

Opportunity Knocks, Are You Ready?

CHAPTER

1

Chapter Outline

**Developing an Entrepreneurial
Mind-Set**

**Using Market Research to
Find Your Customers**

Competitive Analysis

Creativity

Feasibility

**Case Study: Howard and the
Video Camera Invention**



Source: alejandro dans neergaard/Shutterstock

“The pessimist sees difficulty in every opportunity, the optimist sees opportunity in every difficulty”.

—Sir Winston Churchill, British Statesman, army officer, and writer.

Learning Objectives

- Define *business opportunity*.
- Discuss why passion is important for entrepreneurs.
- Demonstrate how to research your market.
- Identify and describe several approaches to creativity.

The chapter opener quote from Sir Winston Churchill is just as timely and appropriate for us today as it was years ago. Today, we are battling the COVID-19 virus and many people think that this is a poor time to own or start a business. While there is difficulty in the challenges we face with the pandemic, even during difficult times there are opportunities. A few examples include the many companies and individuals producing face masks, distillers and alcohol producers switching to manufacture hand sanitizer, and delivery companies that bring needed goods to our front door.

There are many examples of companies that started during economic downturns and went on to become Fortune 500 companies. These include Hewlett-Packard, started during the 1937–1938 recession; Hyatt Hotels (1957–1958 recession); and Microsoft, started during the 1973–1975 recession (Weru, 2020). Every business venture comes with risk. The authors developed this textbook to help the student and future entrepreneur to assess risk and develop a course of action that will help improve the likelihood of business success.

Finding a good business opportunity is often the first challenge the entrepreneur will face, but what exactly is a good business opportunity? First, a good business opportunity is one that can be profitable and profitable for the foreseeable future. This is especially important as we are now dealing with the COVID-19 pandemic and the resulting economic downturn. That means there is a demonstrated market need for the product or service and that need will continue for some time into the future. Second, for most aspiring entrepreneurs, the opportunity should not require large amounts of capital. Some businesses are very capital-intensive and require millions of dollars. Some examples include a car dealership, large hotel, and many manufacturing businesses. However, many entrepreneurs can start with a bed and breakfast or a non-franchise hotel, a used car lot, or a small manufacturing company. Many successful small businesses start as home-based businesses, keeping startup costs to a minimum for the entrepreneur. So, a good business opportunity is one that can be profitable, and that the entrepreneur can muster the resources needed to take advantage of the business opportunity.

Take for example, MAC Electric, the local electrician company in my area. Even with several licensed electricians working in the business, it often takes a week or more to schedule a non-emergency appointment. Businesses based on trade skills are often a good choice as more young people choose to go to college rather than work as an electrician, plumber, or carpenter. MAC Electric started out as a home-based business, keeping startup costs low. Even now that the business has grown significantly, the business is located in an old warehouse along a side street rather than an expensive building in the downtown area. Electrician services will likely continue for the foreseeable future, not only with new construction but also for renovations, repairs, and upgrades.

Many entrepreneurs start a business that will fill a customer need based upon their own personal experience as a customer. Later in this chapter you will read about entrepreneur Chris Johnson, who invented the Rapid Ramen Cooker to help him prepare microwaved Ramen noodle meals when he was a college student. Later in the textbook you will also read about Rosie Herman, who developed One Minute Manicure to help heal her hands from “housewives’ eczema”. Today, her company offers a wide range of skin and beauty care products. You will also read about the My Pillow man, Mike Lindell, who after many attempts to get a better nights’ sleep, developed a pillow to help people sleep more comfortable. Today, his company offers a range of sleep products including mattress toppers and sheets.

Opportunity is everywhere, but not every opportunity is a good business opportunity, and therefore, not every opportunity is worth pursuing. A good idea might not be a good business opportunity for several reasons. The idea might be one that is too soon for the market to accept. So, what are the typical characteristics of a good business opportunity? The accompanying box lists some of the more important ways to identify a good business opportunity.

Entrepreneurs and new business ventures are a powerful force in the U.S. economy. According to the Annual Report of the Office of Economic Research, Fiscal Year (FY) 2018 (Small Business Administration [SBA] Office of Advocacy, 2019), there were more than 30 million small businesses in the United States in 2018. Some additional important small business facts are listed in Table 1.1.

ENTREPRENEUR PROFILE

Kylie Jenner

Age: 22 (born August 10, 1997)

Estimated Net Worth: \$900 million (*Forbes*)

Company: Kylie Cosmetics

Industry: Cosmetics, entertainment

"I know how influential I am over my fans and followers."—
Kylie Jenner

Ms. Jenner almost became the youngest self-made billionaire in the world at age 21. *Forbes* magazine included Kylie Jenner on its list of billionaires but later removed her name following a review of her business valuation. Aside from her television career that began with *Keeping Up with the Kardashians*, most of Ms. Jenner's wealth comes from her makeup company, Kylie Cosmetics, which is valued at \$800 million.

Kylie has also appeared on TV entertainment and reality shows, in several music videos, and in a cameo appearance in the movie *Ocean's Eight*. In 2012, at the age of 14, Kylie and sister Kendall worked with clothing store PacSun to create a clothing line. Then, in 2015, Jenner launched her own cosmetics line called Kylie Lip Kits, which in the following year was renamed Kylie Cosmetics. Just a year later, Ms. Jenner released a mobile app that reached the number-one spot in the iTunes App Store.



Ms. Kylie Jenner, celebrity entrepreneur.

Source: Ovidiu Hrubaru/Shutterstock

Many consider Kylie Jenner a driving force in social media and entertainment. In 2018, Ms. Jenner was named the most significant celebrity in the fashion industry by *The New York Post*. Ms. Jenner leveraged the family celebrity name in developing a broad range of products and services in the fashion and entertainment industries. The only question remaining to ask is, "What comes next?"

