Small Business An Entrepreneurs Plan Enhanced (Canadian) 7th edition Knowles Solutions Manual

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CHAPTER 2:
Spotting Trends and Opportunities

I. BUSINESS PLAN BUILDING BLOCK (SLIDE 2-19)

A business plan begins with the "big picture"—the industry or market overview.

Chapter 2 will help you to describe the industry and market trends for your business, and thereby, see the "big picture." It will show you how to expand your knowledge of customer needs and their market niche and how to begin writing the description of your business.

II. CHAPTER LEARNING OUTCOMES

(SLIDE 2-4 and SLIDE 2-5)

After completing this chapter, your students should be able to:

- Use mind mapping and brainstorming to discover business opportunities.
- Identify trends and market signals that will create opportunities.
- Discover market forces that underlie the trends.
- Understand how to analyze the potential for small business success by applying the life-cycle yardstick to industries, products, services, and locations.
- Use diagrams and mind maps to explore market segmentation.
- Determine what business you are really in.
- Begin describing your business

III. LECTURE OUTLINE & KEY CONCEPTS

1. Recognizing Opportunities (SLIDE 2-6 and SLIDE 2-7)

Chapter 2 is designed to help your students recognize emerging business trends and opportunities so they can put their passion and persistence to work. This will help them to brainstorm and to keep mind mapping and researching their ideas.

What are the best business ventures to pursue today? Only they can answer the question. The best business for them is the one that they enjoy; uses those experiences, skills, and aptitudes that are unique to them; and serves a market need—as we learned from the Tobias Lütke experience in the opening vignette of Chapter 2.

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We are now firmly entrenched in the so-called information wave. Some have termed these times the knowledge-based era. We like to think about it as the entrepreneurial age. These times, to a large extent, are marked by the growth of a new craft economy distinguished by quality, small customized quantities, technology, and service. If your students stay in touch with change and the exploding market niches that change creates, they will always see more opportunities than they can pursue.

In this new economy many large corporations outsource many of their products and services to small businesses. Outsourcing signals opportunity for enterprising small business entrepreneurs who can latch on to this trend.

Action Step 9 on page 36 will help them get some new perspectives on change.

2. Brainstorm Your Way into Small Business (SLIDE 2-8)

Brainstorming—a free and open exchange of ideas—is a powerful entrepreneurial technique used to help identify market trends and opportunities. Many entrepreneurs, like Pete and Geoff, page 37, record their brainstorming ideas using mind maps.

3. Be a Trend Watcher (SLIDE 2-9 and SLIDE 2-10)

Industry or market trends reflect our economy's response to change. And change creates entrepreneurial opportunities. Major trends creating opportunities for enterprising entrepreneurs are show in Box. 2.1, page 39. Even more trends are provided in the E-Exercise, Box 2.2, page 39.

Five pervasive macro trends that Canadian small business must embrace are:

1. ***Globalization.*** The export market accounts for about 45 percent of Canada's gross domestic product (GDP). Today, one-third of Canadians owe their livelihood to the strength of the country's global economy. Increasingly, "new breed" Canadian small businesses are seeking to participate in and benefit from this export trend. Much more information on exporting can be obtained by clicking on to the book's support website at: http://www.nelson.com/knowlescastillo7e (see Box 2.3, page 40).

2. ***Technology.*** We remain deeply embedded in the so-called technology revolution—one which will continue to change the way we live and work. Many of today's successful entrepreneurs, such as Tobias Lütke (page 34), Tanya Shaw Weeks of Unique Solutions Design Ltd. (page 36), and Paul Schmitt of Webview 360 *(*page 41), are cashing in on this trend. Action Step 10 (page 41) asks them to explore new technologies in more depth.

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3. ***Internet and e-commerce.*** Most Canadian households and business are now connected to the Internet. As shown in Table 2.1, page 42, 80 percent of Canadian individuals are connected. The question now facing the business community is: How do you profit from this connectivity? Successful companies like Job Shark and Webview 360.com have done so. ***E-commerce*** is a catchall term that includes any business function or business process performed over electronic networks. Canadian placed 114 million orders for goods and services, valued at $15.3 billion. Clearly, the e-commerce trend is just beginning.

4. ***Boomer trend.*** The baby boomers, those born between 1947 and 1966, composed 42.4 percent of the nation's working-age population. Table 2.4, page 46, for example, compares Canada's changing population Catering to the needs of retiring boomers is only one opportunity. There are all kinds of opportunities resulting from this trend. As this segment ages, not only in Canada but around the world, boomer needs will have a profound impact on sectors such as real estate, when boomers begin selling their homes; finance, as they begin cashing in their RRSPs; and healthcare, as boomers will be living longer and healthier.

5. ***Splintering of the mass market*** **(SLIDE 2-9).** For the consumer, five key factors have splintered the mass market:

    1. ***A shrinking middle class.*** There are more high-end, affluent consumers and an increasing number of consumers who live at or near the poverty level (for example, part-time workers, single parents, and contract workers).
    2. ***Shifting sizes of age groups.*** Each group has particular well-defined needs—echo boomers (or Y generation); the tweens (8–14-year-olds); and the affluent over 80-year-olds are examples. All of these changing segments have specific needs that create opportunities.
    3. ***Living arrangements are changing and evolving.*** These include: stepfamilies, dual-career families, single parents, and grandparents raising grandchildren. Each of these groups has a different need for such things as furniture, housing, transportation, and food preparation.
    4. ***Ethnic groups are shifting and growing***. Our visible minority population has shown a three-fold increase since 1981.
    5. ***Improved information access.*** The electronic and digital economy means that all Canadians are far more informed and particular about what they buy. We have now entered into what some experts have called the ***mass customization*** era. Successful business owners like Tanya Shaw Weeks of Unique Solutions, page 36, customize their products and services, then sell them in large quantities. Shaw Weeks, for example, found a way to provide individualized sewing patterns for the mass market of women who wanted to customize their sewing creations.

