

Chapter 3

Recognizing Opportunity





Section 3.1

- Identify the importance of personal values and goals in choosing an entrepreneurial pursuit.
- Describe the challenges and rewards of entering a family business.
- List the benefits and drawbacks of buying a business.
- Describe how you can evaluate a business opportunity.
- Compare the advantages and disadvantages of starting your own business.



Current Entrepreneurial Trends

One way to identify business opportunities is to study current trends that provide opportunities for entrepreneurs.



Current Entrepreneurial Trends

Internet businesses

corporate ventures

service businesses

strategic alliances

home-based businesses

technology

socially-responsible non-profit
businesses

outsourcing



Internet Businesses

The Internet has transformed the way business is conducted. An **online business** can reach customers around the world.

Small Businesses that use the Internet have grown **46%** faster than those that do not.



Service Businesses

Service businesses dominate the American economy.

Business **services** account for the largest part of U.S. economic growth.

Insurance

Tourism

Accounting

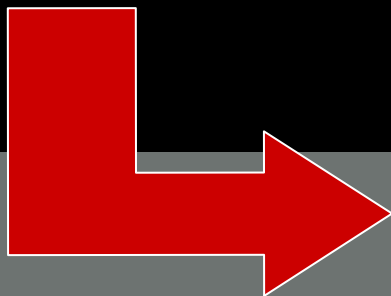
Banking



Outsourcing

Outsourcing is hiring people and other companies to handle tasks that a business can not do or chooses not to do itself.

Most Common Type



Business Process



more efficient

lowers regulatory
burden

Benefits of Outsourcing

saves time

speeds up projects

saves money

attracts investors



Strategic Alliances

A **strategic alliance** is a partnership among companies.

3M





Corporate Ventures

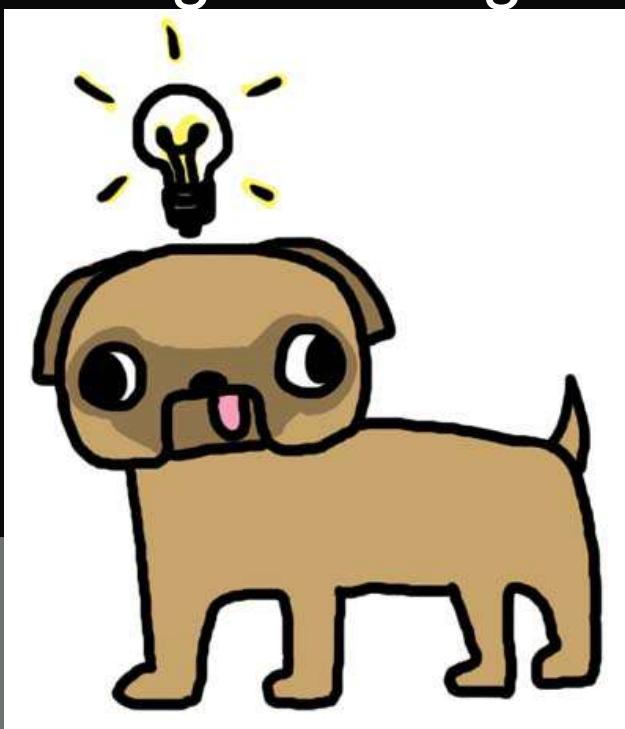
A corporate venture is a venture formed within a company.





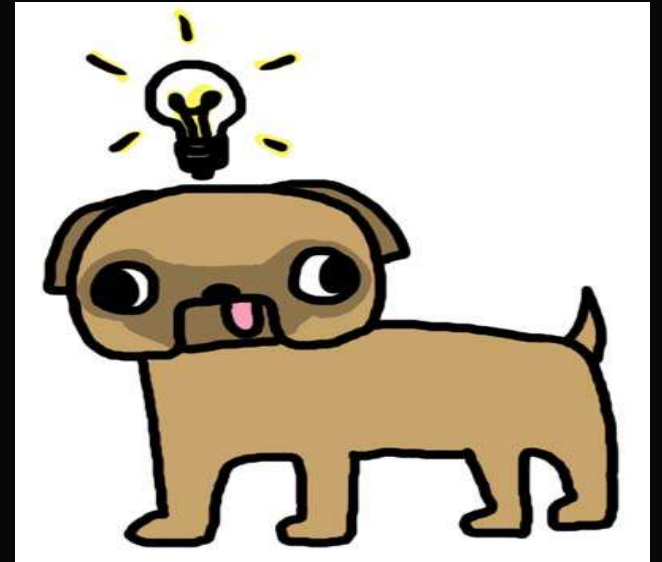
Learning to Recognize Opportunity

Entrepreneurial thinking is about generating ideas and recognizing opportunities.





