











# Unit 3 Entrepreneurial Opportunities

## PO1.1

									
<b>E</b>	<b>N</b>	<b>T</b>	<b>E</b>	<b>R</b>	<b>P</b>	<b>R</b>	<b>I</b>	<b>S</b>	<b>E</b>
<b>Enthusiasm</b> Showing interest and enjoyment	<b>Negotiation</b> Reaching an understanding with others	<b>Team Work</b> Supporting each others learning	<b>Effective Communication</b> Sharing information with others clearly	<b>Risk Taking</b> Not being afraid to try new things	<b>Planning</b> Being organised and meeting deadlines	<b>Resilience</b> Learning from your mistakes	<b>Innovation</b> Thinking outside the box	<b>Solve Problems</b> Breaking it down into smaller parts	<b>Evaluate</b> WWW EBI
Having passion throughout the task/project and never losing focus on the goal	Cooperating with the people you are working with calmly and effectively	Sharing the same goals and helping each other to achieve them	Making your point clear to others verbally or through writing and imagery	Experimenting with new techniques and experiences	Thinking ahead and managing your time effectively	Not giving up and not being afraid to make mistakes	Thinking of new and different ways to tackle a task, problem or project	Think about the steps you need to take to achieve a positive result	Reviewing what you have done to see if anything can be changed or improved



**entrepreneur**  
[antrepre-ner] noun

a person who risk their own money from freedom, rather than exchanging their freedom for money.

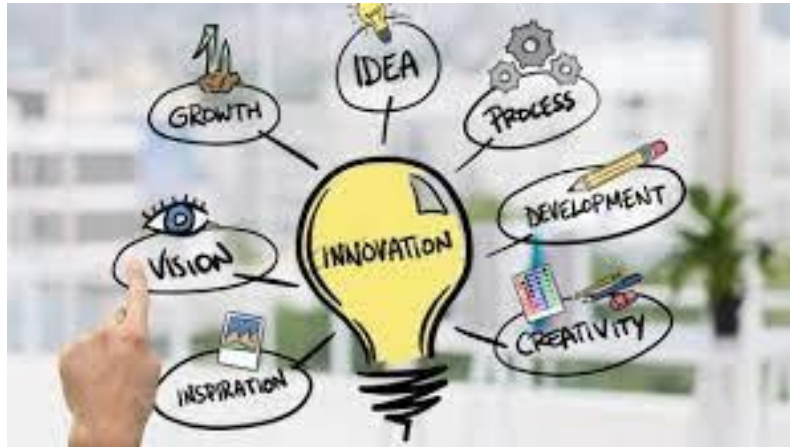
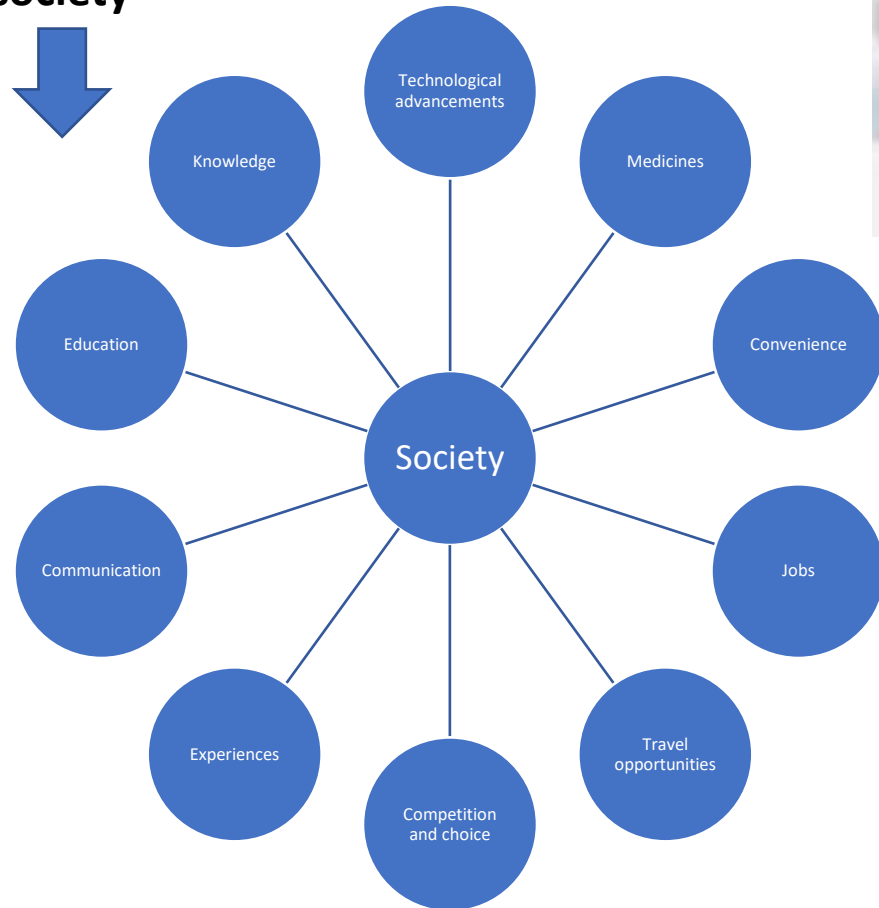
- Market opportunities are new openings available to businesses
- Businesses will look to spot opportunities and take advantage of these to achieve an objective of growth
- Examples of opportunities include:
  - Entering new markets e.g. expanding a product range to attract a wider target audience or entering new geographical markets at home or abroad
  - Taking advantages of external change e.g. embracing new technology to reach a wider audience or develop new innovative products
  - Launching new products or extending the life of an existing product
  - Working with new partners e.g. a collaboration between a fast food chain and a media and entertainment business or a theme park and the BBC