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4. Trends:

Social Media Trends (SLIDE 2-11)

Connected Society: We will continue to see growing connectivity to social media ecosystems. With such growing media tools as Facebook, Twitter, Google, and Pinterest, people will continue to get connected and they will be able to continue conversations and content creation.

Global Awareness: There will be a growing trend toward being connected to global events and happenings. Social media tools will continue to grow and allow people to chat, discuss, and debate on a variety of topics ranging from soccer matches to political grassroots movements.

Growth in Vertical and Local: As more and more people get connected, there is a growth in social media connectivity in vertical markets such as music and fashion. We will continue to see social media growth in vertical markets as more and more people get connected. Businesses, on a local level and even rural level, are also connecting and joining conversations and content creation. These businesses are leveraging social media to connect, engage, and ultimately sell to their customers.

Brand Driven Social Media: When someone has a bad experience with a company, they tend to tell their friends and family about that experience. The growing trend will be to go to their social media circles and let the world know about their bad experience. Businesses can't hide anymore. People will share their interactions, good or bad, with people online through social media. Businesses need to understand how their customers are emotionally connected with their brand and how they can better serve their customers through social media.

Trends Create Opportunities (SLIDE 2-12 and SLIDE 2-13)

Encourage your students to become a "trend tracker" so they can take advantage of the resulting business opportunities. Changes within the business and social world can be grouped into six major (SEPTIC) environmental categories. (*Note:* some teachers use the SEPTIC acronym to help students remember the six categories.)

1. **S**ocial/cultural: immigration, single parents, religion, ethnic shifts, aging population
2. **E**conomic: recessions, inflation, changing income levels, cost of housing, food, energy
3. **P**eople (demographics): the boomers, the echo boomers, changing ethnic and multicultural patterns
4. **T**echnology: biotechnology, the Internet, nanotechnology, personal genomics, universal translation

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5. **I**nternational (legal/political): who is in power and changing rules—locally, provincially, and nationally, tax laws. Where are the growing export markets?
6. **C**ompetition: deregulation, impact of the so-called box stores, foreign companies

5. The Life-Cycle Stages (SLIDE 2-14)

Trends (in industries, products, businesses, services, or even locations) can be divided into four life-cycle stages: embryo or birth, growth, maturity, and decline (Figure 2.2, page 53). Encourage your students to watch for market signals to determine where their business is within the four-stage life cycle. This will help them to plan their marketing and pricing strategies. It will also help them discover niche opportunities even in mature or declining industries—the aftermarket, for example. One suggested strategy is to look for a growth segment in a growth industry.

Action Step 13, page 53, will get them to match the life-cycle stages with trends they have discovered.

6. Segmentation and Gap Analysis (SLIDE 2-15)

Market segmentation involves breaking down potential markets into as many similar sub-segments as possible. Segmentation is a marketing technique that can help your students hone in on a market opportunity. This technique will help them identify opportunity gaps and combinations of gaps that may constitute markets.

Figure 2.3, page 56, illustrates a mind map that dissects one segment of the health-care industry into sub-segments. Action Step 14, page 55, will help your students look for segments and market gaps.

7. Futurists Top Forecasts (SLIDE 2-16)

Discuss the top forecasts as predicted by futurists. Direct students to Box 2.6, page 51.

8. Define Your Business (SLIDE 2-17)

In the Mary Clark case, page 57, only by stepping back can your students answer the question of what business they are in (i.e., know who your customers really are and what satisfies their needs). It is important for your students to define their business in terms of the benefits to their customer. Mary Clark, for example, was not in the “stabling horses” business. Rather, she was in the

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business of providing services for young girls who wanted to ride horses. Table 2.5, page 58, can help your students to define their business.

8. Develop Your Pitch (SLIDE 2-18)

Suggest to your students that they begin to formulate their "elevator pitch" or speech that can hook your listener into responding "tell me more." It's a clear, concise description of your business idea, the market need, how their business will satisfy that need, and how their business, the customer, and investors will benefit. Now your students are ready for Action Step 15, page 58.

9. Think Points for Success

Review the following think points with your students:

- √ A valuable tool you can use for charting trends is the four-stage life-cycle yardstick.
- √ The life-cycle yardstick helps you find a growth industry, decide what business you're really in, and discover gaps and segments that are promising.
- √ Once you know what segment you're in, you can focus on market research with new eyes.
- √ Try to latch on to a trend that will help you survive (in style) for the next 10 to 15 years.
- √ Trends don't develop overnight. The signs are out for all to read, months—even years—in advance.
- √ Develop a list of trends and opportunities. Keep this in your 24/7 Adventure Notebook.

10. Checklist Questions and Actions to Develop Your Business Plan (SLIDE 2-20 and SLIDE 2-21)

Review the following Checklist Questions and Actions to Develop Your Business:

- √ What trends will influence your small business?
- √ What business are you really in?
- √ What segment of the market will be your niche?
- √ Is it a growth segment in a growth market?
- √ Initially define your target market, and determine how large that customer base is.
- √ Identify the secondary sources you will use as part of your market research.
- √ Does this business fit your vision and values?

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√ Other than making money, what are the goals of your proposed venture? (You should be able to establish four to six over the next three years.)
√ For your business, what objectives do you wish to achieve this next year?

