

Research Application Summary

“Made, not born”; Experiences from the Entrepreneurial Mentorship Program at Gulu University

Muzhange, S.*, Mugonya, J. & Kyohairwe, P.

Department of Rural Development and Agribusiness, Gulu University, P. O. Box 166, Gulu, Uganda

***Corresponding author:** smuzhange@gmail.com

Abstract

Being part of the first cohort of the MCF@RUFORUM scholars has indeed been a blessing to the three authors of this paper. As fresh master students, we looked at the agri-entrepreneurship mentorship program at Gulu University with a lot admiration and hope. The program made possible by the partnership involving Gulu University, the Regional Universities Forum for Capacity Building in Agriculture (RUFORUM), the Mastercard Foundation (MCF), the African Management Initiative (AMI) and Agripreneurship Alliance helped train us in business plan development, marketing, construction and interpretation of financial statements, and starting micro-enterprises. These trainings were followed by a search for viable businesses which borrow from the Students' Enterprise Scheme in the Faculty of Agriculture and Environment. After going through the various stages of business selection including market research, scalability consideration, risk and SWOT analyses, we zeroed down to a Trusted Natural Honey business for which we share our story in this paper.

Key words: Gulu University, RUFORUM, Trusted Natural Honey

Résumé

Faire partie de la première cohorte de boursiers MCF@RUFORUM a été une bénédiction pour les trois auteurs de cet article. En tant que nouveaux étudiants en master, nous avons contemplé le programme de mentorat en agri-entrepreneuriat à l'Université de Gulu avec beaucoup d'admiration et d'espoir. Le programme, rendu possible par un partenariat entre l'Université de Gulu, le Forum régional des universités pour le renforcement des capacités dans le domaine de l'agriculture (RUFORUM), la Fondation Mastercard (MCF), l'Initiative africaine de gestion (AMI) et l'Alliance pour l'agripreneuriat, a contribué à nous former à l'élaboration d'un business-plan, au marketing, à la construction et à l'interprétation d'états financiers, ainsi qu'au lancement de micro-entreprises. Ces formations ont été suivies d'une recherche d'entreprises viables qui s'inspirent du 'Students' Enterprise Scheme' de la faculté d'agriculture et d'environnement. Après avoir passé par les différentes étapes de la sélection d'une entreprise, y compris l'étude de marché, l'examen de l'évolutivité, les analyses de risque et SWOT, nous avons choisi une entreprise de miel naturel de confiance dont nous partageons notre histoire dans cet article.

Mots clés : Université de Gulu, RUFORUM, Miel naturel de confiance.

Introduction

As Mastercard Foundation funded scholars, we arrived at Gulu University in Uganda looking forward to being trained, mentored and graduated as agri-entrepreneurs. This was based on what we read, and

were briefed about the unique agri-entrepreneurship mentorship program at Gulu University. The two years we spent at the University helped us develop and put in practice our entrepreneurial dreams to come true. Our experience started with the Agri-entrepreneurship development course, which emphasized business plan development as a core component. Following this, Gulu University, in partnerships with the African Management Initiative (AMI), gave us a platform to pitch our immature business ideas and to further fine-tune the business ideas. In addition, due to low employment rate affecting majorly youths in Africa, starting a business was a key motivation to us to be job creators by the end of our studies and in life. In general, an entrepreneurial mind-set is central to wider graduate employability (Kalule *et al.*, 2017).

This gave us motivation as the entrepreneurial and enterprise concept and mentoring extended beyond the establishment of new ventures in business (Drucker, 1985; Gibb and Price, 2014). In this paper, we share our experience of setting up and running the business enterprise, right from conceptualization to actualization, and our future plans. This is how Trusted Natural Honey was started. Our enterprise is operated with a vision of growing in products, services and education programs to become the leading producers of pure natural honey in Northern Uganda by 2030. Through this enterprise, we envisage to create employment for youths, and market outlets for smallholder honey producers in northern Uganda.