# Unit 3 Entrepreneurial Opportunities



## PO1.2

### Benefits of innovation and enterprise for society



### BENEFITS GAINED FROM ENTERPRISING BEHAVIOUR

- ❖ Improvements to products, processes, services and customer experience
  - ❖ New product development
  - ❖ More efficient processes
  - ❖ Unique selling point
  - ❖ Reputation for innovation
  - ❖ First mover advantage
  - ❖ Extended product life cycle
- ❖ Business growth
  - ❖ New product development
  - ❖ New routes to market
  - ❖ New markets

 Business Risk	 Financial Risk
<b>Definition</b>	
The inability of a company to generate enough revenue to cover operating expenses.	The inability of a company to generate enough cash flows to meet the debt commitments.
<b>What Is It All About?</b>	
Business risk is operational.	Financial risk related to debt payments.
<b>What Is the Duration?</b>	
Such a risk is prevalent as long as the organisation operates.	Financial risk is prevalent till the equity financing increases.
<b>Is It Avoidable?</b>	
Business risk cannot be avoided.	Financial risk can be avoided, provided the firm does not take any debt.
<b>How to Handle It?</b>	
Business risk can be systematised by reducing the cost of production and operation.	Financial risk can be handled by reducing debt financing and increasing equity financing.
<b>How To Measure It?</b>	
Business risk can be measured by the variability in EBIT (Earnings Before Interest and Taxes)	Financial risk can be measured by the financial leverage multiplier.

# Unit 3 Entrepreneurial Opportunities

## PO1.3

### What's Your Personality Type?

Use the questions on the outside of the chart to determine the four letters of your Myers-Briggs type. For each pair of letters, choose the side that seems most natural to you, even if you don't agree with every description.

