Tools and Techniques in Creating a Business

LESSON 7

Introduction

According to a guide developed by North Carolina's Small Business and Technology Development Center, the key factors that must be considered in analyzing the industry are the following:

1. The geographic area which the business will cater to

Geography is the study of places and the relationships between people and their environments.

Tools in Evaluating Business

2. The size and outlook of the industry.

Industry Outlook is particularly useful in understanding the current and expected trends in the economic environment that your industry operates in. These are your suppliers' industries, your customers' industries or your competing industries.

Tools in Evaluating Business

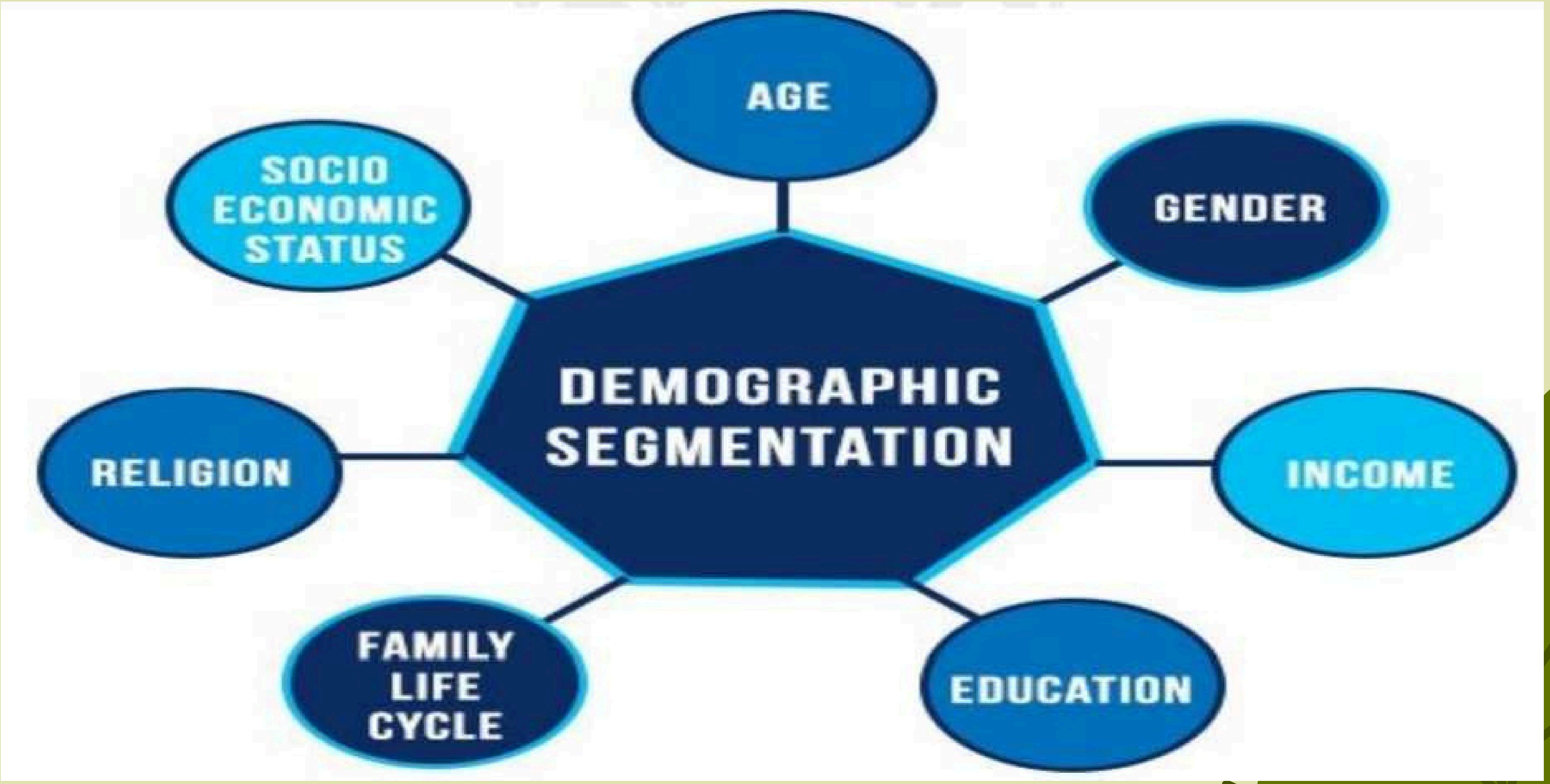
3. Description of the product.

it provides all the information and details of your product on your ecommerce site. These product details can be one sentence, a short paragraph or bulleted

Tools in Evaluating Business

4. The buyers have to be identified.

the statistical characteristics of human populations (such as age or income) used especially to identify markets a change in the state's demographics.



Tools in Evaluating Business

5. The regulatory environment.

that part of the firm's external marketing environment on which legal and political forces act to change regulations which affect the marketing effort; regulation changes can pose threats or present opportunities.

Tools in Evaluating Business

6. The need to identify the leading business in the industry.

holding a leading or dominant position within a particular industry; (of a product, technology, etc.) superior to or more advanced than rival products, technologies, etc., within the same industry.