Implementation approach

Market research. In a team of three, we started by conducting an environmental screening for potential innovative business opportunities. Through the environmental screening, we realized that bee farmers in northern Uganda produce a lot of good quality honey. However, quality of honey on the market was still wanting with most honey on the market adulterated. In addition, the local market for honey had high demand outstripping supply within Gulu municipality. Most of the honey consumed in Gulu was coming from the neighboring districts of Lira, Oyam, Kole and Kitgum, which makes Gulu an important terminal market of the product within the region. Armed with the knowledge that an agri-entrepreneur is an opportunity seeker, our solution to this problem was to offer pure natural honey targeting different income segments of the target population.

Before actualizing our business, a market survey was done. It was through face-to-face interaction with some of our potential customers that revealed that most people would like to consume honey instead sugar because of the numerous health benefits it offers. It was also evident that though customers need honey, it is quite expensive (especially in supermarkets) and is sometimes adulterated. Though some substitutes like stevia and yacon syrup are available, they are also expensive and most people are not aware of them. As a result, honey still has its respected position as a nutritious and healthy sweetener. In this regard, we identified potential customers to be students, staff members and the surrounding community at Gulu University. The business purposed to accommodate different classes of customers from the bottom to the top of the income pyramid by offering different honey jar sizes at affordable prices.

SWOT analysis. We did a SWOT analysis and our key strengths included possession of knowledge about production and processing of honey, possession of previous marketing experience and knowledge and skills on how to construct and interpret financial statements. The foreseeable weaknesses included inadequate testing of honey at farm gate which could potentially lead to losses and inadequate funds which would likely affect the product supply. The opportunities for business growth included the increasing demand for honey in northern Uganda; the large number of bee farmers in northern Uganda with potential to yield adequate honey supply and permit business expansion; the possibility of access to honey processing equipment for hire in Lira or Gulu as we prepare to purchase our own; and upgrade of most roads in northern Uganda which certainly allows for easy sourcing and distribution

of honey. The threats to the business included unfavourable weather conditions, fluctuation in honey supply and quality due to seasonality and pests and diseases which invade bee hives. These strength, weaknesses, opportunities and threats are summarised in Table 1 below.

Table 1. SWOT analysis undertaken prior to setting-up Trusted Natural Honey

The Business	
Strengths	Weaknesses
We are knowledgeable about production and processing of honey	Inadequate testing of honey at farm gate might lead to losses.
We are technically trained and skilled on how to construct and interpret financial statements	Inadequate funds might negatively affect the product supply
We have previous marketing experience	
The Environment	
Opportunities	Threats
Increasing demand for honey.	Unfavourable weather conditions
Big number of bee farmers in Northern Uganda will yield adequate honey supply and permit expansion of the business.	Fluctuation of honey supply due to seasonality.
Possibility to access honey processing equipment for hire in Lira or Gulu as we prepare to purchase our own 23	Pest and disease invasion of bee hives.
Upgrade of most roads in Northern Uganda will allow for easy sourcing and distribution of honey	

Products and pricing strategy. Our products include 300g, 500g and 1.3 kg jars of pure natural honey (Figures 1 and 2). We sell our products using innovative marketing strategies such as door-to-door advertising and home and office deliveries. Our product prices were developed after a product price survey taking in account the informal honey trade and honey sold in local shops and supermarkets in and around Gulu.



Figure 1. 300g, 500g and 1.3 kg jars of honey



Figure 2. Group member during 1st Agripreneuership symposium

Business structure. We distributed responsibilities among ourselves namely, production management headed by John, accounting and finance by Prima, and sales and marketing by Sarudzai. The entire team was competent because we had had the trainings and hands on experience of micro agri-enterprises development.

The Roles and responsibilities below were dived among the group members as shown in Figure 3. The production manager was in charge of sourcing the honey and transportation from processing

point to the sale point. Financial manager performed the function of costing the products, financial management and accounting for the enterprise whereas the sales and marketing manager performed the role of doing market research on competition, product development, customer acquisition, retention and referrals so as to achieve the profit maximization objective.