IV. STUDENT MOTIVATION: WHY SHOULD STUDENTS CARE?

- Student should recognize emerging business trends and opportunities so they can put their passion and persistence to work. This will help them to brainstorm and to keep mind mapping and researching their ideas.
- Your students want to make sure that their business serves a need and market trends help them hone in on growth opportunities.
- Change creates market trends that lead to opportunities for enterprising entrepreneurs.

V. BARRIERS TO LEARNING

- Some students may not know how to bridge the gap between their passions and business opportunities. Or they may not know how to start or may wonder how to capture every thought. The main point is to highlight mind mapping as a good brainstorming tool. It is a great way to put ideas down on paper as well as letting them know that there is no right or wrong answer. The key to a successful brainstorming session is to create an open and non-threatening environment that stimulates the creative juices. Brainstorming tips are provided on page 37.
- Encourage students to scrutinize boomers carefully. Knowing the needs of this growing demographic force can reap huge benefits for the imaginative entrepreneur. By encouraging your students to complete Action Step 11, page 49, this will help them get started on the process of identifying change, subsequent trends, and market opportunities. Action Step 12, page 52, will help them come up with their own list of trends and opportunities.
- Some students may find it difficult to break down markets into segments. They will require assistance in doing this.
- Encourage them to take a stab at defining their business and developing their elevator pitch. Use the *Dragons' Den* DVD to watch the various pitches. Some students will find it difficult to explain their product/service, their business, and what they want to achieve within a 30-second pitch.

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VI. ENGAGEMENT STRATEGIES

Suggested Lesson Plan

Time (Minutes)	Activity	Methodology	Support Activities
15	1. Review and Overview	Lecture and Q&A	Chapter 1, SLIDE 1-2, SLIDE 1-3, SLIDE 1-4, & SLIDE 1-5
10-40	2. Recognizing Opportunities	See NETA Lesson Plan #1	SLIDE 2-6 & SLIDE 2-7
10-20	3. Major Trends and Social Media Trends	Lecture and Class Discussion	SLIDE 2-8, SLIDE 2-9, SLIDE 2-10, & SLIDE 2-11
10-30	4. Market Trends Create Opportunities	Group Brainstorming and Class Discussion	SLIDE 2-12 & SLIDE 2-13
15	5. Life-Cycle Stages	Lecture and Class Discussion	SLIDE 2-14
15	6. Networking Break		
10-30	7. Market Segmentation	Lecture and Group Brainstorming	SLIDE 2-15
10-30	8. What Business Are You Really In?	See NETA Lesson Plan #2	SLIDE 2-17
10	9. Develop Your Pitch	Lecture and Group Discussion	SLIDE 2-18
10	10. Summary, Case Study, Q&A, and Preparing for Chapter 3	Lecture and Class Discussion	SLIDE 2-19, SLIDE 2-20, SLIDE 2-21, & SLIDE 2-22

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Suggested Activities

Activity 1: Review and Overview

1. Review Chapter 1 and answer any questions. (Show SLIDE 2-2, SLIDE 2-3, SLIDE 2-4, SLIDE 2-5, SLIDE 2-20, and SLIDE 2-21, if necessary.)
2. Introduce Chapter 2 and show and explain SLIDE 2-2 and SLIDE 2-3. This chapter takes students into researching market trends and opportunities. You may want to remind them that there is plenty of available information and various resources for seeking it out.

Activity 2: Recognizing Opportunities

See NETA Lesson Plan #1.

Activity 3: Market Trends Create Opportunities

1. Show SLIDE 2-12 and explain that major trends can be categorized into six “SEPTIC” categories.

Note: Some instructors use the “SEPTIC” acronym to help students remember the six categories. The major point here is that any one of these trends can create opportunities. You may want to stress the importance of the boomer trend. A list of opportunities is shown on page 50.

2. Show and explain SLIDE 2-13.

3. You may want to note that Action Step 11, page 49, will help students get started on the process of identifying change, subsequent trends, and market opportunities. Action Step 12, page 52, will help students come up with their own list of trends and opportunities.

Optional brainstorming/trend analysis activity (20-30 minutes)

1. Show students **only the trends** column of SLIDE 2-13.
2. Break the class into groups to brainstorm at least one opportunity resulting from each of the trends shown in SLIDE 2-13. Allow about 15 minutes for class brainstorming.
3. Review the class answers. You may want to get a student to mind map the class brainstorming ideas.
4. Show and briefly review some suggested answers provided in the **opportunities column** of SLIDE 2-13.

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Activity 4: Life-Cycle Stages

1. Show and explain SLIDE 2-14. One example of each life-cycle stage is provided. (This slide is based on Figure 2.2, page 53.) You may want to ask students to think of more examples.
2. Action Step 13, page 53, will help students match the life-cycle stages with the trends they have discovered.

Activity 5: Networking Break

Encourage students to network and learn more about each other during the break.

Activity 6: Market Segmentation

1. Show SLIDE 2-15. Explain that once a person becomes familiar with market trends (demographic and industry), the next step is to try to break down potential markets into as many "digestible" sub-segments as possible.
2. Mind mapping is a technique that can help students identify niche opportunities or market gaps. Figure 2.3, page 56, is an example of how to mind map one segment of the health industry. You and your students may wish to do an exercise on mind mapping other opportunity segments.
3. Action Step 14, page 55, will help students look for segments and market gaps.

Optional group activity (20-30 minutes)

1. You may wish to split the class into groups to brainstorm some opportunities arising from the growth of the 50+-year-old segment.
2. Mind map the results. (You may want to have a student do this.)
3. You may want to conclude this discussion by asking students to take a look at page 46 for a short list of opportunities arising from the boomer market.

Activity 7: What Business Are You Really In?

See NETA Lesson Plan #2.

Activity 8: Develop Your Pitch

Show and explain SLIDE 2-18. Action Step 15, page 58, will help students formulate an elevator pitch for their business.

