MGMT 6057-(01) – 24W Assignment 1

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Contemporary Business Management

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## Task 1: Complete a strategic analysis for your new business, using PESTLE

## and Porter’s 5 Forces

***PESTLE Analysis***:

**Political**:

* Ontario's government policies and regulations regarding small businesses, particularly in the entertainment and events industry, may affect business operations and licensing requirements.
* Taxation policies, including any incentives or benefits for small businesses, could impact financial planning and profitability.

**Economic**:

* London, Ontario's economic stability and growth prospects will influence consumer spending habits and the demand for entertainment services like virtual reality parties.
* Economic indicators such as GDP growth, inflation rates, and unemployment rates will affect consumers' disposable income and willingness to spend on recreational activities. (Quain, 2019)

**Social**:

* The increasing popularity and acceptance of virtual reality technology among the younger demographic may present opportunities for business to target tech-savvy consumers.
* Changing social trends and lifestyles, such as the preference for unique and interactive experiences, could drive demand for innovative entertainment options like virtual reality parties.

**Technological**:

* Rapid advancements in virtual reality technology may lead to new and more immersive experiences, allowing business to differentiate itself and attract more customers.
* Technological infrastructure and internet connectivity in London, Ontario, will influence the accessibility and quality of virtual reality experiences for target market.

**Legal**:

* Compliance with privacy regulations, especially regarding data protection and the use of customer information gathered during VR events, is essential to avoid legal liabilities.
* Intellectual property laws and regulations governing the use of VR content and applications may impact the variety and availability of experiences which can offer to customers.

**Environmental**:

* Consideration of environmental sustainability practices, such as energy-efficient equipment and responsible waste management, could enhance business's reputation and appeal to environmentally conscious consumers.
* Local environmental factors, such as weather conditions, may affect the feasibility of outdoor VR events and transportation logistics for equipment.

***Five Forces Analysis***:

**Threat of New Entrants**:

* The relatively low barriers to entry in the virtual reality entertainment industry may attract new competitors, potentially intensifying competition for market share.
* However, specialized knowledge and expertise required to deliver high-quality VR experiences could act as a barrier to entry for newcomers, especially those lacking technical proficiency.

**Bargaining Power of Suppliers**:

* Dependence on VR equipment suppliers and software developers may expose business to risks associated with supply chain disruptions or price fluctuations.
* Building strategic partnerships with reliable suppliers and negotiating favorable terms could mitigate the impact of supplier power on business operations.

**Bargaining Power of Buyers**:

* Buyers' ability to compare prices and experiences across different VR entertainment providers may limit pricing flexibility and profitability.
* Offering unique and customizable VR experiences, along with exceptional customer service, can help retain customer loyalty and reduce the threat of buyers' bargaining power.

**Threat of Substitutes**:

* Traditional entertainment options, such as movie theaters, amusement parks, and indoor playgrounds, may compete with virtual reality parties for consumers' leisure spending.
* Constant innovation and diversification of VR experiences to offer unique and engaging activities could differentiate business from substitutes and attract a niche customer base.

**Competitive Rivalry**:

* Intense competition among existing VR entertainment businesses in London, Ontario, may pressure pricing and profit margins.
* Focusing on niche markets, leveraging innovative marketing strategies, and continuously enhancing the quality of VR experiences can help business stand out in a crowded market and maintain a competitive edge. (прочитали, 2019)

***Overall Prediction for Success:***

Based on our comprehensive analysis of the external environment and industry dynamics, along with the unique strengths of our virtual reality party planning concept, our overall prediction for success is highly favorable. The promising market conditions in London, Ontario, coupled with the growing popularity of VR technology and our innovative approach to personalized experiences, position us for significant growth. While challenges such as intense competition and regulatory compliance exist, our strategic focus on customer satisfaction and continuous improvement will enable us to overcome these obstacles effectively. With dedication and commitment to delivering exceptional VR entertainment, we are confident in our ability to thrive and establish a strong presence in the dynamic London market.