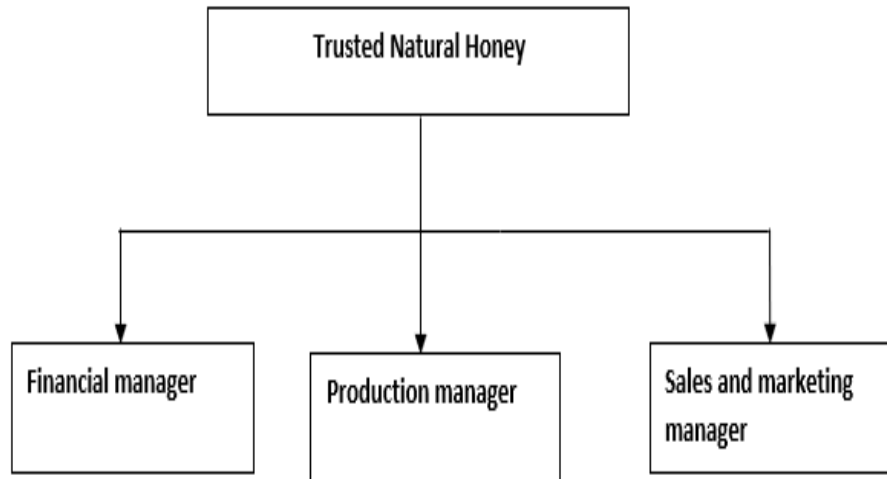


Figure 3: Trusted Natural Honey enterprises organizational hierarchy

Marketing. Once our product was ready we started to use door marketing and social media advertisement (WhatsApp, twitter and Facebook). The response that we got from our customers so far for the last nine months of operation is overwhelming because we are providing affordable branded jars of pure, natural honey of the wild flowers on Northern Uganda with a particular taste, color and flavor that is one of our competitive strategy to beat the competition in the market. Additionally, we were the first honey sellers to Gulu University community as the primary target market and this made our product unique. We also managed to break even at the fourth month of operation. After market search, our findings also revealed that a kilogram of honey had an average price of UGX 22,500 (Approximately 7 US\$). We used markup-pricing bearing in mind the cost of honey (all expenses) and the prevailing market prices. We purposed not to go above the UGX 22,500 mark. In the first consignment, we secured a Kilogram of honey at UGX 17,000 and sold it at UGX 20, 000 giving us a markup of UGX 3,000 or 17.65% of the cost. In the consignments that proceeded, the unit cost of 1 Kg of honey went up to UGX 20,000 which forced us to revise the price to UGX 22,000 per Kg of honey giving us a markup of UGX 2,000 or 10% of the cost

Competition. Our competitors were honey sellers in Gulu town; however, we worked to capture the market since we were offeried hostel, office and home deliveries to our customers and there was a repeat purchase. We also used business cards to remain in touch with our customers, used attractive packaging materials and used social media (Facebook, WhatsApp and twitter). Additionally, our prices were slightly lower than the average market prices which enabled most customers to find our products affordable. Because of the brand we had made in Gulu University community, we got frequent calls from customers whom we had given our business cards asking for supplies and they would refer others to us. We would post the products, prices and location where customers would get us and we managed to use opportunities during functions hosted at Gulu University such during the first Agripreneurship symposium to sell our products and this made us to compete favorably.

Finances. With the loan of UGX 2,270,000 (US\$ 700) from the Agribusiness incubation hub at Gulu University we managed to purchase our first stock, sourcing our honey from bee farmers in Lira district. In the third month (December 2018) we made the highest sales of 60 Kg of honey amounting

to UGX 1,200,000 (US\$ 350). After that the sales averaged at about UGX 500, 000. We were able to break even in the fourth month. This early break-even is explained by the fact that we did not spend on capital assets; all our capital was used to purchase honey in bulk from the farmers in the major honey harvesting season which normally runs between the months of September to early December of every year. At the end of the first trading period (October 2018-October 2019) we realized a net profit of UGX 1,050,000 (Table 3). We have already paid back the loan together with a 10% interest.

Table 3: Extract from financial statements

Item	Trading period (2018/2019)- UGX
Sales	5,972,000
Cost of sales	3,464,000
Average stock	1,560,360
Net Profit	1,050,000
Current assets	2,520,000
Total assets	2,520,000
Current liabilities	2,270,000
Equity	2,108,000

1 US\$ = 3500 Uganda Shillings (UGX)

From the ratio analysis (Table 4), it is evident that business posted a good margin with 0.4199 of sales left over after accounting for the cost of sales. The current ratio stood above 1.0 at 1.110 pointing to the fact that the business had acceptable potential of meeting its short term credit obligations. A stock turnover of 2.220 indicates that the stock was moving fast enough for the business to make reasonable profits and a return on capital employed of 0.498 is indicative of a profitable venture.