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Activity 9: Summary, Q&A, and Preparing for Chapter 3

1. Recap the key points for each objective (using SLIDE 2-4 and SLIDE 2-5 if necessary).
2. Encourage students to complete the Business Plan Building Block on page 62.
3. Show SLIDE 2-20 and SLIDE 21 and encourage students to complete the Checklist Questions and Actions to Develop Your Business Plan, page 64. You may also want to briefly review the Think Points for Success, page 59.
4. Show SLIDE 2-22 and encourage students to complete the case study questions. Answers to the case study questions are contained in Section IV below.
5. Respond to any questions that students may have.
6. Encourage students to go to the Nelson Small Business website: http://www.nelson.com/knowlescastillo7e. Click on to the Test Yourself link and complete the true or false/multiple choice, short answer, and matching exercise for Chapter 2.
7. Have students read Chapter 3 in preparation for the next lesson. Some instructors may want to encourage students to also prepare a mind map of key points contained in Chapter 3.

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NETA Lesson Plan #1

Topic: Recognizing Opportunities
Instructional Method (75 min.): Interactive lecture, large and small group activities

Instructor's Instructional Activity	Students' Participatory Activity
Identify Learning Outcomes (5 min.): *(using overhead projection, PowerPoint, etc.)* Students will • examine the importance of recognizing opportunities; • understand the new craft economy, how change creates opportunities, importance of market research, and the best business ventures; • think about the business to business ventures for themselves; • make the linkage between recognizing opportunities and small business success.	• Students observe and record learning outcomes for the upcoming lecture.
Introductory Connecting Activity via Large Group Facilitation (10 min.) • In an open discussion, ask the students what is an opportunity. • How do you recognize opportunities? • Which are the best opportunities?	• In a large group, students listen, learn, and share their thoughts on how to recognize opportunities.
Delivery of Content (20 min.) • Instructional method: lecture, supplemented with PowerPoint (main point bullets). • "Cover" content: discuss what is an opportunity and how you recognize an opportunity.	• Students listen to instructor, observe PowerPoint slides, and take notes.
Pause: Facilitate Small Group Activity (30 min.) • State instructions, expectations, for small group activity (4–7 students); response should be done on a large sheet of paper, which can then be taped to the wall. • In each small group, ask students to break the class up into small groups and get them to introduce themselves, if necessary. In each small group, ask stuents to brainstorm the possible trends that would help Tobias Lütke be successful with Shopify.	• Students break into small groups (volunteer, spokesperson, recorder, etc.) and work on small group activity. • Prepare a mind map on a large sheet of paper showing their list of trends that might be possible business opportunities.

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Instructor's Instructional Activity	Students' Participatory Activity
• As a group, develop a mind map of their results and do a group presentation. You may have to take a moment here and show them how to do a mind map (page 16, Figure 1.3).Encourage them to think about trends as an opportunity for their business.	
Large Group Activity (10 min.) • Invite groups to discuss and list the trends that helped Tobias Lütke be successful in business. • Comment on the merits of each group's presentation and also the various reasons for identifying these trends. Highlight the fact that recognizing and seizing opportunities is important in business.	• In a large group, the spokesperson from each group shares his or her list of trends that might be a good business opportunity.
Concluding Activity (5 min.) • Summarize/review: it's important to be able to recognize opportunities and look at trends that might develop into a business opportunity. Oftentimes, it's more about what entrepreneurs see that others don't see that makes all the difference. • Identify next steps: reading assignment, questions for next class. • Application Questions for next class: What trends have you identified that provide a possible business opportunity? What can you do now to take advantage of this opportunity? • Encourage students to use the results of this group/class discussion to complete Action Step 9, page 32. • Summarize the importance of coming to class and sharing your thoughts—in addition, the benefits of tapping into the brain power and synergy of your group. The classroom experience reinforces the concepts in the textbook and brings them to life with applied examples.	• Students listen; take notes on assigned readings/preparatory questions for next class.

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NETA Lesson Plan #2

Topic: What Business Are You Really In?
Instructional Method (75 min.): Interactive lecture, large and small group activities

Instructor's Instructional Activity	Students' Participatory Activity
Identify Learning Outcomes (5 min.): *(using overhead projection, PowerPoint, etc.)* Students will • examine what business people are really in; • understand the importance of knowing what business you are really in; • think about other businesses and what business they are really in; • make the link, clearly understanding what business you are in and what benefit you are offering to customers.	• Students observe and record learning outcomes for the upcoming lecture.
Introductory Connecting Activity via Large Group Facilitation (10 min.) • In an open discussion, ask the students what does it mean to know what business you are in? • Why is it important to know what business you are in? • Determine the difference between knowing and now knowing what business you are in.	• In a large group, students listen, learn, and share their thoughts on what it means to know what business you are really in.
Delivery of Content (20 min.): • Instructional method: lecture, supplemented with PowerPoint (main point bullets). • "Cover" content: discuss knowing what business you are in.	• Students listen to instructor, observe PowerPoint slides, and take notes.
Pause: Facilitate Small Group Activity (30 min.) • State instructions, expectations for small group activity (4–7 students); response should be done on a large sheet of paper, which can then be taped to the wall. • In each small group, ask the students to break the class up into small groups and get them to introduce themselves, if necessary. In each small group, ask the students to list a couple of businesses and then to come up with a statement that describes (in terms of	• Students break into small groups (volunteer, spokesperson, recorder, etc.) and work on small group activity. • Prepare a mind map on a large sheet of paper showing their statement that describes what business the sample businesses provided are really in.