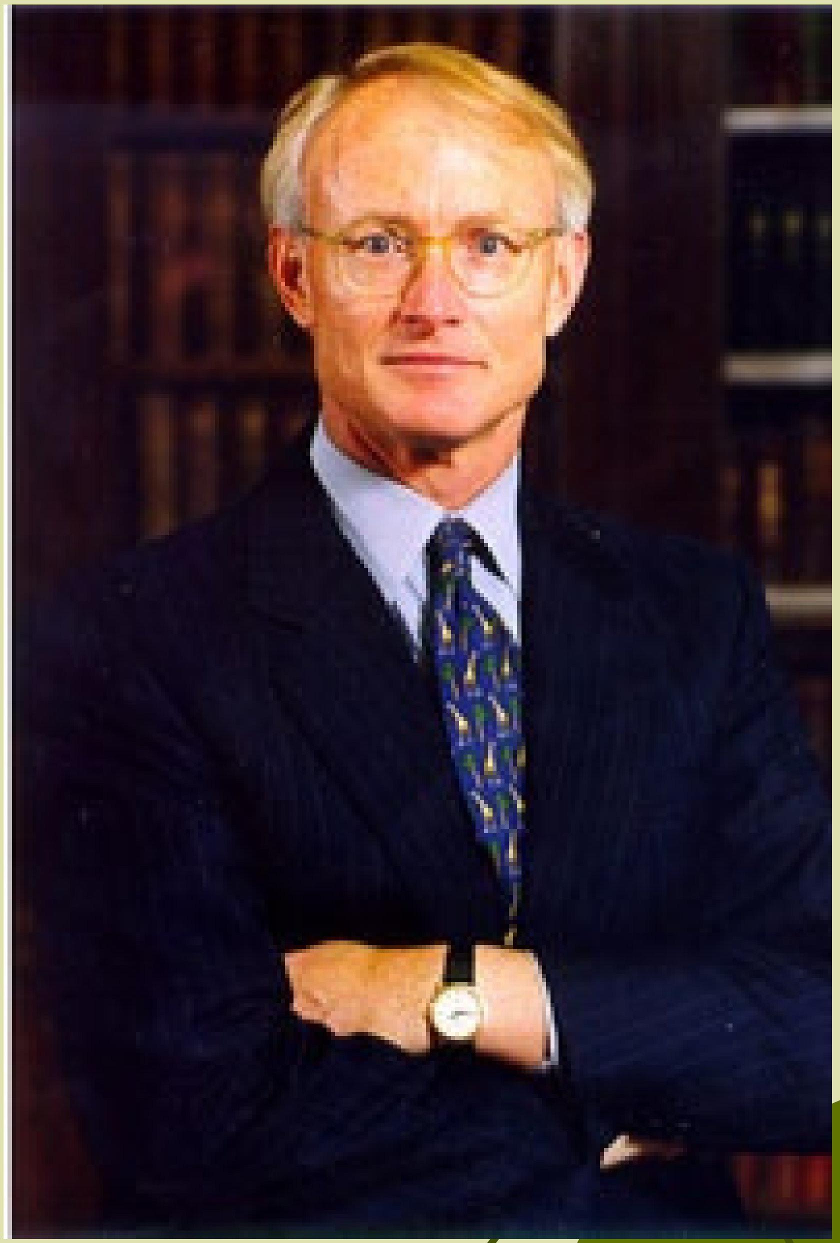
Tools in Evaluating Business

7. Factors that will affect the growth of the business

Competitive Position Analysis

Another analytical tool that can be used to asses a business is Porter's Five Forces of Competitive Position Analysis.

It was developed in 1979 by Michael Porter of Harvard Business School as s a framework or a guide for assessing and evaluating the competitive strength and position of a business organization



Porter's Five Force

1. Supplier Power. It is important to assess how much power the supplier has in his ability to drive up prices.
A supplier enjoys his power if there are a few suppliers of an essential input and they therefore control the supply of that input

Porter's Five Force

2. Buyer Power. If a supplier can enjoy the power to drive prices up, it is also possible for a buyer to drive prices down. An assessment needs to be made on of how easy it is for buyers to drive prices down

Porter's Five Force

3. Number of competitors. The number of competitors in the market will also impact on the attractiveness of the market. If competitors are numerous and offer basically similar products and services, the market will be less attractive