## Task 2: Decide what price to charge for your services

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Market Survey Data  (survey of 100 people)** | |  | **Your Analysis**  **(assuming that you might work for 8 hours,  on average, for each customer)** | | |
| **Hourly Fee** | **Estimated Demand  (# of people willing to pay for your services at this hourly rate)** |  | **Revenues  (Hourly fee \* avg. # of hours per job \* # of people willing to pay)** | **Operating Costs  (Operating cost per hour \* average # of hours per job \* # of people willing to pay)** | **Profit  (Revenues – Costs)** |
| **$ 70** | **9** |  | $ 5,040 | $ 3,456 | $1,632 |
| **$ 65** | **12** |  | $ 6,240 | $ 4,608 | $ 1,632 |
| **$ 60** | **18** |  | $ 8,640 | $ 6,912 | $ 1,728 |
| **$ 55** | **20** |  | $ 8,800 | $ 7,680 | $ 1,120 |
| **$ 50** | **23** |  | $ 9,200 | $ 8,832 | $ 368 |
| **$ 45** | **27** |  | $ 9,720 | $ 10,368 | $ -648 |
| **$ 40** | **31** |  | $ 9,920 | $ 11,904 | $ -1,984 |
| **$ 35** | **43** |  | $ 12,040 | $ 16,512 | $ -4,472 |
| **$ 30** | **58** |  | $ 13,920 | $ 22,272 | $ -8,352 |

1. What hourly fee will result in the most customers? $30
2. What hourly fee will result in the highest revenues? $30
3. What hourly fee will result in the lowest operating costs? $70
4. What hourly fee will result in the highest profit? $60
5. What is the lowest possible fee (from the table above) that results in a profit? $50
6. In your personal opinion and given the results from your analysis of the market survey, what is the hourly rate that you will charge your customers? Which objective is more important to you: maximizing revenues, customers, or profits?

Based on the analysis of the market survey data, I would set my hourly rate at $55. At this rate, I can achieve a balance between attracting a reasonable number of customers (20 willing to pay) while still generating a profit. While maximizing revenues is important for business growth, ensuring profitability is crucial for long-term sustainability. Setting the hourly rate at $55 allows me to strike a balance between attracting customers and maximizing profits, ultimately ensuring the success and viability of my virtual reality party planning business.

## Task 3: Make some predictions about changes in supply and demand for your services.

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| --- | --- |
| The largest manufacturer of VR headsets has announced a product recall of nearly all of its products because of faulty memory chips. (Half of your VR equipment is made by this manufacturer, so you must send that equipment back to the manufacturer for repair/replacement. The manufacturer will return your equipment to you in 8 weeks.) | 1. Will this cause an increase in the supply for VR party planning/hosting? No 2. Will this cause a decrease in the supply for VR party planning/hosting? Yes 3. Will this cause an increase in the demand for VR party planning/hosting? Yes 4. Will this cause a decrease in the demand for VR party planning/hosting? No 5. According to supply/demand dynamics, should you increase or decrease your hourly fees to establish a new equilibrium price point? Increase |
| Medical researchers have recently published a report demonstrating strong evidence that the use of virtual reality headsets causes migraine headaches and seizures. | 1. Will this cause an increase in the supply for VR party planning/hosting? No 2. Will this cause a decrease in the supply for VR party planning/hosting? Yes 3. Will this cause an increase in the demand for VR party planning/hosting? No 4. Will this cause a decrease in the demand for VR party planning/hosting? Yes 5. According to supply/demand dynamics, should you increase or decrease your hourly fees to establish a new equilibrium price point? Decrease |
| Nintendo has finally released official VR versions of world-famous games of Pokemon, Mario Brothers, and Zelda that can be played exclusively on VR hardware. | 1. Will this cause an increase in the supply for VR party planning/hosting? Yes 2. Will this cause a decrease in the supply for VR party planning/hosting? No 3. Will this cause an increase in the demand for VR party planning/hosting? Yes 4. Will this cause a decrease in the demand for VR party planning/hosting? No 5. According to supply/demand dynamics, should you increase or decrease your hourly fees to establish a new equilibrium price point? Increase |
| Your cousin has offered to help you host parties. He is as knowledgeable about VR technology as you are. Furthermore, he has an outgoing personality. You believe that he is capable of hosting parties for some of your customers. | 1. Will this cause an increase in the supply for VR party planning/hosting? Yes 2. Will this cause a decrease in the supply for VR party planning/hosting? No 3. Will this cause an increase in the demand for VR party planning/hosting? No 4. Will this cause a decrease in the demand for VR party planning/hosting? Yes 5. According to supply/demand dynamics, should you increase or decrease your hourly fees to establish a new equilibrium price point? Decrease |

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