Table 4: Ratio analysis

Ratio	Trading period (2018/2019)
Gross margin	41.99%
Stock turnover	2.220
Current ratio	1.110
Return on capital employed	0.498

Challenges

In the process of this business implementation, we faced a number of challenges. There was fluctuation in the supply of honey because of seasonality, which was bound to affect our profits during a season of inadequacy. We tactfully revised our prices bearing in mind its effect on sales. We are glad to report that the sales were not adversely affected and we were able to continue trading seamlessly. We employed a Gulu University alumnus from Lira district who helped to process our honey because we faced initial capital inadequacy and thus lacked essential honey storage and processing equipment such as a food grade storage tank and a honey press. This was one of our biggest business opportunities as it enabled us to avoid initial investment in capital assets. Processing honey from a third party in Lira however, meant that we had to incur the transport cost of the finished product to our terminal market which was Gulu University community and we also had to make routine visits to Lira district to supervise the honey processing course. This further increased our operational costs.

Way forward

We have trained a team of three staff and contacted up to 30 corporate and Non-government organizations in Lira and Gulu districts. Our next move is to extend our office deliveries to these organizations before entering into Kampala city market by the end of this year with the same marketing strategy. To expand our product offering and further disrupt the market, we intend to infuse pure natural honey with lemon grass to provide customers with an invigorating lemon grass flavor while maintaining the natural sweetness and medicinal properties of honey. Additionally, we are negotiating possible collaborations with two honey producers, one in Gulu and the other in Arua to try and enhance our supply potential since we envisage a surge in our market share given our unique marketing strategies. We are actively seeking collaborations and partnerships with bee keepers, financiers, established honey processors and distributors.

Conclusion and lessons learnt

Through the business mentorship program, we have gained valuable experiences and skills in of business development and management such as market research, new product development, product pricing and customer service. We learnt to keep abreast of the dynamics of the business environment in which one operates. For instance, as regards honey trade, we learnt that it is important to purchase and stock honey during peak production season because honey becomes scarce and hence expensive during offseason, a factor which hinders both business profitability and growth and accelerates to business collapse. Therefore, having enough funds at the beginning of each honey harvesting season is crucial as to ensure a source a of quality product. It is also important to test honey from the farmers before taking it to the factory.

Personally, we were exposed to the dynamics of starting a micro-enterprise, we got an opportunity to evaluate various agri-enterprise ideas and select the best venture for implementation. For instance, we started by considering three business which included 1) sunflower growing, 2) produce trade and 3) honey sourcing, processing and trade. After a rigorous assessment and consideration of the financial projections and market forecasts of the three businesses, we settled for honey and have registered a significant success. Therefore, we independently testify that the business mentorship we received from Gulu University has been instrumental in shaping our business start-up and management. we are now equipped with skills of accounting, financial management, budgeting and reporting. Our advise to micro start-ups is that it is important for them to commence with a purpose to succeed, set SMART goals and stay focused.

Acknowledgement

The authors thank Gulu University Faculty of Agriculture and Environment for the funding program implemented under the “Students Enterprise Scheme, a project financed by the MCF and RUFORUM. The authors also thank AMI for offering an online business plan course. This paper is a contribution to the Fifteenth RUFORUM Annual General Meeting held 2-6 December 2019 at Cape Coast, Ghana.

References

- Drucker, P. 1985. *Innovation and Entrepreneurship-Practice and Principles*. Oxford: Butterworth-Heinemann
- Gibb, A. and Price, A. 2014. *A compendium of pedagogies for teaching entrepreneurship*. 2nd edition. International entrepreneurship educators program
- Kalule, S. W., Mugonola, B. and Ongeng, D. 2017. *The student enterprise scheme for agribusiness innovation: A University-based training model for nurturing entrepreneurial mind-sets amongst*

African youths. *African Journal of Rural Development* 2 (1): 55-66.