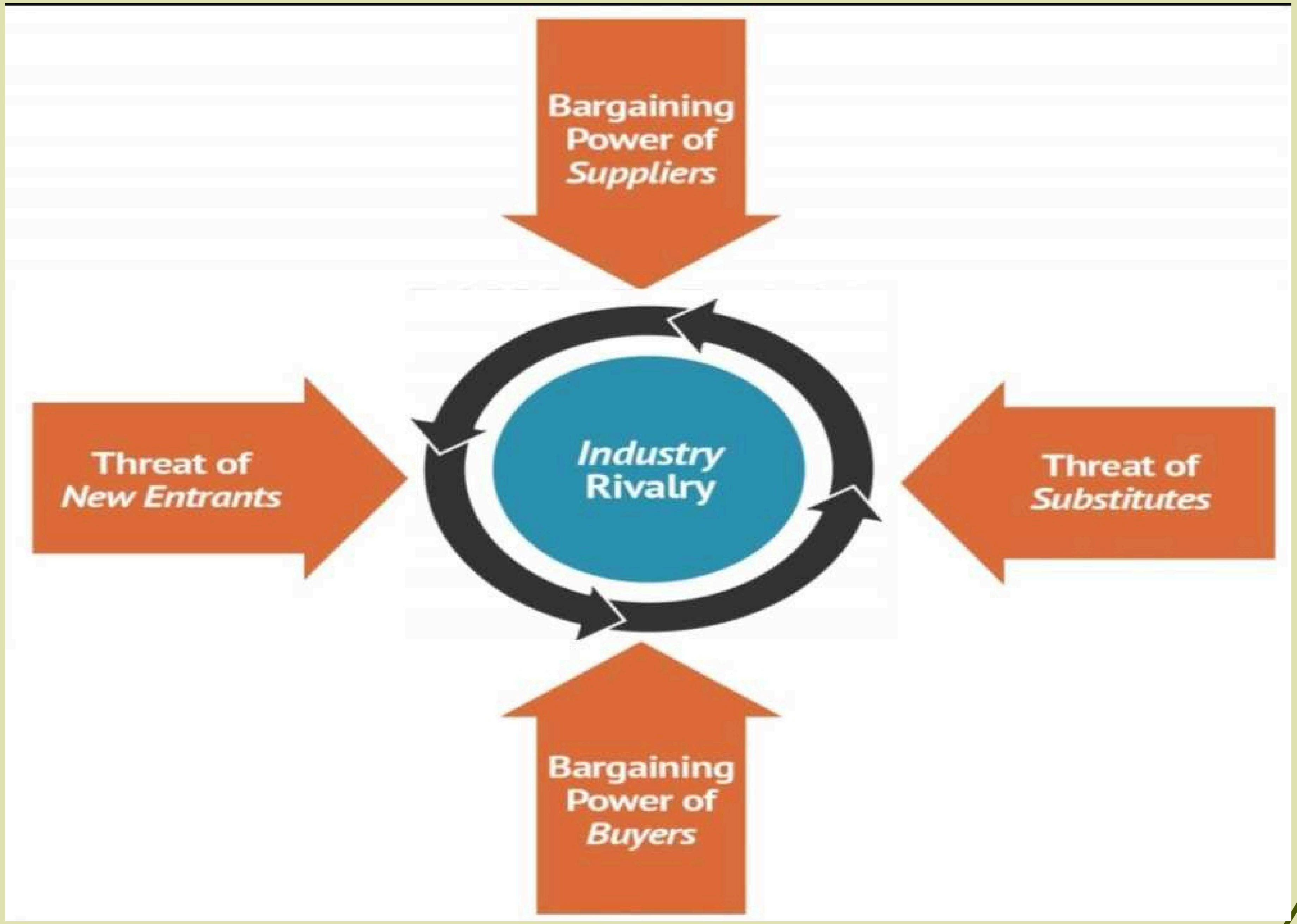
Porter's Five Force

4. Posibility of Substitution. When it is easy to substitute products in a market, it is expected that buyers will switch to alternatives in case of price increase. The suppliers will enjoy less power to drive prices up and the market will be less attractive.

Porter's Five Force

5. Posibility of New entrants. When investors see that a market is profitable, they will desire to join the bandwagon and get a share of the profits. But when new investors enter a market, the share of the participants in the market will be divided.

Structure of Porter's Five Force



Classification of Business

MICRO BUSINESS. Total assets are worth below Php 1,500,001.

SMALL BUSINESS. Total assets are worth Php 1,500,001 to Php15,000,000

MEDIUM BUSINESS. Total assets are worth Php 15,000,001 to Php 60,000,000

LARGE BUSINESS. Total assets are worth above Php 60,000,000.

Business Organization

1. SOLE PROPRIETORSHIP
Simplest way to set up a business.

Owned by a single individual.

Enjoys exclusive control and decision making.

Gets all the profit but also shoulders all losses and has unlimited liability

Business Organization

2. PARTNERSHIP An agreement in which two or more persons combine their resources. Agreement is drawn up and profits are divided among the partners. Two types of partnerships:

General Partnership. All owners share the management of the business and each is responsible for and must assume the consequences of the actions of the other partners.

Limited Partnership. Some members are general partners who control and manage the business and may be entitled to a greater share of the profit while other partners are limited .

Business Organization

3. CORPORATION

Is a legal entity that is separate from its owners, the shareholders.

No shareholder is personally liable for the debts, obligations, or acts of the corporation.

Directors and Officers can bear liability for their involvement with the corporation.

The legal entity of the corporation gives it an individual identity of its own

Business Organization

4. COOPERATIVE

An entity organized by people with similar needs to provide themselves with goods or services or to jointly use available resources to improve their income

Thank You

Quiz Time!