#### 1. Are you outwardly or inwardly focused? If you:

- Could be described as talkative, outgoing
- Like to be in a fast-paced environment
- Tend to work out ideas with others, think out loud
- Enjoy being the center of attention

then you prefer

**E**  
Extraversion

- Could be described as reserved, private
- Prefer a slower pace with time for contemplation
- Tend to think things through inside your head
- Would rather observe than be the center of attention

then you prefer

**I**  
Introversion

#### 2. How do you prefer to take in information? If you:

- Focus on the reality of how things are
- Pay attention to concrete facts and details
- Prefer ideas that have practical applications
- Like to describe things in a specific, literal way

then you prefer

**S**  
Sensing

- Imagine the possibilities of how things could be
- Notice the big picture, see how everything connects
- Enjoy ideas and concepts for their own sake
- Like to describe things in a figurative, poetic way

then you prefer

**N**  
Intuition

#### 3. How do you prefer to make decisions? If you:

- Make decisions in an impersonal way, using logical reasoning
- Value justice, fairness
- Enjoy finding the flaws in an argument
- Could be described as reasonable, level-headed

then you prefer

**T**  
Thinking

- Base your decisions on personal values and how your actions affect others
- Like to please others and point out the best in people
- Could be described as warm, empathetic

then you prefer

**F**  
Feeling

#### 4. How do you prefer to live your outer life? If you:

- Prefer to have matters settled
- Think rules and deadlines should be respected
- Prefer to have detailed, step-by-step instructions
- Make plans, want to know what you're getting into

then you prefer

**J**  
Judging

- Prefer to leave your options open
- See rules and deadlines as flexible
- Like to improvise and make things up as you go
- Are spontaneous, enjoy surprises and new situations

then you prefer

**P**  
Perceiving

<b>ISTJ</b> Responsible, sincere, analytical, reserved, realistic, systematic. Methodical and trustworthy with sound practical judgment.	<b>ISFJ</b> Warm, considerate, gentle, responsible, pragmatic, thorough. Devoted caretakers who enjoy being helpful to others.	<b>INFJ</b> Idealistic, organized, insightful, dependable, compassionate, gentle. Seek harmony and cooperation, enjoy intellectual stimulation.	<b>INTJ</b> Innovative, independent, strategic, logical, reserved, insightful. Driven by their own original ideas to achieve improvements.
<b>ISTP</b> Action-oriented, logical, analytical, spontaneous, reserved, independent. Enjoy adventures, skilled at understanding how mechanical things work.	<b>ISFP</b> Gentle, sensitive, nurturing, helpful, flexible, realistic. Seek to create a personal environment that is both beautiful and practical.	<b>INFP</b> Sensitive, creative, idealistic, perceptive, caring, loyal. Value inner harmony and personal growth, focus on dreams and possibilities.	<b>INTP</b> Intellectual, logical, precise, reserved, flexible, imaginative. Original thinkers who enjoy speculation and creative problem solving.
<b>ESTP</b> Outgoing, realistic, action-oriented, curious, versatile, spontaneous. Progress problem solvers and skilled negotiators.	<b>ESFP</b> Playful, enthusiastic, friendly, spontaneous, tactful, flexible. Have strong common sense, enjoy helping people in tangible ways.	<b>ENFP</b> Enthusiastic, creative, spontaneous, optimistic, inquisitive, enjoy starting new projects, see potential in others.	<b>ENTP</b> Inventive, enthusiastic, strategic, enterprising, inquisitive, versatile. Enjoy new ideas and challenges, value inspiration.
<b>ESTJ</b> Efficient, outgoing, analytical, systematic, dependable, realistic. Like to run the show and get things done in an orderly fashion.	<b>ESFJ</b> Friendly, outgoing, reliable, conscientious, organized, practical. Seek to be helpful and please others, enjoy being active and productive.	<b>ENFJ</b> Caring, enthusiastic, idealistic, organized, diplomatic, responsible. Skilled communicators who value connection with people.	<b>ENTJ</b> Strategic, logical, efficient, outgoing, ambitious, independent. Effective organizers of people and long-range planners.