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Instructor's Instructional Activity	Students' Participatory Activity
benefit) what business their selected firms are really in (e.g., a locksmith is really in the security business; a trophy company might be in the recognition business). • As a group, develop a mind map of their results and do a group presentation. You may have to take a moment here and show them how to do a mind map (page 16, Figure 1.3). • Encourage them to think about their business idea and what specific business that they are in.	
Large Group Activity (10 min.) • Invite groups to discuss and list a couple of businesses and then develop a statement regarding what business they think that they are in. • Comment on the merits of each group's presentation and also the statements developed for each business. Highlight the fact that it's very important to know what business you are in because it tells you what type of clientele you have, and whether their needs are being satisfied.	• In a large group, the spokesperson from each group shares his or her thoughts on what a benefit statement is for the specific businesses provided.
Concluding Activity (5 min.) • Summarize/review: it's important to consider the benefit from a customer's perspective in order to define what business you are in. Often, entrepreneurs don't know and therefore can't communicate and fully grasp what and why people are buying from them. • Identify next steps: reading assignment, questions for next class. • Application questions for next class: What business are you really in with your business idea? How does this affect how you think about your customers? How you provide a solution to their needs? • Encourage students to use the results of this group/class discussion to complete Action Step 15. • Summarize the importance of coming to class and sharing your thoughts—in addition, the benefits of tapping into the	• Students listen; take notes on assigned readings/preparatory questions for next class.

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Instructor's Instructional Activity	Students' Participatory Activity
brain power and synergy of your group. The classroom experience reinforces the concepts in the textbook and brings them to life with applied examples.	

Class Projects

1. Divide the class into groups of 4–7 students. Then list a variety of different businesses on the board. Divide these businesses into as many areas as you have student groups. In their groups, have students come up with a statement that describes what these businesses are concerned with overall. You should aim to get students to define businesses in terms of benefits to the customer. For example, a locksmith might be in the security business, or a trophy company might be in the recognition business. You may want to refer to Table 2.5, page 58.
2. Assign groups of students to specific chapters of *Boom, Bust & Echo* (by David Foot and Daniel Stoffman). Ask them to report back to the class on key points and supporting evidence.
3. Have each student profile a trade journal in the industry that is interesting to him or her. The key questions are: 1) Is this industry growing or declining? 2) How does it "feel"? Use these criteria—or develop your own—for the profile:
   - Name of publication
   - Industry that the journal caters to
   - Place of publication
   - Circulation (How often is it published? Number of subscribers?)
   - Cost (Fee? Does it come as part of an association membership?)
   - Website (How useful is it?)
   - Intended audience (Beginners? Owners with years of experience?)
4. You can use a mind map on the board to explore and profile almost any industry. A mind map helps to pool knowledge from the group. Use the models from the text or from one of these books: *Use Both Sides of Your Brain* (Buzan) and *Writing the Natural Way* (Rico).
5. Have students "decode the secrets of the shopping cart." They can do this individually while shopping, or you can take the whole class on a field trip and assign different students to analyze different shoppers. Getting the data is easy. All it takes is observation. Have students bring their results to class, put them on the board, and attempt to offer some conclusions.
6. Political scientist Neil Nevitte tells us that Canadian values and beliefs are changing. In his book, *The Decline of Deference*, Nevitte argues, for example, that we are becoming more permissive and less likely to bend to authority. In our family relationships we are becoming more egalitarian. Health and social relationships are more important to us than money, and we have become more accepting and tolerant of abortion and divorce. Ask students if they agree with these changing social values. Then ask how their parents would

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feel. This discussion should establish the fact that social values and beliefs are changing and this creates new types of business opportunities.

VII. ASSESSMENT TOOLS

The following are some assessment tools available to instructors:

- Test Banks
- Quizzes
- Case Study Questions & Answers

Other assessment tools that can be developed include:

- Individual reflection on topic learned
- Group activity work and submission to instructor

VIII. REFLECTION ON TEACHING

It is important to reflect upon your performance as an instructor. After each class, reflect upon your performance by taking a few minutes to answer these questions:

- What worked? What didn't?
- Were students engaged? Were they focused or did they go off on tangents?
- Did my assessments suggest that they understood the key concepts?
- What should I do differently next time?
- How can I gather student feedback?

IX. ADDITIONAL RESOURCES

Suggestions for Guest Speakers

Chapter 2 takes students into research, so you should make sure they are familiar with some of the key sources of information. Some possible guest speakers include:

1. ***A market researcher from the local newspaper, radio station, or TV station.*** Have your guest describe how he or she uses research information. You might also want this speaker to talk about demographic differences in different segments or areas of your community.
2. ***A real-estate expert from a commercial firm.*** People in real estate have a unique way of grasping trends and movements. Ask your speaker to talk about local growth areas, high traffic areas, and the sources for his or her information.

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3. ***A planner***. You can find planners working for the city, for the region, or for any large firm in your area. Ask your planner to talk about projected growth areas in your community.
4. ***A representative of the Business Development Bank (BDC)***. Staff from the BDC assist in the financing of small businesses and are usually available to talk to groups. Ask your guest to talk about sources of information for small business or trends in small business. Try to guide the discussion away from failure and into formulas for success.

Internet Exercises

1. Exporting: Another Adventure Beckons (Box 2.3, page 40)

How much do you know about exporting? Go to the textbook's website to get more information on exporting: http://www.nelson.com/knowlescastillo7e

2. Building an Effective Website (Case study question 5, page 65)

Go to http://website-creation-software-review.toptenreviews.com/tips-on-building-an-effective-website.html

What tips do you like? Or would you adopt in building an effective website?