Source: Wikipedia. (2020). *Kylie Jenner*. Retrieved from https://en.wikipedia.org/wiki/Kylie_Jenner

HOW TO IDENTIFY A GOOD BUSINESS OPPORTUNITY

1. The opportunity fulfills your business passion: Working on something you are passionate about helps make starting and running a business a much easier process.
2. Low startup cost: **Bootstrapping** your business helps you to attain profitability sooner and helps avoid costly loans and complex equity deals.
3. Finding and exploiting a niche market: A niche market usually means fewer competitors and higher profit margins.
4. Limited competition: A clear place in the market provides your business a distinctive position in consumers' minds.
5. Scalability: A business with fast-growth potential is highly desirable.
6. Intellectual property protection: Intellectual property protection provides you and your business protection from a competitor copying your product or service, so patents, copyrights, trademarks, and trade secrets can provide a good business opportunity.

bootstrapping Starting your business with as little money as possible and using creative ways to raise money that might include selling off some of your sporting goods or holding bake sales. You can also start your business with less money by purchasing used equipment and leasing instead of buying.

TABLE 1.1. Small Business in the United States

In 2018 there were 30.2 million small businesses in the United States
<ul style="list-style-type: none">• Account for 99.9% of all businesses in the United States• 7–9% close every year• Employ 58.9 million people, or 47.5% of all U.S. workers• 414,000 new startups each year and 396,000 closures• Account for 66% of all net new jobs

Source: U.S. Small Business Administration Office of Advocacy. (2019). *2018 small business profile*. Retrieved from <https://www.sba.gov/advocacy/2018-small-business-profiles-states-and-territories>

Many entrepreneurs share a set of common characteristics, including believing in themselves and having the ability to tolerate ambiguity. But perhaps the most important characteristic is a passion for the business. In a meta-analysis of 23 research studies published in *The Big Five Personality Dimensions and Entrepreneurial Status*, entrepreneurs were found to have personality traits that are different from those of corporate managers. For example, entrepreneurs score significantly higher on traits that include openness to experience (e.g., curiosity, innovation) and conscientiousness (e.g., self-discipline, motivation) and score significantly lower on neuroticism, thereby allowing entrepreneurs to tolerate stress better (Zhao & Seibert, 2006).

Many studies report entrepreneur characteristics, and although one study may differ somewhat from another study, Figure 1.1 lists the most reported characteristics among the various studies. Perhaps the most important characteristic is a passion for the business. Your passion for the business will motivate you to succeed and help you through the difficult times you will most certainly face.

Closely linked to passion is your **vision**—what you want your business to become. *Tenacity*, or grit, is the entrepreneur’s ability to stick with the business and not give up when things are not going so well. It may take several years before the business breaks even and can sustain itself. *Belief in self* is critical from the very beginning

vision The vision is what the entrepreneur founder aspires the company to become at some point in the future—for example, “To be the north Texas car dealer of choice for luxury automobiles”.

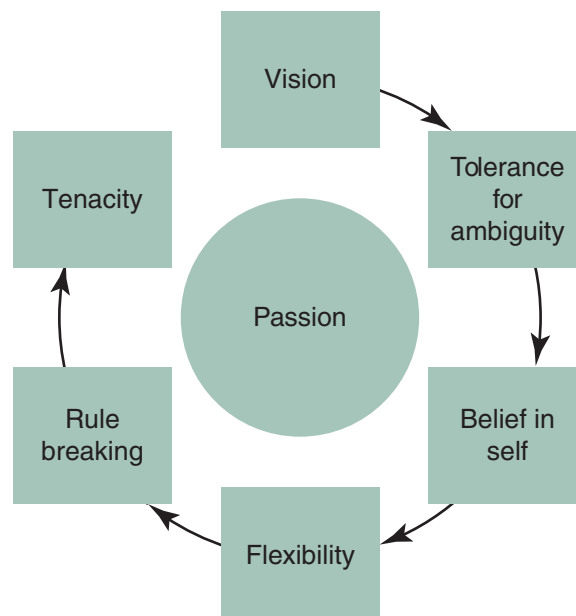


FIGURE 1.1. Typical Entrepreneur Characteristics

Source: Based on Robinson, J. (January 10, 2014). *The seven traits of successful entrepreneurs*. Retrieved from <https://www.entrepreneur.com/slideshow/299822>

because many people may have doubts about the business or about your ability to do something that others have not been able to do. *Rule breaking* often means “thinking outside the box” or not doing things the conventional way. *Flexibility* means changing direction easily when hitting a roadblock or having backup plans in case your original plans go astray. Experts define **tolerance for ambiguity** as the degree to which an individual is comfortable with uncertainty, unpredictability, conflicting directions, and multiple demands (most small business owners would probably tell you that there are many of those!).

tolerance for ambiguity The degree to which an individual is comfortable with uncertainty, unpredictability, conflicting directions, and multiple demands. Tolerance for ambiguity is a person’s ability to operate effectively in an uncertain environment.

ENTREPRENEUR PROFILE

Sara Blakely

Age: 49 (born February 27, 1971)
Estimated Net Worth: \$1 billion
Company: Spanx
Industry: Apparel

Sara Blakely had never taken a business class and had never worked in fashion or retail. Blakely sold fax machines door to door after graduating from college and had \$5,000 in savings. Like many women, she wanted to look and feel slim and didn’t want any bulges or clothing lines when wearing her favorite outfit. She cut the feet off a pair of control-top pantyhose, and the rest is history! Although she first approached several hosiery mills with the idea, none were interested. Sara then decided to patent the idea with the help of a patent attorney. After little interest from the patent attorneys and finding out that they would charge between \$3,000 and \$5,000 to secure the patent (which would have been all of her savings), she decided to patent her idea on her own. After doing all the patent research and designs, she found an attorney who would submit the patent application for \$700. With perseverance, she convinced a buyer at Neiman Marcus to carry the product in seven of its regional stores. Oprah Winfrey included Spanx in



SPANX retail stores can now be found worldwide in more than 50 countries.

Source: Kristi Blokhin/Shutterstock

her “Favorite Things” episode back in 2000, and business really started to take off. Today, billionaire Sara Blakely is one of the most successful female entrepreneurs and still owns 100% of her company!

Source: Mullins, R. (2014, April 12). Spanx founder Sara Blakely inspires. Retrieved from <https://workingwomanreport.com/spanx-founder-sara-blakely-inspires/>

Developing an Entrepreneurial Mind-Set

One of the first and most important questions an aspiring entrepreneur will ask is, “How do I find a good business opportunity?” Finding a good business opportunity will often begin with identifying a business need. So, for example, your small town seems to be growing fast ever since a development company began buying up large tracts of land and building homes. In fact, so many families have moved into town that two new schools are being considered for the district.