Entrepreneurial thinking involves training your mind to look at products and services in a different way and figuring out ways to improve them.





**Creativity is the activity that results in
innovation.**



Idea Versus Opportunity

Innovation is finding new ways of doing things.

All creativity leading to the invention of something new involves connection, discovery, invention, and application.



Idea Versus Opportunity

You generate ideas by thinking creatively.

Opportunities are ideas that have commercial potential.

You can find a good business opportunity by recognizing an unfilled market **niche**. A **niche** is a small specialized market.



Finding Opportunities by Understanding Industries

If you understand an industry, you can identify opportunities within that industry.

Les Wexner – Limited Brands CEO





Strategies to Activate Creativity

Practice brainstorming.

Look at ordinary items in new ways.

Find creative solutions to common problems.

Connect unrelated items.



Remember, during **brainstorming**, ideas are not judged as good or bad. **Brainstorming** is when you think freely to generate ideas.



Brainstorming



Challenges to Creativity

Entrepreneurs can stimulate and encourage creativity in many ways.

The most difficult challenges to creativity are the challenges you bring upon yourself.



Creative Sources of Ideas

To identify creative ideas:

- Observe the world around you.
- Watch for demographic changes.
- Be an avid reader.
- Consider your interests, hobbies, and work experiences.
- Consult outside sources of information.



Business Opportunities from Popular Trends:

- Fitness & Health (healing body and minds)
- Ethnic Products (Foods, hair-care, cosmetics, services, etc.)
- Indulgence Goods & Luxury Services (expensive chocolates, day spas, gourmet coffee, pet services, etc.)



Watch for Demographic Changes

It is important for entrepreneurs to understand **demographics** and demographic trends. Demographics are personal characteristics that describe a population.





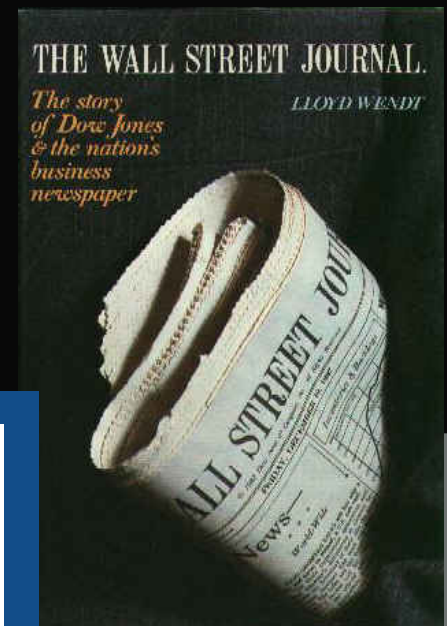


Consult Outside Sources

A **trade magazine** is a periodical published for specific types of businesses or industries. They offer current, industry-specific news.

The
Economist

BusinessWeek





Consult Outside Sources

A **specialty magazine** offers information about specific topics.

You can use specialty magazines to identify the interests and needs of potential consumers.



Consult Outside Sources

At a **trade show**, you can learn about new goods and services in a field.





Section 3.2 Objectives

- Identify the importance of personal values and goals in choosing an entrepreneurial pursuit.
- Describe the challenges and rewards of entering a family business.
- List the benefits and drawbacks of buying a business.
- Describe how you can evaluate a business opportunity.
- Compare the advantages and disadvantages of starting your own business.

Personal **values** and goals should be used as a guide when choosing entrepreneurial pursuits.

Your **values** define who you are, shape your attitudes and your choices, and help you identify your priorities.





Entering the Family Business

The greatest advantage of a family business is the trust and togetherness that family members often share.

Families that work well together have great potential for success in a family business.