3. Outsourcing and Contracting Out (Case study question 4, page 65)

i. Click on to "What Is Outsourcing"(http://www.outsourcing-center.com) and go to the page that discusses "The Six and a Half Things You Really Need to Know About Outsourcing" http://www.outsourcing-center.com/2013-06-the-six-and-a-half-things-you-really-need-to-know-about-outsourcing-56463.html
ii. Discuss the six and a half things to know in a group, present, and share.

X. NOTES AND ANSWERS FOR END-OF-CHAPTER CASE STUDY

Note: This case study will help students put to practice their knowledge of the learning opportunities of Chapter 2. Some instructors may wish to use this case for a one-hour tutorial type seminar. As we discussed in the opening vignette and Chapter 2 case study, Shopify has become a Canadian success story. We can all learn from Tobias Lütke's experience.

Case Resources

- Shopify's website: http://www.shopify.com

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- Canadian Intellectual Property Office; http://www.cipo.ic.gc.ca/eic/site/cipointernet-internetopic.nsf/eng/Home
- Tim Ferriss: The 4 Hour Work Week: http://www.fourhourworkweek.com/blog/2011/09/12/engineering-a-%E2%80%9Cmuse%E2%80%9D-%E2%80

1. Entrepreneurial skills (e-skills)

We introduced you to an e-skill called mind mapping in Chapter 1. In this chapter, we learned about brainstorming as an entrepreneurial skill, which will help you discover trends and business opportunities.

a. Briefly, what is brainstorming?
Answer:
According to the text, brainstorming is a free and open exchange of ideas.

b. Trends create opportunities. Brainstorming is a skill that can be learned with practice. Get together with a group of friends or classmates. Brainstorm the possible trends that would help Tobias Lütke be successful? Record your results in the form of a mind map.

Answer:
Note: Refer students to page 37 on brainstorming. Emphasize that every idea is a good idea. Encourage students to get as many ideas as possible—even if the ideas don't seem plausible. The so-called "good ideas" can be sifted out later on. To get more information on trends, encourage students to link on the "trend" sites provided in Box 2.2, page 39.

You may want to use this question as an in-class activity. Have students brainstorm and present their results in the form of a mind map.

Here are some plausible and not so plausible brainstorming responses:

- e-commerce (textbook)
- exporting (textbook)
- downsizing (textbook)
- technology (textbook)
- trend toward big box outlets (maybe get students to link on to "what are your goals for 2015"
- boomer trend (hard to argue that Shopify used this trend but brainstorms include all ideas not just realistic ideas)
- splintering of mass market (e.g., quality, service, mass customization)
- contracting out (some call this partnering)
- outsourcing
- cocooning (more leisure time)
- dynamic partnering (text)
- cutting costs (text)
- the vigilante consumer (ACOA site, Box 2.2, page 39)

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- self-improvement (ACOA site)
- manufacturing (*Note:* According to the ACOA website, manufacturing is a growth sector in the Atlantic Provinces.)

2. Trends create opportunities

Industry or market trends reflect our economy's response to change. And change creates entrepreneurial opportunities. A knowledge of market trends will help you identify growth opportunities.

a. Briefly, what is a trend? What's the difference between a trend and a fad? (Explore dictionary and Internet resources).

Answer:
Trends are general changes in the market place that play themselves out over a longer term—5 to 10 years and maybe even longer. A fad is a relatively short term change in the market—which could last only a few days or up 3–4 years.

b. Faith Popcorn is the author of *The Popcorn Report*, a bestselling book on market trends. She tells us that ideally, a winning business idea should include or encompass at least three major trends. On page 38, five pervasive macro trends that Canadian small business must embrace were listed. Briefly describe these five trends. Which of these trends did Tobias Lütke take advantage of?

Answer
The five major trends described in this chapter are:

1. Globalization and the resulting exporting trend
The export market accounts for about 40 percent of Canada's gross domestic product (GDP). Today, one-third of Canadians owe their livelihood to the strength of the country's global economy. Small enterprises like Pacific Western Brewing Co., page 34, and winning *PROFIT* 100 companies are finding ways to capitalize on the fast-growing exporting trend. According to *PROFIT* magazine some 73 percent of Canada's fastest growing companies tapped the international market in 2009. Increasingly, "new breed" Canadian small businesses are seeking to participate in and benefit from this export trend.

2. Technology
Note: You might want to have a general discussion on the meaning of the term technology. Go to http://atschool.eduweb.co.uk/trinity/watistec.html

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According to the text, page 41, technological breakthroughs such as powerful personal digital assistants, e-books, and toxin testers continually remind us that we remain deeply embedded in the so-called technology revolution—one which will continue to change the way we live and work. Technology affects every aspect of small business today—distribution, marketing, products, and so on. Many of today's successful entrepreneurs such as Paul Schmitt with his 360-degree digital imaging technology are cashing in on this trend.

3. Internet and e-commerce
Most Canadian households and business are now connected to the Internet. Eighty percent of individual Canadians are connected. However, the trend to sell on the Internet is just beginning. E-commerce includes any business function or business process performed over electronic networks. E-commerce accounts for $15.3 billion in sales of goods and services. Clearly, the e-commerce trend is just beginning.

4. Boomer trend
The **baby boomers**, those born between 1947 and 1966 and comprising about 10 million Canadians, are now beginning to hit the big "60." There are all kinds of opportunities resulting from this trend. As this segment ages, not only in Canada but around the world, boomer needs will have a profound impact on sectors such as real estate, finance, health, and tourism.

5. Splintering of the mass market
Today's consumers are informed, individualistic, and demanding. Their buying habits are often difficult to isolate because they tend to buy at several levels of the market. Shopify uses its webite to inform. This new vigilante consumer wants quality and service.

The splintering of the mass market has also lead to the mass customization trend, which is the subject of the next question.