A growth industry or growth market usually presents the best business opportunities. Your town is growing fast, and people moving in will need to find many new service providers, from hair salons and dry cleaners to coffee shops and car repair. Most entrepreneurs will seek to match their interest and expertise with ways to build their new business because *passion* is both motivating and inspires your employees to perform at higher levels.

According to *INC* magazine, 50% of new businesses will fail within their first 5 years (Koulopoulos, n.d.). However, you can increase your likelihood of success with a well-prepared business plan based on sound research. A 2016 survey reported in *Small Business Trends* found that preparing a business plan doubles your chance for success (Leonsky, 2016).

Using Market Research to Find Your Customers

Market research can help you to market your business in several different ways (Table 1.2). First, market research can help you to identify potential new customers. Remember, we always need to be looking for new customers because some people will stop being our customers as they move away, their tastes or interests change, or they no longer need the product or service.

Market research can also help us better understand our customers. We can learn not only *what* products people buy but also *when* they buy those products, *how* they buy those products, and *why* they buy those products. In the case of orange juice, this detailed information would help us know what amounts of orange juice people want to buy (what size packaging, individual containers or multi-packs, bottles or paper cartons, etc.).

When do most people drink orange juice? Most likely at breakfast, but if you can get consumers to drink orange juice anytime during the day when they want a healthy, refreshing drink, free of caffeine and artificial sweeteners, you can sell more orange juice and earn more profits.

For a restaurant, for example, market research can provide information on who its customers are (age, income, occupation, etc.), food preferences, response to advertising, and even potential new menu items.

Effective market research merges economic trends with consumer behavior to validate and improve upon the proposed business. It is critically important to understand your market before you start your business and after your business begins operations. Sound market research will help reduce business risk and improve the likelihood that your business will be successful.

A good first step is to collect demographic information on your market. This will help you to better understand business opportunities as well as business limitations. Demographic information typically includes population by age and gender, income, marital status, and household information. Demographic data will help you to gain a better understanding of your market, including the following:

- **Demand:** Is there a desire for your product or service?
- **Market size:** How many potential consumers are there who meet consumer characteristics to purchase the product or service (age, gender, income, etc.)?
- **Economic indicators:** What are the income range and employment rate?
- **Location:** Where do your customers live, and where can your business reach?
- **Market saturation:** How many similar options are already available to consumers?
- **Pricing:** How much can customers afford to pay for products and services?

TABLE 1.2. How Market Research Helps Small Businesses

- Helps identify potential new customers
- Helps us learn more about our current customers
- Helps inform decisions regarding existing and new products or services
- Helps us better understand our competition
- Helps us test new markets
- Helps us identify performance, pricing, or promotion opportunities

Basic demographic information is readily available through U.S. Census data on the American Factfinder website, https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml.

For example, the city of Denison, Texas, has a population of 22,682 based on the 2010 census. We also find that there are 9,093 households, averaging 2.45 persons. We also see that 2,680 persons live alone. The census data also indicate that 7.3% of the population speaks a language other than English, in this instance, predominantly Spanish. We also see that the median household income is \$41,203, and the mean income is \$59,038 (the median national average is substantially higher at \$61,937). In addition, 10.3% of the population over 16 years of age is unemployed. How might this information be important in locating your business in that area? Do you think there are certain types of businesses that might be a good fit for Denison?

Asking consumers their opinions can provide you a better understanding of your potential target customer. However, market research takes a lot of time and can be expensive. You might be spending time that could be better spent on other aspects of your business. Use research to answer questions about your business or about your customers. For example, you might want to gauge customers' reactions to your business logo, ask for suggestions for improving the customer buying experience, or find out where customers shop instead of your business when looking for a certain product or a better deal.

Some typical research methods include the following:

- Customer surveys
- Questionnaires
- Focus groups
- In-depth interviews

Good market research can often be too expensive for most small businesses and difficult to attempt on your own if you do not have the expertise. But some research can be done at no cost or low cost to your business. Customer comment cards are quick and simple, yet they can provide you with valuable information about your business. Careful monitoring of social media, especially websites like TripAdvisor where customers rate your business, can provide a great deal of useful information (both positive and negative) as to how customers rate their customer experience.

Competitive Analysis

Your **competitive analysis** should be an objective appraisal of your proposed business compared with existing competitors based on several important business factors, including market share, strengths and weaknesses, your window of opportunity to enter the market, the importance of your target market to your competitors, any barriers that may hinder you as you enter the market, and indirect or secondary competitors that may affect your success. You can also evaluate and analyze your business based on the marketing variables of product, price, place, promotion, and people. It is often useful to put this information into a matrix for the purpose of comparison, as shown in Table 1.3.

As you prepare the competitive matrix, you want to be as objective as you can so that the finished product will be realistic. Depending on the type of business and competitive situation, you may define these variables somewhat differently. For example, you might define *product* in terms of product quality, selection, brand names, and associated services. In addition to traditional advertising, *promotion* might include various forms of social media, along with a website. *People* could refer not simply to the number of employees but their education, training, and special knowledge or abilities that support a superior rating.

In the example shown in Table 1.3, competitor 2 ranks the same as your business. Although your restaurant is priced higher, your product and your people rank higher. Will your potential customers be willing to pay higher prices for better-quality food and better service? The answer will probably be yes.

competitive analysis

A comparison of your business to your relevant competitors based on key product and service variables, such as price, product, place, and promotion. Other variables might include important details such as delivery or installation, product knowledge of employees, and convenience.

FREE (YES, FREE!) SMALL BUSINESS INFORMATION

A great deal of useful business information is out there and available to help you get your business venture up and running. One of the best available sources for business information is the U.S. Small Business Administration. Other resources are listed in the accompanying table.

