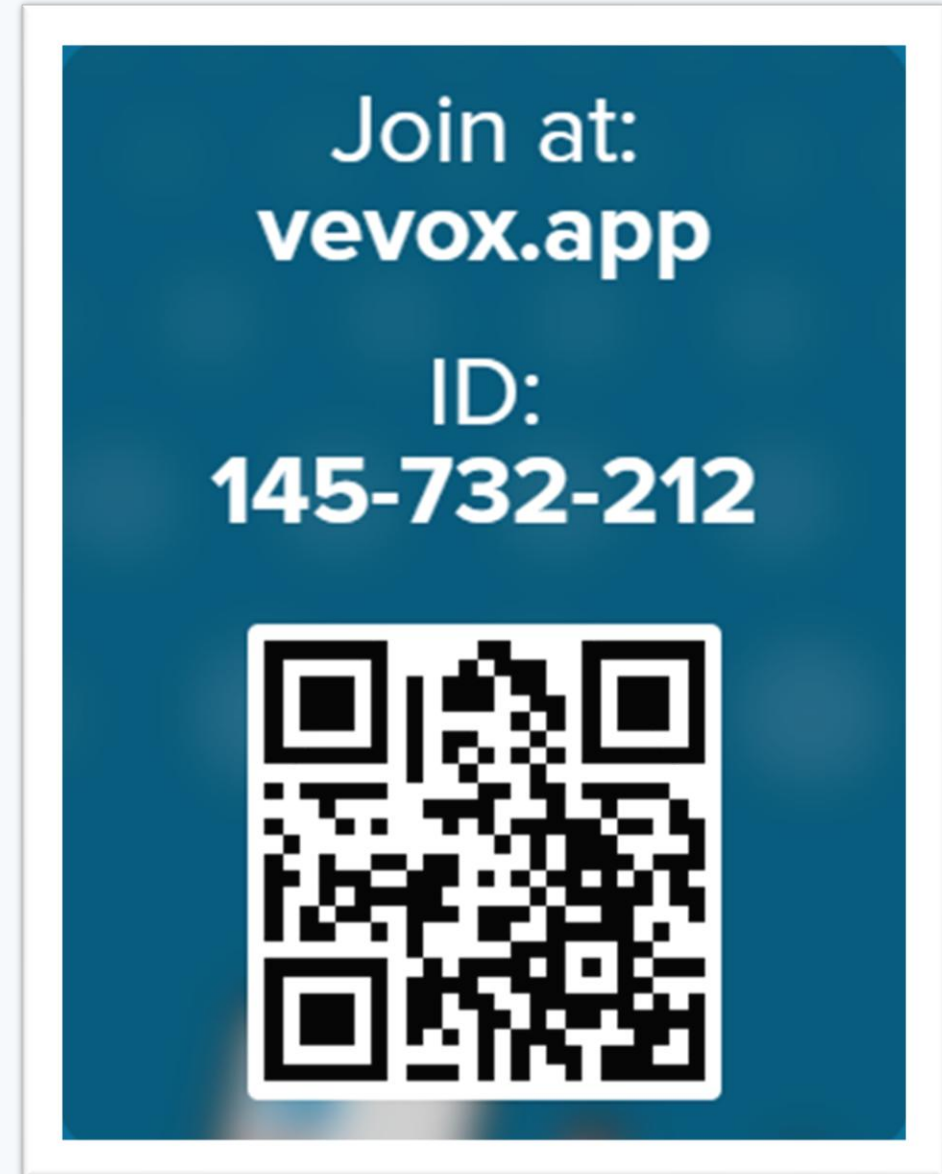
Show your results clearly

- BAR CHART — Compare categories, such as preferred drinks.
- PIE CHART — Show parts of a whole when appropriate.
- TABLE — Show exact counts and percentages.
- ALWAYS — Add a title, labels, sample size and source.

Your business plan: the market section

- Describe your target customers.
- Explain how you researched your market.
- Show relevant primary and secondary findings.
- Use a clear table or chart where useful.
- Explain what the findings changed or confirmed about your idea.

Vevox Quiz



Reading week: keep building

- Review your business plan so far.
- Estimate start-up costs and explain your finance choice.
- Find one credible secondary source.
- Plan or complete a small piece of primary research.
- Check your current assessment instructions and deadline.

Today, you can now...

- Compare common sources of finance
- Explain the trade-offs of different funding choices
- Tell primary and secondary research apart
- Design simple questions and use findings
- Apply both topics to your business plan

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Questions?

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