### PERSONALITY TYPES KEY

**E**

#### Extroverts

Extroverts are energized by people, enjoy a variety of tasks, a quick pace, and are good at multitasking.

**S**

#### Sensors

Sensors are realistic people who like to focus on the facts and details. They apply common sense and past experience to find practical solutions to problems.

**T**

#### Thinkers

Thinkers tend to make their decisions using logical analysis, objectively weigh pros and cons, and value honesty, consistency, and fairness.

**J**

#### Judgers

Judgers tend to be organized and prepared, like to make and stick to plans, and are comfortable following most rules.

**I**

#### Introverts

Introverts often like working alone or in small groups, prefer a more deliberate pace, and like to focus on one task at a time.

**N**

#### Intuitives

Intuitives prefer to focus on possibilities and the big picture, easily see patterns, value innovation, and seek creative solutions to problems.

**F**

#### Feelers

Feelers tend to be sensitive and cooperative, and decide based on their own personal values and how others will be affected by their actions.

**P**

#### Perceivers

Perceivers prefer to keep their options open, like to be able to act spontaneously, and like to be flexible with making plans.

SOURCE: "Do What You Are: Discover the Perfect Career for You Through the Secrets of Personality Type" by Paul D. Tieger, Barbara Barron, Kelly Tieger BUSINESS INSIDER

#### Myers-Briggs Preferences

- A theory developed by a mother and daughter team based around the work's of an earlier psychologist Jung
- Identifies 16 personality types categorising the way individuals see the world and make decisions
- Underpinned by 4 principal functions:
  - Sensation
  - Intuition
  - Feeling
  - Thinking

# Myers Briggs

# Unit 3 Entrepreneurial Opportunities

## PO2.1

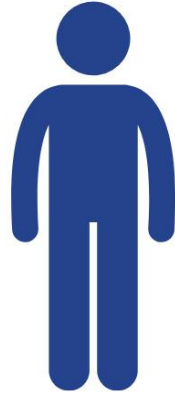
### FINDING YOUR TARGET MARKET

#### GEOGRAPHIC

- City
- State
- Population
- How to reach ideal customer
- Who is your competition

#### PSYCHOGRAPHIC

- What is their lifestyle?
- What are their interests?
- What are their values?
- What type of goods do they like



#### DEMOGRAPHIC

- What age range is your ideal customer?
- Gender of your ideal customer
- Income of your ideal customer
- What does your ideal customer do?

#### BEHAVIORAL

- Interests
- Spending habits
- How do they buy goods?
- When do they buy goods?
- What benefits do they hope to gain from purchasing?

#### KEY FEATURES OF TARGET MARKETS

- A target market is made up of individuals with similar characteristics and therefore similar attitudes and priorities
- These include:
  - Benefits looked for in a product
    - Importance of brand, prestige, reputation
    - Ethical considerations
    - Basic or advanced functionality
    - Augmented features
    - Relative importance of aesthetics, function and cost
  - Willingness to pay
    - Price of the product
    - Sensitivity to changes in price
    - Method of payment e.g. lump sum, instalments
  - Preferred channel of distribution
    - Attitude to e-commerce
    - Importance of convenience as affected by life style
    - Where you live e.g. range of options available

#### Market Segmentation of Unilever

Geographic	Demographic	Psychographic	Behavioral
✓ North America	✓ 15-50 years	✓ Believers	✓ Benefits
✓ Europe	✓ Different life stages	✓ Strivers	✓ Patterns
✓ South America	✓ Man & Woman	✓ Makers	✓ Usage rate
✓ Middle East	✓ Low - Upper middle income	✓ Thinkers	
✓ South Asia			
✓ South East Asia			

## WHAT YOU NEED TO KNOW ABOUT YOUR TARGET MARKET

### WHO THEY ARE

### WHAT THEY DO

### WHERE THEY ARE

\*especially compared to you

IS YOUR TARGET MARKET  
 GLOBAL? NATIONAL? LOCAL?