Focus	Goal	Reference
General business statistics	Find statistics on industries and business conditions	NAICS, USA.gov Statistics, Statistical Abstract of the United States, U.S. Census Bureau
Consumer statistics	Find information on potential customers and consumer markets	Consumer Credit Data, Consumer Product Safety
Demographics	Segment the population for targeting customers	American Factfinder, Bureau of Labor Statistics
Economic indicators	Find unemployment rates, loans granted, and more	Consumer Price Index, Bureau of Economic Analysis
Employment statistics	Dig deeper into employment trends for your market	Employment and Unemployment Statistics
Income statistics	Pay your employees fair rates based on earnings data	Earnings by Occupation and Education, Income Statistics
Money and interest rates	Keep money by mastering exchange and interest rates	Daily Interest Rates, Money Statistics via Federal Reserve
Production and sales statistics	Understand demand, costs, and consumer spending	Consumer Spending, Gross Domestic Product (GDP)
Trade statistics	Track indicators of sales and market performance	Balance of Payments, USA Trade Online
Statistics of specific industries	Use a wealth of federal agency data on industries	NAICS, Statistics of U.S. Businesses

Source: U.S. Small Business Administration. (n.d.). *Market research and competitive analysis*. Retrieved from <https://www.sba.gov/business-guide/plan-your-business/market-research-competitive-analysis>

TABLE 1.3. Competitive Analysis Matrix

	Your Business	Competitor 1	Competitor 2	Competitor 3
Product	1	3	4	2
Price	3	4	1	2
Place	2	3	1	4
Promotion	2	4	1	3
People	1	4	2	3

Your new business venture will be off to a better start if the industry itself is growing, so researching the industry is an important early step. If you are considering opening a restaurant, you might begin by looking at the National Restaurant Association industry report. The

complete report is available to members for free and to nonmembers for a fee. However, even a brief summary of the report can help provide some insight into industry trends.

The next step in your research might be to investigate your local market. You probably already have a good sense of what the local economy is like, but hard data are always better than what you think about the market. According to census data, Billings, Montana,

2019 STATE OF THE RESTAURANT INDUSTRY REPORT

The 2019 State of the Industry Report identified five key trends shaping the restaurant industry in 2019. However, it is important to keep in mind that the COVID-19 pandemic has created a whole new business dynamic for 2020.

■ Trend #1 A competitive business environment

Although restaurant operators do not expect lessened competitive pressures, they remain optimistic. Labor costs continue to rise, and the industry will see additional regulations at the federal, state, and local levels. Together, these conditions will add additional pressure to maintaining bottom line profits.

■ Trend #2 Staffing continues to be a challenge

For many industries, the continued expansion of the economy has created a tight labor market. Consequently, one of the top challenges for restaurant owners and operators in 2019 will be employee recruitment and retention.

■ Trend #3 Consumer demand remains strong

Consumer confidence remains strong, which continues to feed pent-up consumer demand. Restaurants well-positioned in the industry can continue to exploit opportunity as higher-income households represent a larger share of households than ever before.

■ Trend #4 Increased technology leverage

Restaurants will continue to incorporate technology, especially technology that focuses on helping restaurants improve customer service, for example, technology that helps to make ordering and payment easier. Technology that helps customers by providing more convenient takeout and delivery options.

■ Trend #5 Changing tastes

Along with societal dining trends, consumer food preferences for 2019 include an eco-friendly perspective, with an increased emphasis on international flavors/cuisines, in addition to greater availability of healthy foods and healthy meals for children. New sources for food, such as plant-based meat products will become increasingly important.

Source: National Restaurant Association. (2019). *2019 state of the restaurant industry*. Retrieved from <https://www.restaurant.org/research/reports/state-of-restaurant-industry>

has a population of 104,170 and a median income of \$55,585. Almost 80% of the adult population participates in the labor force, well above the national average of 62.99%.

Although there are already many restaurants in Billings, there are some good reasons to locate a restaurant in the city. First, high employment levels and above-average income help make Billings a good city to locate a restaurant. Second, Billings has several colleges and universities, so many younger people will spend money on eating out, especially on fast foods. Gen-Xers account for almost 25% of the total population.

Gen Xers (born between 1965 and 1984) spend more money at restaurants and on takeout than other age groups (see Figure 1.2) but may spend that money differently. Baby boomers tend to hit their peak income levels and may eat out at high-end restaurants, although they do not eat out routinely as often.

Gen Xers The demographic term used to identify persons born in the 1960s and 1970s. Gen Xers are often described as being cynical or disaffected. Gen Xers are often considered to have an increased understanding of technology. Keep in mind that all members of a generation do not behave in the same way.

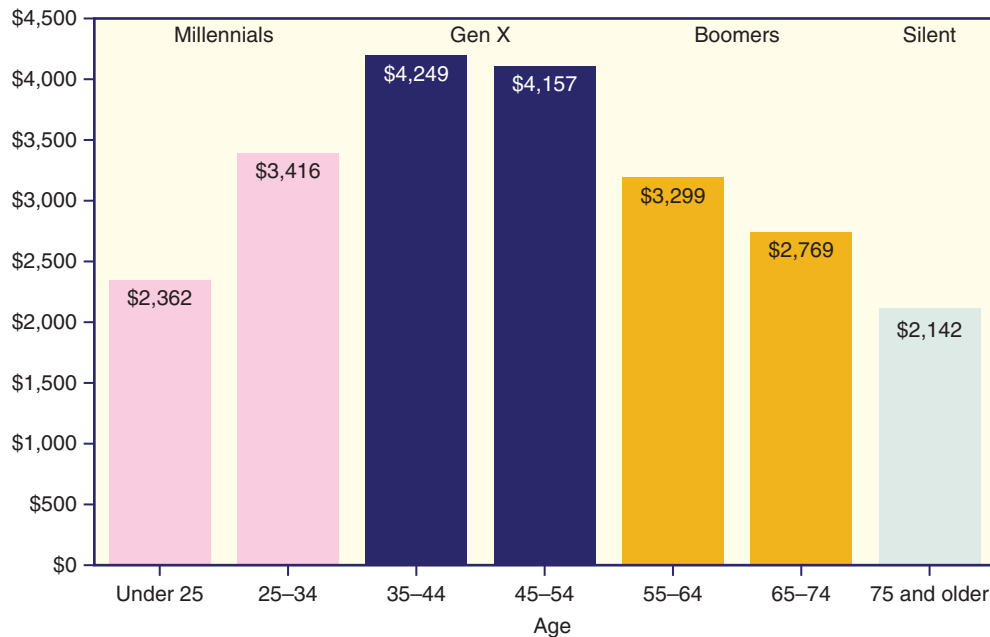


FIGURE 1.2. Average Spending on Food Away from Home

Source: Based on Kiersz, Andy. (2017). *How much the average American millennial, Gen Xer, and baby boomer spends each year eating out.* Retrieved from <https://www.businessinsider.com/average-restaurant-takeout-spending-generation-united-states-2018-9>

