

Economics notes (Entrepreneur)

A Business Opportunity is a consumer need or want that can be potentially met by a new business. While every idea that you come up with might be interesting, not every business idea turns out to be a good business opportunity.

Internal Entrepreneurs are entrepreneurs who apply their hobbies, skills, and interests into a business opportunity. Somebody who loves working on cars may start their own auto-repair shop for people who can't do it themselves, while somebody who enjoys fashion might start their own personal shopping business to help people who are less knowledgeable about putting together a personal wardrobe.

External Entrepreneurs create business ideas by identifying sources of opportunity. There are five external sources of business opportunities:

- **Problems:** A problem that needs to be solved by a service or product
- **Changes:** A change in trends, laws, or customs that produces new needs or wants
- **New Discoveries:** Creation of a totally new product or service
- **Existing Products or Services:** Means that improve existing products or services
- **Unique Knowledge:** One-of-a-kind experiences or uncommon knowledge

A market is a potential group of customers – people or businesses – who are able and willing to purchase a particular product or service

Secondary Data is existing information that was previously gathered for a purpose other than the study at hand. Secondary data may be relatively cheap and easy to obtain through sources such as Government Websites, Trade Groups and Journals, Business Magazines and Reports, or Local Community Resources.

Examples of secondary data are economic forecasts issued by financial organizations and demographic data collected by the U.S. government.

Primary Data is new information gathered during the Market Research phase that comes directly from potential groups of customers or competitors in the market. We call this primary data because it is data that entrepreneurs collect for the first time, directly from the source, such as through Interviews, Surveys, Focus Groups, or Observations.

Entrepreneurs should return to their list of questions, eliminate those that were answered by secondary research, and determine which ones require primary research.

A Target Market Segment is a specific group of customers in the broader target market who are most likely to buy a product or service. To be successful, businesses need to know who their potential customers are and how to provide what they need or want.

A Consumer Profile is an overview analysis of a group of potential customers that businesses use to improve how they market their goods and services. A consumer profile can include the following information: Demographics, Geographic's, Psychographics, and Buying Patterns

A Consumer Profile can include the following information:

- **Demographics:** objective social and economic facts about people such as age, gender, and family size
- **Geographic's:** where customers live and where businesses are located, including region, city, and neighborhood
- **Psychographics:** psychological characteristics of consumers such as attitudes, beliefs, and personalities
- **Buying Patterns:** what customers are willing to spend money on, and how much they are willing to spend

Competition: rival businesses competing for the dollars your target market spends.

Competition can be categorized into direct competitors and indirect competitors.

A Direct Competitor is a business in the market that sells a product or service similar to yours. For example, three different family pizza restaurants all sell pizza to customers.

An Indirect Competitor is a business that sells a different product or service from yours, but fills the same customer need or want. For example, a taco truck, a burger shack, and a burrito stand are all places that customers can eat.

Competitive Advantage is a feature or benefit of your product that differentiates your business from the competition. Understanding your competitive advantage helps further solidify your business opportunity

Organizational Structures are systems for dividing work, authority and responsibility.

There are different approaches to structures based on what is best for the business.

Line Organization is the simplest organizational structure, which contains a direct chain of command through levels of personnel.

Project Organization puts employees in more than one department together to work towards a specific goal. It can be temporary and end after the project is complete.

Organizational Structures can change over the course of a business. For example, a recently founded small business may have a straightforward line organization structure with loosely defined roles. As more employees are added to the business, the organizational structure and staff roles may become more defined.

A business owner must determine their **Unit of Sale**, which is different for every business, and defines what the customer is likely going to be buying. For example, a pizza business might define its unit of sale as a slice of pizza and a drink, or a whole pizza pie, or a pizza party for 10 people. It all depends on the vision of the business owner.

in order to be profitable, businesses need to calculate every single cost that goes into making a unit. This is known as the **Cost of Goods Sold (COGS)**. To calculate COGS, you must go through the step-by-step process of making a unit to determine how much your business spends on the following areas each time a unit is made and sold:

- **Materials** - the cost of the ingredients and/or parts that go into one unit
- **Labor** - the money you pay employees for their time making the unit
- **Packaging** - the cost to pack the unit and get it to the customer
- **The manufacturer** creates a product. Example: A factory that creates shoes.
- **The wholesaler** sells products in large volumes to the retailer. Example: A global shoe company that has its shoes made by a manufacturer and then sells them to local stores.
- **The retailer** sells directly to the customer. Example: A local shoe store that gets its shoes from the different shoe wholesalers to sell to customers that come into the store.
- **The service provider** offers services to customers. Example: A shoe repair shop.

Entrepreneurs use **Financial Ratios** as relationships between important financial data expressed as fractions or percentages. Financial ratios are important to determine the