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**Chalimbana University**

**Integrity. Service. Excellence**

**DIRECTORATE OF DISTANCE EDUCATION**

***BME 3101: INTEGRATED MARKETING IN ENTREPRENUERSHIP***

**First Edition 2019**

Chalimbana University

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**ACKNOWLEDGEMENTS**

The Directorate of Distance Education wishes to thank Mrs Euphrasia Ng’andwe for writing the Integrated Marketing in Entrepreneurship Module.

**MODULE OVERVIEW**

**Pre-requisite: None**

**Introduction**

Welcome to the course ‘Integrated Marketing in Entrepreneurship. This course intends to equip you with knowledge in marketing and entrepreneurship which is core to the success of any business enterprise. Hope you will enjoy the course and contribute positively to national development.

**Rationale**

Entrepreneurs are responsible for employment creation and contribute positively towards the overall national development through creation of viable enterprises. However, in many instances they seldom market their products and services to their potential customers. For this reason, this course has been designed to provide relevant knowledge in marketing for entrepreneurs in order to help the them to create awareness about their products and services thereby increase market share and profit margins.

**Aim**

The aim of this course is to equip learners with the necessary knowledge, attitude and skills in marketing and entrepreneurship.

**Outcomes**

At the end of this course, students should be able to:

* analyse concepts of marketing and entrepreneurship
* Explain the importance of marketing in entrepreneurship
* Describe marketing strategies for entrepreneurs
* Identify the different competitive environments in which businesses operate
* Provide competitive perspectives for entrepreneurs in the 21st Century
* Develop the ability to transform the organisation into a market focused business/ entity
* Increase in the understanding of strategic marketing tools relevant to decision making.
* To increase an awareness of the wider system of which marketing is a subsystem
* To increase the understanding of techniques that result in effective communication with the market place and the organisation key stake holders.

**Summary**

The module looks at marketing in entrepreneurship the importance of marketing for small business owners. Further, the module also proposes some of the marketing strategies which can be employed by entrepreneurs for business success.

**Prescribed Readings**

Wilson N. & Stokes D. (2017) Small Business Management and Entrepreneurship 7th . Canada: CENCAGE Learning

Hooley G, Piercy, F. N. &Bridgette Nicouland. (2008) Marketing Strategy and Competitive Positioning 4th Edition. Prentice Hall: Harlow, England

**Recommended Rreadings**

**STUDY SKILLS**

As an adult learner, your approach to learning will be different to that of your school days: you will choose when you want to study, you will have professional and/or personal motivation for doing so and you will most likely be fitting your study activities around other professional or domestic responsibilities.

Essentially you will be taking control of your learning environment. As a consequence, you will need to consider performance issues related to time management, goal setting, stress management, etc. Perhaps you will also need to acquaint yourself with areas such as essay planning, searching for information, writing, coping with examinations and using the internet as a learning resource.

Your most significant considerations will be *time* and *space* i.e. the time you dedicate to your learning and the environment in which you engage in that learning.

It is recommended that you take time now —before starting your self-study— to familiarise yourself with these issues. There are a number of excellent resources on the web. A few suggested links are:

<http://www.how-to-study.com/>

The “How to study” website is dedicated to study skills resources. You will find links to study preparation (a list of nine essentials for a good study place), taking notes, strategies for reading text books, using reference sources, test anxiety.

<http://www.ucc.vt.edu/stdysk/stdyhlp.html>

This is the website of the Virginia Tech, Division of Student Affairs. You will find links to time scheduling (including a “where does time go?” link), a study skill checklist, basic concentration techniques, control of the study environment, note taking, how to read essays for analysis, memory skills (“remembering”).

**TIMEFRAME**

You are expected to spend at least 26 hours of study time on this module. In addition, there shall be arranged contact sessions with lecturers from the University during residential possibly in April, August and December. You are requested to spend your time judiciously so that you reap maximum benefit from the course.

**NEED HELP?**

In case you have difficulties during the duration of the course, please get in touch with your lecturer for routine enquiries during working days **(Monday-Friday)** from 08:00 to 17:00 hours on Cell: +260963804004**; E-mail:** [**adsikalumbi@gmail.com**](mailto:adsikalumbi@gmail.com)**; website:** [**www.chau.ac.zm**](http://www.chau.ac.zm)**.**You can also see your lecturer at the office during working hours as stated above.

You are free to utilise the services of the University Library which opens from 08:30 hours to 20:00 hours every working day.

It will be important for you to carry your student identity card for you to access the library and let alone borrow books.