A city like Billings could offer many potential business opportunities. A restaurant that would cater to the college student population would probably focus on fast food or a fast-casual menu. The Gen X population might be more interested in various ethnic cuisines (Asian, Mexican, Italian, etc.) and various fast-casual restaurants. Although baby boomers do not spend as much money eating out as their Gen X counterparts, they might eat at any restaurant and have the income to eat at high-end restaurants if they choose.

A walking tour of various neighborhoods around the city will provide you with information regarding what restaurants are already located in the neighborhood. You can then go ahead and prepare the competitive analysis matrix. You should compare your proposed restaurant with competitors based on key marketing-mix characteristics, such as product, price, place, promotion, and people.

For example, your restaurant concept might be a Montana-themed, high-end steakhouse. Because your restaurant will have higher prices than many other restaurants, you probably will not find any comparable businesses in your neighborhood. Instead, you may have competitors at one or more locations around the city and in nearby suburbs.

You may distinguish your restaurant by some specialty menu items, along with a distinctive Montana-themed atmosphere. Your restaurant might also have several dining rooms with varied seating capacity to accommodate small parties, larger groups, and general patron dining.

Creativity

brainstorming Thinking about the problem or opportunity and coming up with as many ideas as possible as quickly as you can. No ideas are criticized or rejected out of hand. Instead, others can “add to” or improve upon the ideas.

The Business Dictionary (n.d.) defines **brainstorming** as follows:

Process for generating ideas and solutions through intensive and freewheeling group discussion. Every participant is encouraged to think aloud and suggest as many ideas as possible, no matter seemingly how outlandish or bizarre. Analysis, discussion, or criticism of the aired ideas is allowed only when the brainstorming session is over and evaluation session begins.

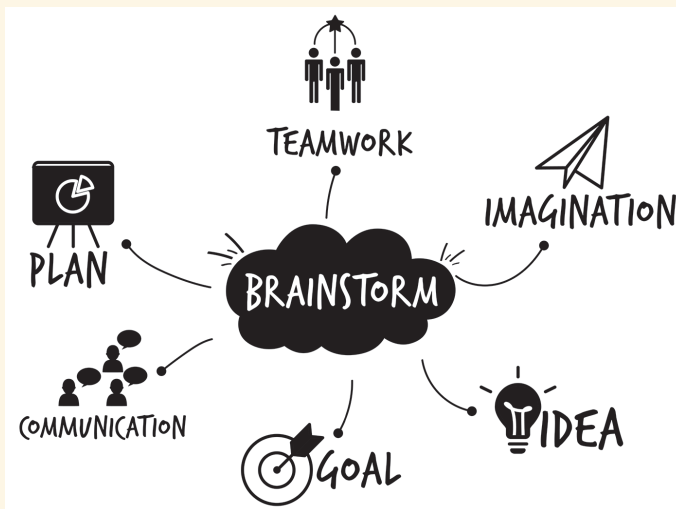
Many of us have already used brainstorming at one time or another, either at work or with family or friends when trying to come to a decision about something. However, for brainstorming to be most effective, some basic ground rules are important. You and your group should set some guidelines, as shown in the accompanying box.



Source: Matej Kastelic/Shutterstock

BRAINSTORMING GUIDELINES

1. **There are no dumb ideas, so no ideas should be denigrated or discarded.** A brainstorming session does not necessarily require only serious solutions. Brainstorming can be one of the more fun, creative activities, and you want to keep everybody on your team involved!
2. **No ideas should be criticized.** If an idea is criticized, the participant will likely take the criticism personally and not want to continue in the brainstorming session.
3. **It's good to build on other people's ideas!** A team member can come up with a good idea that can trigger an even bigger or better idea by another team member. Building on other team members' ideas can often lead to "out-of-the-box" thinking and even better ideas.
4. **The more ideas, the better.** A team goal should be to generate as many ideas as possible, and the more creative the ideas, the better. As the brainstorming facilitator, you should challenge your team to come up with as many ideas as possible.



Source: Bluehoustudio/Shutterstock

Before your brainstorming session, you need to prepare by answering these questions:

- What are the goals (outcomes) for the brainstorming session?
- Who will be the brainstorming facilitator? The role of the facilitator is key to brainstorming success, so be sure to choose the right leader.
- Who will participate in the brainstorming session? Choosing the right people will help ensure a productive session. The right people are creative, will not criticize others, and feel comfortable sharing their ideas with others.
- Where will the team hold the brainstorming session? Some companies and organizations select an off-site meeting location where team members will not be distracted by routine work activities.
- What materials will the team need for the brainstorming session (paper, pencils, easel, whiteboard, etc.)?
- Who can keep up with recording the brainstormed ideas from the group?

There are some techniques you can use to enhance creativity:

1. **Learn through collaboration.** Americans—most of the time, we prefer to do things on our own. After all, if you partner with someone, you also must share the credit for success along with half the profit! But collaborating or partnering also means you can pool resources, including talent and treasure. Partnering also means you can split your time across more project ideas. Collaborating with and learning from others may also help you to boost your creativity.
2. **Do something you really enjoy doing.** Stuck for ideas? Remember that you need balance in your life to help keep your creativity fresh. Engaging in a favorite hobby, jogging or running, playing a musical instrument, or a similar enjoyable activity can help you fight stress and relax while at the same time boosting your creativity.
3. **Finding inspiration through other industries.** Innovation sometimes comes from different industries. Think about it: Almost all the top cell-phone companies were not in the telephone industry. Often, as a new technology is developed, smart entrepreneurs find other industries where the new technology can be applied. Computers were not developed for education, but can you picture a college or university today without computers?
4. **Relax.** Sometimes your best ideas will come to you when you're not racking your brain, trying to come up with the next big idea. Instead, your next big idea could come to you while you're sleeping. Remember that a good night's rest will help you to be more creative. Sara Blakely had been working on a name for her company for some time and had researched how to come up with product names. One day, she was sitting in traffic when the name for her company (and product), Spanx, came to her across the dashboard of her car. Your next big idea may come to you when you least expect it. Maybe your great idea will come to you while you're driving, hiking, exercising, shopping, sitting on an airplane, or watching the sunset.
5. **Exercise.** Research indicates that the average person sits for 7–15 hours on a typical day. That's not very good for your physical or emotional health. Sitting all the time is also not very good for creativity.