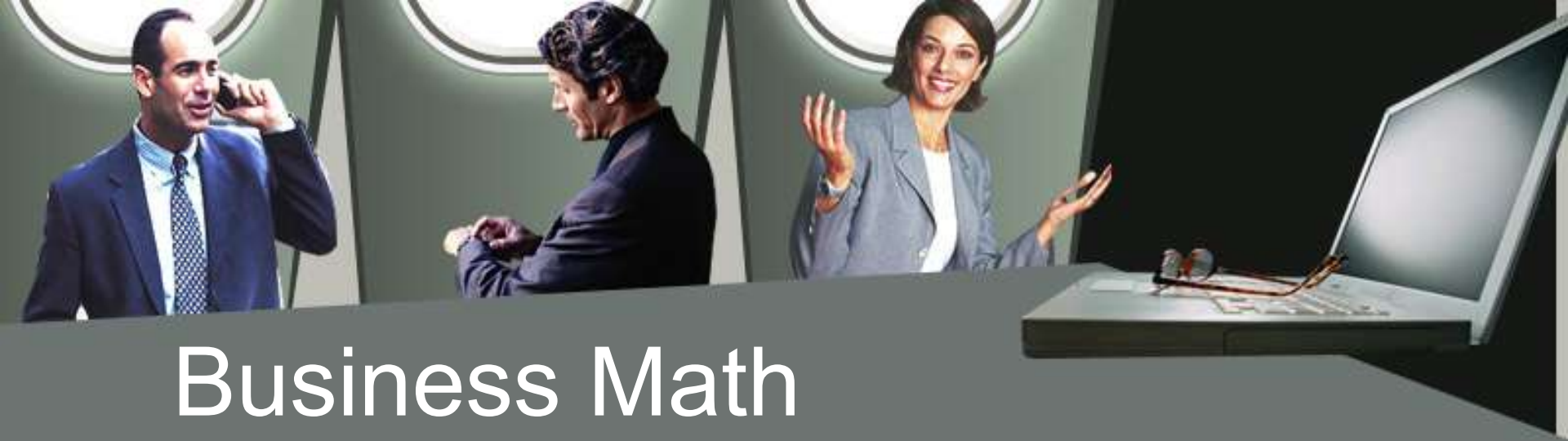


Entering the Family Business

Although they have great potential for success, only 1/3 survive to the 2nd Generation.

Disadvantages:

- a. Never get away from the business.
- b. Difficult to view business and problems objectively.
- c. Parents unable to see child as a capable business person who can make decisions and take responsibility.



Business Math

Of the 25 million businesses in the United States, 90 percent are family owned and managed. Given these statistics, calculate how many family-owned businesses there are in America.

$$25,000,000 * .9 = 22.5 \text{ million}$$



Buying an Existing Business

In many ways, buying an existing business is less risky than starting one from scratch.





Buying an Existing Business

When you buy an existing business, you often gain the **goodwill** of loyal customers.

GOODWILL

The favor and loyalty a business acquires by its good reputation.



Buying a Franchise

When you buy a **franchise**, you buy the right to set up a new business patterned on an existing model.





Buying a Franchise

The **franchisee** is the buyer of a franchise.

The **franchisor** is the seller of a franchise.