### WHAT APPEALS TO THEM

- FREE SHIPPING
- COUPONS/DISCOUNTS
- FREE EXPERT INFORMATION
- PRIZES/CONTESTS/GIVEAWAYS

### HOW CONNECTED

### WHAT THEY DO ONLINE

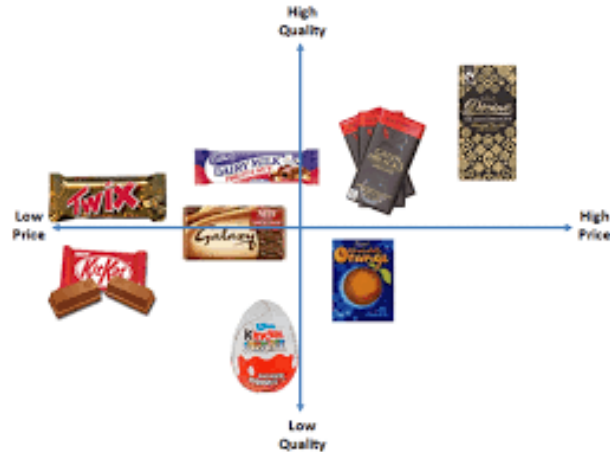
# Unit 3 Entrepreneurial Opportunities

## PO2.2 & PO2.3

- Support networks are formal or informal groups, with a common interest, who act to provide advice and practical help to members
- As well as networking opportunities mentoring is often a key part of support network groups
- These may be for:
  - Personal problems e.g. debt management
  - Health related issues e.g. families dealing with a serious childhood illness
  - Professional e.g. entrepreneurs

### Key Words for Business

Enterprise  
Entrepreneur  
Small Medium Enterprises (SME)  
Brainstorm  
Franchise  
Unique Selling Point



# Market Maps

## Task:



Choose an item you own such as your mobile phone, item of clothing or sports equipment.

Place the name of the item in the centre of a spider diagram.

Annotate ALL of the benefits you gain from owning this item.

## CUSTOMER VALUE PROPOSITIONS

**Don't jump into a slogan.** Articulate the value offered to a specific group by understanding them, and the competition, better. Focus on what matters to them: their situation, their needs and their wants. \*



### 1 WHO IS THE TARGET AUDIENCE?

**Identify the target audience you seek to engage**

Who are they, defined by name or segment, and why they are interested? What are their needs and wants, issues and aspirations?



### 2 WHAT KIND OF SOLUTION DO THEY SEEK?

**Describe the audience's context, their issues, needs and wants**

The simple kind of solution: a more refreshing drink, a more convenient IT solution.



### 3 WHY CHOOSE THIS SOLUTION?

**Select two unique, compelling benefits that differentiate you**

What are the differentiators? How is it better or different? What are the few unique benefits being offered?



### 4 HOW WILL THIS DIFFERENCE BE DELIVERED?

**Explain how you offer these benefits better than anyone else (the features)**

What are the unique products, services or processes that enable these benefits to be unique and deliverable?



### 5 HOW MUCH WILL THEY PAY?

**% more or less than competitors**

10% more than market average? As much as market leaders? 5% of incremental revenues?



### 6 WHAT DO THEY NOT GET THAT OTHERS PROVIDE?

**For internal use. Understand the competition to address it**

What are the trade-offs for customers? Is your proposition available in fewer stores? Limited in colour and range?

# Unit 3 Entrepreneurial Opportunities

## PO3.1



### Typical PR Activities

- Promoting new products
- Enhancing public awareness
- Projecting a business image
- Promote social responsibility
- Projecting business as a good employer
- Obtain favourable product reviews / recommendations

tutor2u



## Marketing Mix

Learn the definitions of these key words.