3. Mass customization

The new electronic era means that Canadians are becoming far better informed, with a resulting trend toward individualism. Many Canadians search the Net, get product and company information from around the world, and buy what they want at the click of a button. Electronic access to information is a key factor in the splintering of the mass market. We have now entered a growing trend called mass customization.

In this chapter, we learned how Tanya Shaw Weeks took advantage of mass customization (page 36). Show how Shopify has now begun taking advantage of this trend as well.

Answer:
Mass customization is the ability of a company to customize its products and services efficiently and cost effectively in large quantities. You might want to

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suggest to students to visit the Unique Solutions website http://www.uniqueltd.com/.

4. Outsourcing and contracting out

a. Click on to "What Is Outsourcing" (http://www.outsourcing-center.com) and watch the video. According to Peter Bendor-Samuel, a top authority on outsourcing, what is his distinction between outsourcing and contracting out?

Answer:
Outsourcing is a process in which an organization transfers the ownership of a business process to a supplier. The supplier owns and controls the process. The buyer assigns a function to the vendor or outsourcer but does not dictate how this function is going to be processed.

Contracting out is a process by which a firm or buyer purchases goods or services from another company (supplier or vendor). In this situation, the buyer owns and controls the process. When you contract out you tell a company exactly what you want and how it is to be processed or made. A good example of the distinction between outsourcing and contracting out can be found on: "Is 'contracting' or 'contracting out' just different terminology for outsourcing? (http://www.outsourcing-center.com).

b. What are the possible major benefits of outsourcing?

Answer:
According to Peter Bendor-Samuel's "What Is Outsourcing" Web cast (http://www.outsourcing-center.com), the major benefits of outsourcing are:

- Economies of scale—the supplier can produce in large quantities and thus achieve lower costs per unit
- Better/faster service
- Access to superior expertise
- Use of supplier capital
- Speed of implementation

In some cases, outsourcing can create value to the buyer. It allows the buyer to focus on its core business while receiving lower costs, better quality in a timely fashion while preserving its capital.

5. Tips for building an effective website

Go to http://website-creation-software-review.toptenreviews.com/tips-on-building-an-effective-website.html. How does shopify.com compare against these tips?

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Answer:
The main point here is to get students to start thinking about what they would like to see on their own website. Websites keep changing, so the answer below may differ from the time that students link on to this site.

You might want to encourage students to rank each of the criteria on a scale of 1–10 (1 = poor and 10 = excellent).

You may also want to encourage students to link on to the 1-800-GOT-JUNK? home page (http://www.1800gotjunk.com) and compare their results. In our case study, Chapter 6, we also ask students to evaluate the GOT-JUNK home page.

6. What business are you really in?

In this chapter, we have encouraged you start thinking about the needs of a customer. We wanted you to start thinking about defining your business in terms of the benefits to your target customer.

a. Who is Shopify's target, or major customer?

Answer:
The major customer for Shopify services are those people who need a reliable way to sell their products and services online through an e-commerce website. These are businesses that sell to other businesses and to the end user.

b. What business is Shopify really in?

Answer:
Shopify is really in the e-commerce service provider business. Shopify provides piece of mind to its customers, who need a safe, reliable way to sell their products online.

7. Pitching your product

Tobias Lütke raised $22 million in venture capital by pitching his business, Shopify. Assume for a moment that you are Tobias Lütke of Shopify and you now need an additional $5 million. You have to satisfy the needs of your potential venture capitalists, and you don't have much time to convince them. You need an elevator pitch.

a. What is an elevator pitch?

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Answer:
Elevator pitch: According to the text, page 58, an elevator pitch is clear, concise description of your business idea that can hook your listener (in this case, a venture capitalist) into responding "tell me more."

b. What are the basic needs of your venture capital investors?

Answer:
The major needs of the venture capitalists are:
- a successful entrepreneur with a vision
- a growth market
- a well-defined target customer with proof that the customer is prepared to buy
- a well-defined product or service
- a product process that could not be easily replicated or duplicated as well as scaled
- a skilled and well-balanced management team
- a well-thought-out business plan

c. What are the key issues you would address in your elevator pitch?

Note: This is a good question for an in-class activity. Get students into groups. Have them formulate an elevator pitch (20 min). Have one member of each group, a "pitcher," present the pitch to the class. Have the class evaluate each elevator pitch on the basis of the three key issues explained below. A student vote could select the "pitcher of the week" award, or whatever.

Answer:
According to the text, page 58, the key issues addressed in an elevator pitch are:

1. What is the market?
- What is your product or service?
- What are the features and benefits?
- What are the driving trends? Why does your target market need that product or service?

2. How does your business satisfy this market need?
- What is your competitive advantage?
- Who is your competition and why will your customer buy from you?

3. How do you, the business, and the target market benefit from this venture?
- How will your business satisfy its financial objectives—make money?
- Why will your customer be happy to buy your product or service? (Price? Service? Convenience?)