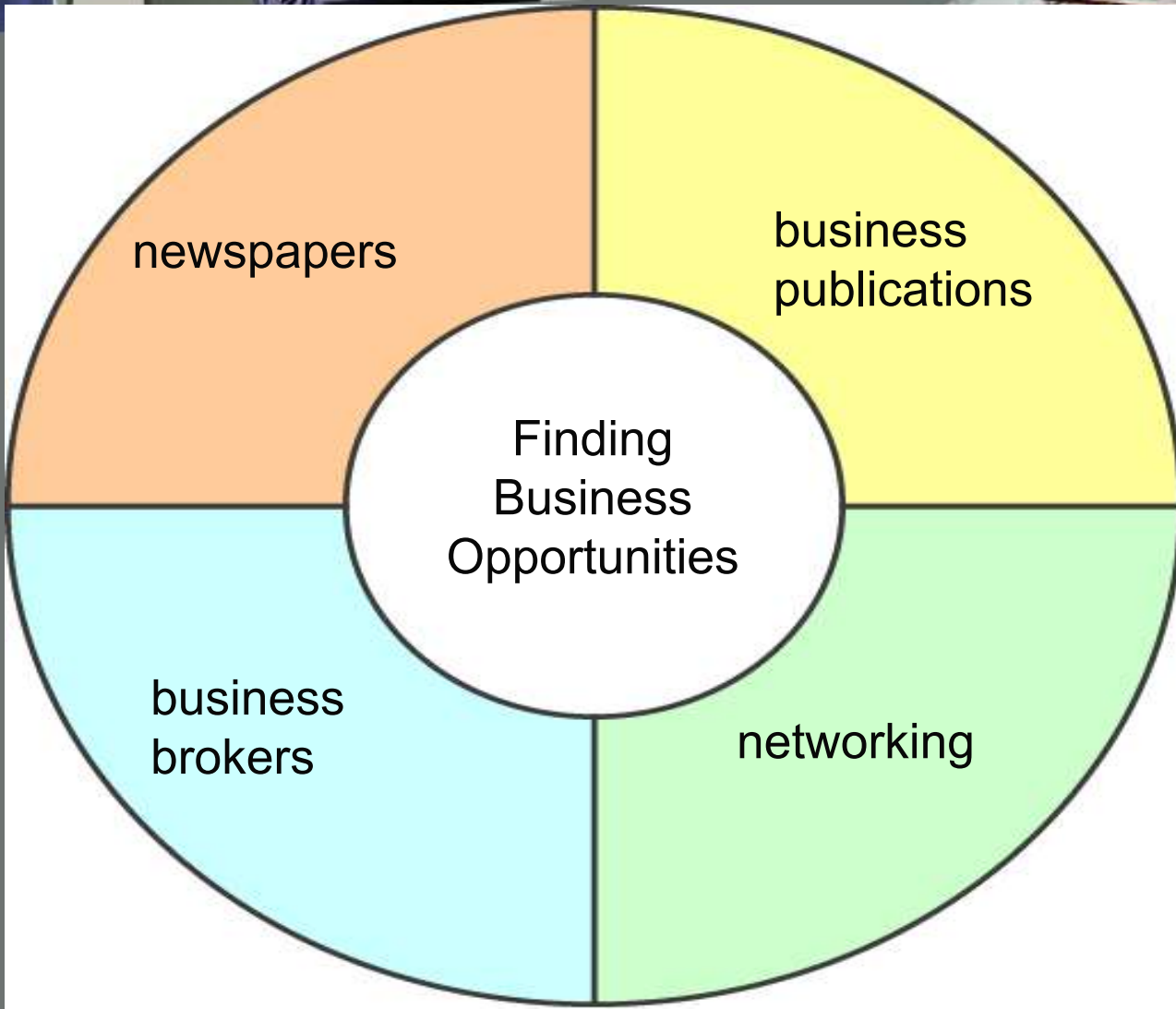
Ray Kroc – **McDonald's**



Evaluating a Business Opportunity

To evaluate a business opportunity:

- Investigate the company.
- Investigate the industry.
- Talk to customers, employees, and suppliers.
- Hire an accountant to advise you.
- Hire an attorney to advise you.





Starting Your Own Business

When you start your own business from scratch, you can do things your own way.

You can build the company with fresh ideas and enthusiasm.



Before you start a business,
ask yourself:

- Do I have the motivation?
- Does the business align with my personality, abilities, values, and goals?
- Do I have an understanding of basic operations?
- Do I have managerial ability?
- Do I have potential working relationships?
- Do I have enough financial resources and can I accept the risk?



Tasks involved in starting a business:

- Test your concept/product in the market
- Traditional Business/Online Business or Combination
- Prepare a Business Plan
- Secure Professional Advisors
- Purchase Equipment
- Hire Employees
- Build relationships with suppliers and distribution channels.
- Market your Business!!

The Electronic **Entrepreneur**



E-Commerce Business Models

As the Internet has developed, new models of businesses have emerged.

- business-to-business (B2B)
- business-to-consumer (B2C)
- clicks and mortar.

The Electronic **Entrepreneur**



Tech Terms

B2B E-commerce

ventures that sell products and services to other businesses

B2B exchanges

electronic forums where businesses trade goods and services

B2C e-commerce

ventures where businesses sell directly to the consumer

The Electronic

Entrepreneur



Tech Terms

clicks and mortar

a business that operates both a traditional physical storefront and an online store

e-tailing

selling on the Internet; the word is derived from the word *retailing*