Stanford research has found that walking improves creative thinking. In another study reported in *Harvard Business Review*, Clayton, Thomas, and Smothers (2015) found that walking meetings increase creativity and that employees more engaged. One reason for this is likely because exercise gets blood flowing faster through the body and to the brain. Scores of business leaders and entrepreneurs regularly have walking meetings, including Priceline Group Chief Executive Officer (CEO) Darren Huston, Facebook CEO Mark Zuckerberg, Western Union Co. CEO Hikmet Ersek, Twitter cofounder Jack Dorsey, and LinkedIn CEO Jeff Weiner.

6. **Set the right mood.** Unless you need to have complete silence when thinking, music could give your mood and your creativity a boost. Steve Jobs used music to keep his creativity flowing.

7. **Try the “six thinking hats” technique.** Using the “six thinking hats” process could help you look at things from a different perspective. This technique gives you the option to look at things in a “just-the-facts” manner (white hat); as the “devil’s advocate” (black hat); and through the lens of possibilities, alternatives, and new ideas (green hat), for example. Looking at a problem from several distinct perspectives may be just what you need to find a solution. Cherry (2019) describes the six thinking hats as follows:

- **Red hat:** Look at the situation emotionally. What do your feelings tell you?
- **White hat:** Look at the situation objectively. What are the facts?
- **Yellow hat:** Use a positive perspective. Which elements of the solution will work?
- **Black hat:** Use a negative perspective. Which elements of the solution won’t work?
- **Green hat:** Think creatively. What are some alternative ideas?
- **Blue hat:** Think broadly. What is the best overall solution?

8. **Seek advice and feedback.** Don’t assume you have to find a solution all on your own. Don’t hesitate to ask for advice from others; most people love to give it! Ask for advice from friends, peers, and especially from other entrepreneurs. A fresh perspective on your problem might be exactly what your problem needs. Even if you choose not to use the advice, your conversations with others might help give you a new direction for solving the problem.



Source: Naschy/Shutterstock

ENTREPRENEURSHIP IN ACTION

Like many other college students on a budget, Chris Johnson ate lots of ramen noodles when he was a student at the University of California–Davis. Ramen noodles are quick and easy to prepare in your dorm room microwave but not so easy using a regular bowl. With \$500 of his own money, Chris designed the Rapid Ramen Cooker and got the manager of the local Walmart to stock the product on the shelves. The ramen cookers cost under \$1 to produce and retail for \$5.99. Other stores started to carry the product, and the Rapid Ramen Cooker accumulated \$1 million in sales in the first year of business!

Chris then appeared on *Shark Tank*, and it looked like he would be working with venture capitalist Mark Cuban, but in the end, the deal did not go through. Knowing that a business could not be sustainable with only one product, Chris went ahead with his next product, the Rapid Mac Cooker. The Mac Cooker is similar to the ramen cooker but allows consumers to cook macaroni and cheese in the microwave. Both products were picked up by some well-known retailers, including Walmart and Target.

By 2018, more than 2 million Rapid Ramen Cookers had been sold, with many positive reviews on Amazon.com. Chris has also developed additional new products, including the Rapid Rice Cooker, to round out his line of products. Chris Johnson’s understanding of business and passion for the business has enabled him to grow a successful company, starting with only \$500. The accompanying box notes other big companies



In the reality show *Shark Tank*, five titans of industry (sharks) listen to budding entrepreneurs and decide whether to invest in their endeavors.

Source: Kathy Hutchins/Shutterstock

started with little or no initial investment. Chris Johnson overcame youth and inexperience, along with a lack of funds to get his business off the ground. He also smartly turned down the venture capital investment that would have required him to give up control of the company he founded.

Source: ZrysMedia. (2016). *\$500 to \$5M: Chris Johnson Rapid Ramen grows business & jobs*. Retrieved from <http://www.zrysmedia.com/chris-johnson-rapid-ramen-cooker-grows-business-jobs/>

BIG COMPANIES STARTED WITH LITTLE OR NO MONEY

Lynda: In the late 1990s, Lynda Weinman was teaching web design, but the technical books she assigned to her class were bland, so she began producing training films for her students. She spent the next two decades building a content library and tech assets that had scale sufficient to entice LinkedIn to pay \$1.5 billion to acquire the company.

Shopify: Shopify's founders were searching for a shopping cart solution when they were setting up an e-commerce site for snowboarders. Unable to find one, they decided to scratch their own itch and built a bespoke solution on the then-red-hot Ruby on Rails framework. It turned out to be a perfect solution for plenty more people, and the founders ran the business independently for 6 years on the revenue they generated. They ultimately raised money from venture capitalists and later had an initial public offering, which rewarded them with a \$14 billion valuation.

SimpliSafe: People scoff at the idea of trying to bootstrap a hardware business, but SimpliSafe's Chad Laurans did it. He raised a small amount of money from friends and family and then spent 8 years building a self-install security business, literally soldering the first prototypes himself to save money. Eight years later, the business has hundreds of thousands of customers, hundreds of millions in revenue, and \$57M in venture capital from Sequoia.

Shutterstock: Jon Oringer was a professional software developer and an amateur photographer. He combined this set of skills and used 30,000 photos from his personal photo library to start a stock photo service that is currently worth \$2 billion. His capital efficiency paid off and ultimately turned him into a truly self-made billionaire.