Customer

Marketing

Market research

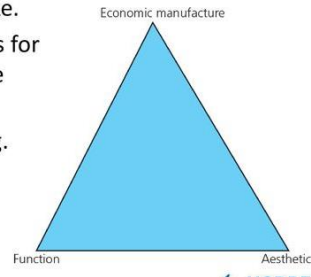
Primary research

Secondary research

Consumer

### Design and the design mix

- The product or service needs to match the needs and wants of the customer to be successful.
- The design mix tries to balance the three main design priorities to ensure the right product is created – see the diagram.
- Economic manufacture means making the product cheaply enough to make it profitable. In 2017 ArcelorMittal, a steel producer announced a car door that is 34% lighter and cheaper to make.
- Function is how well the product or service works for the customer. Dyson vacuum cleaners do not lose suction even if it is getting full of rubbish.
- Aesthetics is how things appeal to the senses, e.g. the wrap-around screen of the Samsung Galaxy edge appeals to the luxury mobile customer as it is unique.



**Distribution channel:** The route to market that a product takes from producers to the final customer. There are a number of distribution channels available to firms:

Traditional (long)	Modern (medium length)	Direct (short)
1. Manufacturer	1. Manufacturer	1. Manufacturer
2. Wholesaler		
3. Retailer	2. Retailer	
4. Consumer	3. Consumer	2. Consumer

**Manufacturer/Producer:** Organisations that take raw materials or components and process them into finished or semi processed goods.

- Operate in the secondary sector of the economy such as housing or car production

**Wholesalers:** Buy large quantities of supplies from producers and sell them on in smaller quantities.

- They act as an intermediary between manufacturers and retailers and consumers

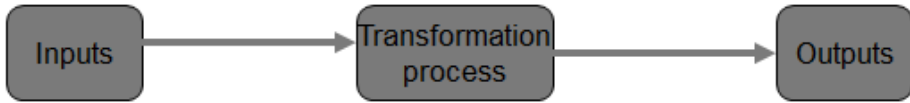
**Retailer:** An organisation that sells goods or services to the general public or end user.

- Retailers are at the end of the channel of distribution
- They can act as an intermediary between producers, wholesalers and the consumer

# Unit 3 Entrepreneurial Opportunities

## PO3.2 & PO3.3

### Task:



With reference to the cake as an output explain what is meant by inputs and the transformation process.



### Operations Management



Processing inputs to turn them into an output can be:

- Capital intensive which uses a relatively high proportion of capital such as machinery in the production of a good or service
  - This tends to occur in the secondary sector of the economy i.e. manufacturing
- Labour intensive which uses a relatively high proportion of labour i.e. workers in the production of a good or service
  - This tends to occur in the tertiary sector of the economy i.e. services



### Profit Formula

$$\text{Profit} = \text{Total Sales} - \text{Total Expenses}$$

$$\text{Profit Per Unit} = \text{Selling Price} - \text{Cost Price}$$

### Types of Costs

- The effect of volume of activity on costs
  - ▶ Variable costs
    - ▶ Increase or decrease in total in direct proportion to changes in the volume of activity
  - ▶ Fixed costs
    - ▶ Do not change over wide ranges of volume
  - ▶ Mixed costs
    - ▶ Have both variable and fixed components

- Potential estimated profit
  - To estimate profit an entrepreneur therefore has to estimate both sides of the equation
    - Potential revenue i.e. selling price x quantity
      - Sales forecasting based on market research, market trends, past data etc.
      - Increase in demand from marketing activities (although these also increase costs)
      - Impact of a change in price on demand
    - Potential costs i.e. fixed costs + variable costs
      - Start-up costs e.g. machinery and premises
      - Operating costs e.g. raw materials and wages

# Unit 3 Entrepreneurial Opportunities

## PO4.1



### Marketing Risk Examples

- Website crashing
- Social media manager out sick or quits
- Making a poor marketing strategy choice
- PR Crisis / product recall
- Brand spokesperson bad behavior
- Technology infringement
- Competitive company infringes on brand
- Promotion error leads to over redemption
- Great new product from competitor
- Problem in new product development
- Low new product acceptance
- Marketing creative is off strategy
- Marketing budget cuts