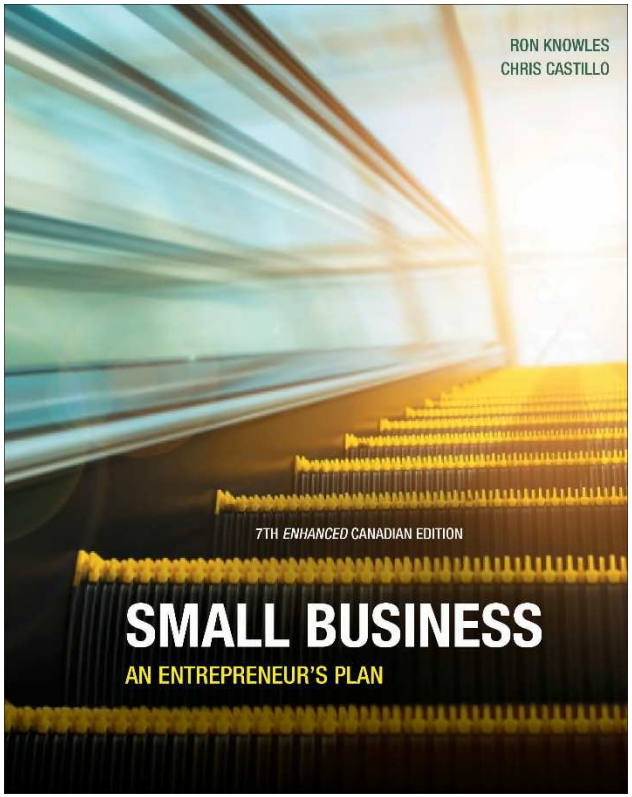
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PowerPoint Presentation for **Small Business: An Entrepreneur's Plan**

7th *Enhanced* Canadian Edition

Prepared by
Chris Castillo
Algonquin College



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CHAPTER 2

SPOTTING TRENDS AND OPPORTUNITIES

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Chapter Overview

chapter 2

- Chapter 2 will:
  - help you describe industry and market trends for your business
  - show you how to expand your knowledge of customer needs and your market niche
  - help you write the description of your business

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Learning Opportunities

chapter 2

- Use mind mapping and brainstorming to discover business opportunities.
- Identify trends and market signals that will create opportunities.
- Discover market forces that underlie the trends.
- Understand how to analyze the potential for small business success by applying the life-cycle yardstick to industries, products, services, and locations.

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Learning Opportunities

chapter 2

- Use diagrams and mind maps to explore market segmentation.
- Determine what business you are really in.
- Begin describing your business.

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Recognizing Opportunities

Welcome to the Entrepreneurial Age!

- New craft economy distinguished by:
  - quality
  - small customized quantities
  - technology
  - service
- Change creates opportunities for fast, flexible, and focused firms.

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Recognizing Opportunities

To succeed:

- conduct market research
- constantly respond to the changing needs of the marketplace

Best business ventures:

- Do what you enjoy.
- Use your unique experiences, skills, and aptitudes.
- Serve a market need.

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Idea Generator: Brainstorming

Brainstorming is:

- a free and open exchange of ideas
- a powerful technique used to help identify market trends and opportunities
- a record of ideas (sometimes in mind maps)
- successful when generated through an open, non-threatening environment that stimulates creative juices

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Be a Trend Watcher

Trends help identify growth opportunities.

Five major trends small business must embrace are:

1. ***Globalization:*** Winning companies export. What are your plans?
2. ***Technology:*** How will technology give you a competitive edge?
3. ***Internet and E-commerce*****:** How will you profit from this connectivity?
4. ***The Boomers:*** It's a wave you can't ignore.
5. ***Splintering of the Mass Market:*** How will you customize your product or service?

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Splintering of the Mass Market

Today's consumers are informed, individualistic, and demanding.

Five key factors have splintered the mass market:

1. Shrinking middle class
2. Shifting sizes of age groups
3. New living arrangements
4. Ethnic groups are shifting and growing
5. Improved information access

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Social Media

- Some social media trends are:
  - connected society
  - global awareness
  - growth in vertical and local markets
  - brand-driven social media

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Trends Create Opportunities

Trends	Opportunity
Dual-income families	Child care, private education
Cocooning	Home security
Environmental trend	Planet-friendly eco-retailing
Ethnic diversity	Cultural sensitivity training
Exercising for fitness	Attractive sports clothes
Energy conservation	Hybrid cars

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Life-Cycle Stages

Life-Cycle Stage	Example
Embryo (birth)	Genetic screening clinics
Growth	Senior-adult care
Maturity	Microwave ovens
Decline	Tobacco products

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What Is Market Segmentation?

Market segmentation involves:

- breaking down potential markets into as many similar sub-segments as possible
- identifying opportunity gaps and seeing combinations of gaps that may constitute markets
- A good example is shown in Figure 2.3.

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Futurists Top Forecasts

- Your phone will tell you when you're in love.
- People will download and print their own auto parts and jewellery.
- Brain-to-brain telepathy.
- Micro-nations on artificial islands will shift global politics.
- Young people will read; old people will play video games.
  - See Box 2.6 for more!

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Know Your Real Business

If you're in . . .	Try saying . . .
software sales	_____
small business teaching	_____
auto manufacturing	_____
mattress sales	_____
camera sales	_____
gourmet cookware	_____
coffeehouse ownership	_____

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Develop Your Pitch

Formulate your elevator pitch

- What is the market need?
- How does your business satisfy this market need?
- How do you, the business, and the target market benefit from this venture?

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Business Plan Building Block

Chapter 2 helps you prepare Part A of your business plan:

- **The Product or Service**

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Checklist for Your Business Plan

- What trends will influence your small business?
- What business are you really in?
- What segment of the market will be your niche?
- Is it a growth segment in a growth market?
- Initially define your target market and determine how large that customer base is.

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Checklist for Your Business Plan

- Identify the secondary sources you will use as part of your market research.
- Does this business fit your vision and values?
- Other than making money, what are the goals of your proposed venture? (You should be able to establish four to six over the next three years.)
- For your business, what objectives do you wish to achieve in the next year?

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Case Study

Shopify

Shopify is a great Canadian success story.

Answer the Chapter 2 Case Study questions to learn:

- that brainstorming can help you find market trends
- that market trends helped Tobias Lütke grow his business
- that Tobias Lütke took advantage of the new mass customization trend
- that outsourcing (contracting out) and e-commerce are key trends
- to define the business Shopify was really in.

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