RXBar: When one of the entrepreneurs behind RXBar shared his ambitious business plan with his father, the paterfamilias told his founder son to stop theorizing and start pounding the pavement: "You need to shut up and sell 1,000 bars." That advice, plus \$10K in savings, proved to be worth \$600M—Kellogg's ended up gobbling up the startup.

Scentsy: Digitally native vertical brands (DNVBs) are hip, but they are over reliant on tweeted launch videos and Facebook ads to drive revenue. Scentsy sold candles at swap meets when the company couldn't afford to buy ads. It wasn't glamorous, but it did give the founders a solid grounding on the messages that resonated with buyers. Now the company has more than \$545 million a year in revenue.

Grammarly: Spell checkers have been bundled with Word and Google Docs for over a decade, but Grammarly made enough improvements that they could charge over 800 universities and hundreds of thousands of writers a monthly fee for the freedom from grammatical faux pas. After nearly 10 years of spotting typos, the company took in a \$110M Series A.

GoFundMe: Viral marketing is dismissed, rightfully, when it is tacked onto a business model, but it can be a powerful driver when properly integrated into a product. Paired with hyperefficient conversion rate optimization, it can be unbeatable. The founders of GoFundMe were able to use these twin forces to bootstrap a business to the point where it was valued at ~\$600M.

Tough Mudder: Track and field entrepreneur Will Dean turned \$7,000 in savings into a company with over \$100 million in annual revenue. The secret was preselling registrations to races and then using those funds as working capital to construct the electrified obstacle courses that have made Tough Mudder a global phenomenon.

(continued)

Craigslist: Craigslist parlayed an early launch in the first dot-com boom into a durable long-term advantage. Despite having only 40 employees and not substantially updating the site for decades, Craigslist is the 17th most-visited site in the United States and is reported to generate hundreds of millions in profits.

Plenty of Fish: This dating site was founded in 2003 and didn't change functionality or aesthetics much over the following decade. As with Craigslist, Plenty of Fish's biggest asset was its reputation as a well-stocked pond. Ultimately, the company ended up selling for \$575 million.

Subway: When Fred DeLuca was only 17 years old, he borrowed \$1,000 from a family friend to make money for college by selling sandwiches through a "fast-food venture that provided a healthful, less fattening bill of fare." By 2018, Subway had grown to more than 43,700 franchises around the world.

Source: Flaherty, J. (2018, March 20). *50 big companies that started with little or no money.* Retrieved from <https://hackernoon.com/50-big-companies-that-started-with-little-or-no-money-4ef1b68aac25>

Other techniques to improve creativity include meditating or daydreaming; surrounding yourself with blue (said to promote creativity); or surrounding yourself with motivational/inspirational objects, such as posters or even awards and recognitions that you have previously received. Many entrepreneurs find business opportunities by deliberately searching for them and researching growth markets or new technologies. Sometimes entrepreneurs find opportunity through serendipity, or accidental discovery.

Numerous articles tout ways to improve your creativity. A quick online search reveals articles that promote "5 Ways to Boost Your Creativity," "6 Ways to Increase Creativity," and so on, all the way up to "The Big List of 51 Hacks to Improve Your Creativity." Some might be better suited to you than others. A good read of several of the articles should provide you with several techniques you can employ to boost your creativity.

It used to be that a new startup company would have a well-organized plan and business model before asking for funding. Today, companies ask for money to help them figure things out. In most instances, this is the wrong decision. The exception would be companies that necessitate time-consuming research and development. If you watch *Shark Tank* on a regular basis, you will quickly see that making progress (especially sales) without a lot of financial resources is one of the best ways to attract interest from venture capitalists.

Feasibility

Before spending a great deal of time and energy in developing a detailed business plan, it is recommended that the entrepreneur prepare a **feasibility analysis**. The feasibility analysis asks three key questions: (1) Is the proposed business technically feasible? (2) Is our organization capable of performing the necessary tasks to operate the business? (3) Are the projected revenues high enough to cover anticipated costs?

A feasibility study evaluates the feasibility of a potential new product or business. A company will typically conduct a feasibility study when considering launching a new business or adopting a new product line. It's always a good idea to have a contingency plan in case of unforeseeable circumstances or if the original project is not feasible.

feasibility analysis A study conducted to determine if an idea is initially deemed to be successful based on basic criteria, such as market potential or whether the product can be made and sold for a price customers are willing to pay for the product.

- **Technical feasibility:** Ask what it will take. Do you have it? If not, can you get it? What will it cost?
- **Organizational feasibility:** What are the human capital needs for this project?
- **Financial feasibility:** Develop pro-forma financial statements, including an income statement, balance sheet, and statement of cash flow, along with your break-even analysis.

Sometimes a product might sound like a good idea, but an important question to ask is whether a market for the proposed product or service exists and has proven potential. Market feasibility should also be demonstrated by a detailed marketing strategy that makes sense, given the nature of the product and the proposed market.

Organizational feasibility will include identifying and satisfying human capital needs for the new business venture. Once human capital needs are identified, the entrepreneur needs to develop an organizational chart, detailed job descriptions, and human resource policies.

Financial feasibility will be critical not only to determine whether the business will be viable but also when seeking outside funding. Investors want you to succeed, and they especially want to be paid back, along with interest! In later chapters, we will help you prepare financial statements to evaluate your potential business and provide you with financing alternatives.

Operational feasibility requires the entrepreneur to develop a schedule and timeline for the proposed business venture (see Figure 1.3), which will also include milestones for the business development stage, business opening, and when the business attains key financial markers such as attaining break-even.