### Corresponding Marketing Risk Management Examples

- Redundant servers for website
- Many employees trained in social media
- Success criteria for new initiative approval
- Crisis management response plan
- Performance requirements in contract
- Patent protection and defense
- Ongoing / active trademark defense work
- Promotion insurance
- Your own new product pipeline
- NPD risk identification & contingency plans
- Consumer research to ensure acceptance
- Use creative brief to keep team on strategy
- Pre-agreement not to cut key strategic programs

## 7 categories of operational risk

Basel II, a set of international banking regulations, lays out seven categories of operational risk.

- 1 Internal fraud
  - 2 External fraud
  - 3 Employment practices and workplace safety
  - 4 Clients, products and business practice
  - 5 Damage to physical assets
  - 6 Business disruption and systems failures
  - 7 Execution, delivery and process management
- 



1. Debt use and leverage
2. Interest rates (fixed or variable)
3. Capital lease commitments
4. Working capital and liquidity
5. Incomplete budgeting or investment analysis

### ❖ Cultural problems

- ❖ Resistance to change e.g. employees not wanting to adapt to new processes or customers preferring their existing products
- ❖ Unsupportive systems and processes e.g. lack of technical support for customers
- ❖ Insufficient support from leadership and management e.g. not willing to commit sufficient resources to a project i.e. lack of time, expertise and budget



# Unit 3 Entrepreneurial Opportunities

## PO4.2

### Contingency planning

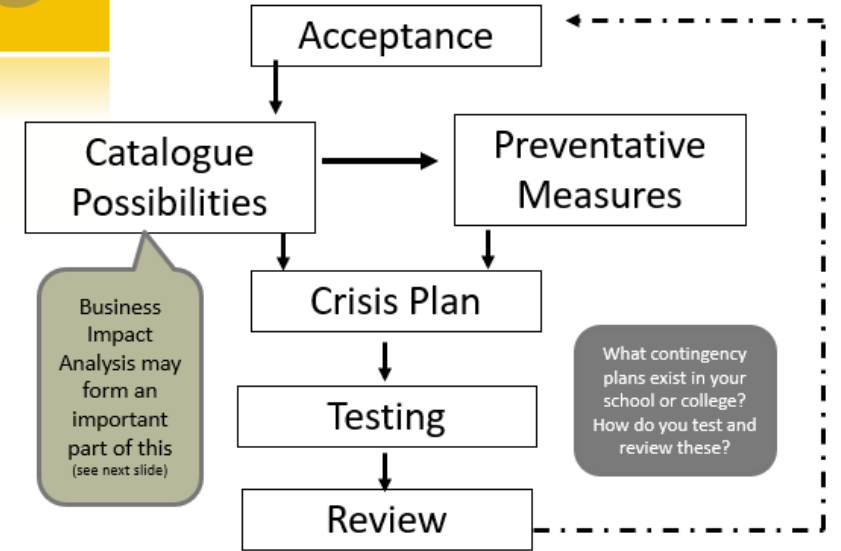
- Businesses prepare contingency plans because things do go wrong from time to time
- Contingency planning involves:
  - Preparing for predictable and quantifiable crises
  - Preparing for unexpected and unwelcome events
- The aim is to minimise the impact of a foreseeable event and to plan for how the business will resume normal operations after the crisis

### Task – complete the table:

What could possibly go wrong!		
Marketing	Operations	Finance



### THE PROCESS OF DEVELOPING A CONTINGENCY PLAN



- Support networks can play an important role in the effectiveness of contingencies e.g.
  - Friends and social groups volunteering to help in a clean up operation
  - Reciprocal arrangements between business such as use of premises
  - Government funded relief operations
  - NGOs providing advice and guidance
- The greater the support network the shorter the time it will take a business to respond to and overcome the events