

# Getting Started



**1. Explain what is meant when we speak of risk as a part of the entrepreneurial function.**

The entrepreneurial function bears significant risks. Entrepreneurial risk refers to the uncertainty about the success of a product/service and a business's success. This entrepreneurial risk also refers to the degree of innovation.

**2. List the functions entrepreneurs perform in business.**

Entrepreneurs generate innovative ideas for products and/or services, prepare a business plan for the product/service and strive to acquire venture capital or another source of funding to further develop and produce the innovation.

**3. Max has decided that he wants to start a small business. He is proficient in Indonesian, likes dealing with people and has worked in several different jobs before. However, he is quite undecided about what kind of business or even what industry he wants to work in. He knows that he wants to do something where there are opportunities for new businesses. Discuss how Max could go about finding where these opportunities might be.**

Max should gather information from industry associations, trade fairs and business publications. Max should consult with people involved in managing a business and people working in the preferred industry. Max should also conduct market research to determine the nature of a market to operate in.

**4. Evaluate how the following considerations might influence a person's decision about whether to open a business in this industry.**

**a) The industry is dominated by one major producer who has direct access to customers.**

A decision will be significantly affected by the number of competitors and producers in the market. A monopoly or oligopoly is a tough market to enter into. New businesses may be pressured to compete with established businesses with a competitive advantage, due to economies of scale.

**b) The industry is overpriced.**

If the industry is overpriced, this may provide an impetus for businesses to enter the market. Depending on the pricing strategy, consumers are willing to substitute the overpriced product for something less expensive. However, a new business may have to offer a comparatively high price to break even.

**c) It requires an investment of \$300,000 because of start-up costs.**

The start-up costs can be difficult to obtain, especially if owners' equity is low. Emerging businesses have no financial history and have an inherent business risk. Depending on the business's opportunities and strengths, the business may receive venture capital and grants to assist with start-up costs. The decision to start a business is also influenced by the predicted time to recover start up costs from business operations.

**d) The industry has not changed significantly in the past 20 years.**

If the industry has not changed for two decades the industry's practices and products will be relatively easy to observe. Emerging businesses have the potential to offer a new, innovative product to the industry by creating a need. However, the consumers' attitudes towards the business will be influenced by their willingness to change from their usual consumption patterns.

**5. Give an example of how identifying the target market can help a business to improve its performance.**

Identifying the target market will help the business select appropriate marketing strategies to meet consumer needs and wants. For example, restaurants market their food and service to a specific target market as characterised by their location and menu. Also, identifying the target market will impact on the financial forecasts of sales, profit and market share.

**6. Define the term competitive advantage. In which areas can a business develop a competitive advantage over others?**

A competitive advantage refers to the additional level of competitiveness the business has on its competitors in the industry. A competitive advantage is an internal strength of the business. Businesses can develop a competitive advantage in economies of scale, market share, entrepreneurship and branding.

**7. Explain why market research is useful in the early stages of starting a business.**

Market research is useful in the early stages of starting a business to evaluate the viability of a business plan and marketing plan. The profitability of a business is dependent on the ability of the business to generate sales which exceed costs. Market research can assist owners and managers of a business to refine the product to meet the needs of an appropriate sized market.

**8. James is a skilled musician who has played guitar for 15 years and knows an enormous amount about them. After becoming sick of his normal job he decides to quit and open a guitar and music shop. Discuss other personal qualities that James would need to succeed in this new venture.**

James will require knowledge of financial management/accounting, marketing, employment relations, operations and management. James will need enthusiasm in the industry he wishes to establish a business. He needs to have a vision, strategic thinking skills, decision-making skills and interpersonal skills to successfully develop a business plan, establish operations and market his product.

**9. You decide to open up an eat in/take away food bar just around the corner from the local railway station. List the different options you have in creating a competitive advantage for this business.**

To create a competitive advantage, one or more of the following suggestions could be implemented:

Place advertising in close proximity to the railway platforms, sell some products at the railway station, offer discounts for repeat purchases and market the food bar as a convenient and efficient service with a diverse menu selection.

**10. Who do you think should be the most rewarded for a successful, innovative product: an inventor, the investor who risks money on it, the marketer who successfully conveys information about it to the market or the manager who puts the whole business plan together?**

The marketer who successfully conveys information about the product should receive the highest reward. Although the inventor created a product which evidently satisfies the needs and wants of consumers, the inventor's product would not have been sold so profitably without the assistance of the marketer.

If one were to consider the investor, he/she contributed to financial start up costs of the business. The investor would not receive a return on his/her investment if not for the successful marketing mix.

Even though the business plan is critical to a business' success, the marketing mix of the business is a significant element of the marketing plan. It is possible to infer that the manager who compiled the business plan incorporated the ideas of the marketer. In effect the success of the product is directly related to the work of the marketer.