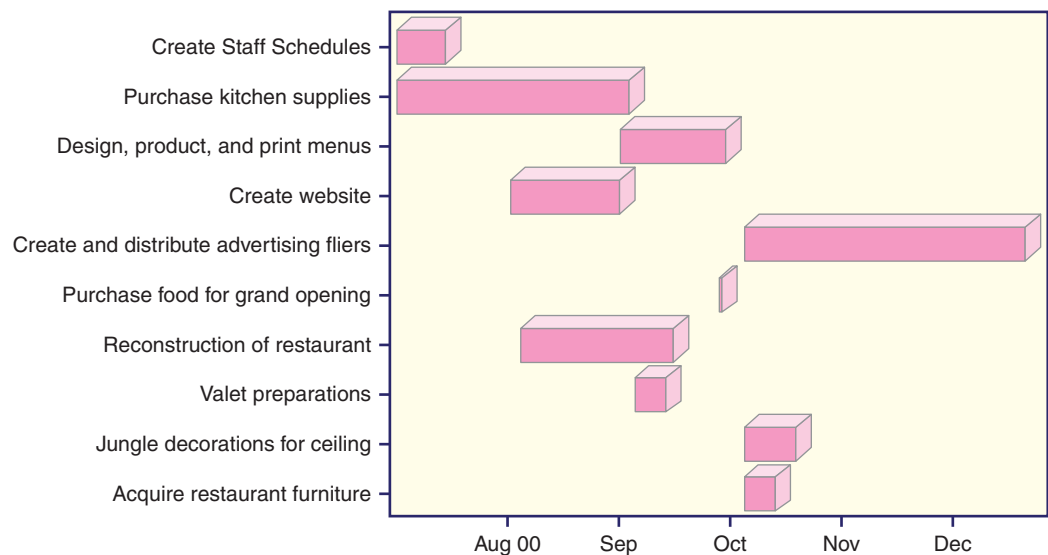


FIGURE 1.3. Sample Timeline for a Restaurant

Source: Based on Bplans.com. (n.d.). *Mediterranean restaurant business plan*. Retrieved from https://www.bplans.com/mediterranean_restaurant_business_plan/strategy_and_implementation_summary_fc.php

“Opportunity is missed by most people because it is dressed in overalls and looks like work.”—Thomas Edison



Thomas Edison was granted 1,093 patents for inventions, including light bulbs, the phonograph, the movie camera, and cement.

Source: Everett Collection/Shutterstock

Summary of Learning Objectives

1. Define *business opportunity*.

First, a good business opportunity is one that can be profitable and profitable for the foreseeable future. This is especially important as we are now dealing with the COVID-19 pandemic and the resulting economic downturn. That means there is a demonstrated market need for the product or service and that need will continue for some time into the future. Second, for most aspiring entrepreneurs, the opportunity should not require large amounts of capital. Some businesses are very capital-intensive and require millions of dollars. Some examples include a car dealership, large hotel, and many manufacturing businesses. However, many entrepreneurs can start with a bed and breakfast or a

non-franchise hotel, a used car lot, or a small manufacturing company. Many successful small businesses start as home-based businesses, keeping startup costs to a minimum for the entrepreneur. So, a good business opportunity is one that can be profitable, and that the entrepreneur can muster the resources needed to take advantage of the business opportunity.

2. Discuss why *passion is important for entrepreneurs*.

“Passion is the **fuel that drives an entrepreneur’s ambitions and aspirations**. You need to feel passionate about your idea in order to gain momentum. It’s the reason to get up in the morning and work long hours into the night” (GoDaddy.com). Passion is what

motivates the entrepreneur to go above and beyond to make the business successful.

3. Demonstrate how to research your market.

Effective market research merges economic trends with consumer behavior to validate and improve upon the proposed business. It is critically important to understand your market before you start your business and after your business begins operations. Sound market research will help reduce business risk and improve the likelihood that your business will be successful.

A good first step is to collect demographic information on your market. This will help you to better understand business opportunities as well as business limitations. Demographic information typically includes population by age and gender, income, marital status, and household information.

4. Identify and describe several approaches to creativity.

Brainstorming is one of the most common approaches to creativity and many of us have practiced brainstorming in one situation or another. Brainstorming encourages group participation in a relaxed setting where no ideas are criticized. In fact, group members are encouraged to improve upon others' suggestions. Other creativity exercises include learning through collaboration, doing something you really enjoy doing to fight stress and relax while engaging your favorite hobby or activity, relaxing, or exercising.

In Chapter 2, we will be taking a close look at leadership, social entrepreneurship, and ethics and social responsibility.

Key Terms

bootstrapping, p. 3
brainstorming, p. 10
competitive analysis, p. 7
feasibility analysis, p. 15

Gen xers, p. 9
tolerance for ambiguity, p. 5
vision, p. 4

Case Study: Howard and the Video Camera Invention

As soon as Dr. Martin walked into his office, his phone started ringing. Eight o'clock on a Monday morning, and his week is off to a start! The man who called wanted some assistance from Dr. Martin and his Small Business Institute (SBI) team in developing a marketing plan for a product he had invented, a tracking device for camcorders. The year was 1992, and a good-quality camcorder cost between \$800 and \$1,000.

Howard had taken an early retirement from a tech company where he had designed missile-tracking systems for the military. Like many parents who enjoy photographing their kids, as the photographer, Howard was not with them in many of the photos. Howard decided he could use the same principles of the tracking systems and apply them to his camcorder. The device attached to a tripod, and then the camcorder would connect to the tracking device. The person being recorded would wear a pin, which the tracking device would then "lock onto" and follow. Howard had even tested the device with his kids running the bases at the ballpark. Dr. Martin was pleased to hear that Howard had already applied for several patents for his invention. Dr. Martin saw the product as having good potential for teachers, trainers, and others when giving presentations.

Dr. Martin was interested in the concept and agreed to help with the project. He had two good MBA students looking for an SBI project in lieu of a traditional class. In discussing the possibility of helping bring the product to market, Howard indicated he thought the product should

sell for about \$1,000. Dr. Martin thought that this would be way too expensive for the average consumer, who would already be spending that much on the camcorder. He did not mention this at the meeting, however, and thought about how he might mention this concern to Howard.

Dr. Martin and the SBI team decided they needed to see how potential customers would react to the product and find out what customers would be willing to pay for the product. They were able to secure a location at a nearby shopping mall where they could set up and demonstrate the product to mall shoppers and then have them complete a short questionnaire. Howard was excited about the prospect of gathering data that they could use to help market his invention.

Questions for Discussion

1. Prepare a list of questions that you would ask the prospective customers at the mall.
2. Should Howard focus only on product development and partner with an existing company to manufacture and market the product?
3. The product does not yet have a name. What do you think would be a good name for Howard's invention?
4. Can you think of other applications for this product?
5. What should Dr. Martin and the SBI team do next?

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