**ASSESSMENT**

In this course you will be assessed on the basis of your performance as follows:

**Continuous Assessment 50%**

Assignment 10%

Project 15%

2 Tests of equal weight 25%

**Final Examination 50%**

**Total 100%**

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# UNIT 1: THE IMPORTANCE OF MARKETING

### 1.1 INTRODUCTION

Welcome to the first unit in this exciting module. Good marketing is no accident, but a result of careful planning and execution using state-of-the-art tools and techniques. It becomes both an art and a science as entrepreneurs strive to find creative new solutions to often-complex challenges amid profound changes in the 21st century marketing environment. In this module, we describe how top marketers balance discipline and imagination to address these new marketing realities. In the first unit, we shall begin by laying the foundation by reviewing important marketing concepts, tools, frameworks, and issues.

**Learning Objectives**

By the end of this unit, students are expected to;

|  |
| --- |
| Outcomes   * Explain various concepts in marketing * Define and give the meaning of marketing * Increase the understanding of the tools necessary for the creation of marketing oriented business culture |

Time**Time Frame**

You will be required to spend approximately one hour of study in this Unit

### 1.2 EVOLVING MARKETING DEFINITIONS

Kotler et al. (1996) suggested that according to the marketing concept, organisational goals depend on developing the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

At its simplest, it is generally understood that the marketing concept holds that, in increasingly dynamic and competitive markets, the companies or organisations which are most likely to succeed are those that take notice of customer expectations, wants and needs and gear themselves to satisfying them better than their competitors

It is recognised that there is no reason why customers should buy one organisation offerings unless they’re in some way better than those offered by competing organisations.

Marketing therefore is defined as the process of planning and executing the conception, pricing, planning and distribution of ideas, goals and services to create exchange that satisfy individual and organisational objectives, (Hooley, Piercy and Nicoulaud, 2008)

### 1.3 UNDERSTANDING MARKETING

1. Marketing’s broader importance extends to society as a whole. Marketing has helped introduce and gain acceptance of new products that have eased or enriched people’s lives. It can inspire enhancements in existing products as entrepreneurs innovate to improve their position in the marketplace.
2. Successful marketing builds demand for products and services, which, in turn, creates jobs. By contributing to the bottom line, successful marketing also allows firms to more fully engage in socially responsible activities.
3. CEOs recognize the role of marketing in building strong brands and a loyal customer base, intangible assets that contribute heavily to the value of a firm. Consumer goods makers, health care insurers, non-profit organizations, and industrial product manufacturers all trumpet their latest marketing achievements. Many now have a chief marketing officer (CMO) to put marketing on a more equal footing with other C-level executives such as the chief financial officer (CFO) or chief information officer (CIO).
4. Making the right marketing decisions isn’t always easy. One survey of more than a thousand senior marketing and sales executives revealed that although 83 percent felt that marketing and sales capabilities were a top priority for their organization’s success, in rating their actual marketing effectiveness, only 6 percent felt that they were doing an “extremely good” job.
5. Marketers must decide what features to design into a new product or service, what prices to set, where to sell products or offer services, and how much to spend on advertising, sales, the Internet, or mobile marketing. They must make those decisions in an Internet-fuelled environment where consumers, competition, technology, and economic forces change rapidly, and the consequences of the marketer’s words and actions can quickly multiply.

## 1.4 THE SCOPE OF MARKETING

As an entrepreneur you need to understand what marketing is, how it works, who does it, and what is marketed.

1. What Is Marketing?

Marketing is about identifying and meeting human and social needs. One of the shortest good definitions of marketing is “meeting needs profitably.”

The American Marketing Association offers the following formal definition:

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large”.

Coping with these exchange processes calls for a considerable amount of work and skill. Marketing management takes place when at least one party to a potential exchange thinks about the means of achieving desired responses from other parties. Thus we see marketing management as the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value. We can distinguish between a social and a managerial definition of marketing.

A social definition shows the role marketing plays in society; for example, one marketer has said that marketing’s role is to “deliver a higher standard of living.” Here is a social definition that serves our purpose:

“Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others”.

Managers sometimes think of marketing as “the art of selling products,” but many people are surprised when they hear that selling is not the most important part of marketing! Selling is only the tip of the marketing iceberg. Peter Drucker, a leading management theorist, puts it this way: There will always, one can assume, be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available.

1. What Is Marketed?

Marketers market 10 main types of entities: goods, services, events, experiences, persons, places, properties, organizations, information, and ideas. Let’s take a quick look at these categories.

GOODS

Physical goods constitute the bulk of most countries’ production and marketing efforts. Each year, U.S. companies market billions of fresh, canned, bagged, and frozen food products and millions of cars, refrigerators, televisions, machines, and other mainstays of a modern economy.

SERVICES

As economies advance, a growing proportion of their activities focus on the production of services. Services include the work of airlines, hotels, car rental firms, barbers and beauticians, maintenance and repair people, and accountants, bankers, lawyers, engineers, doctors, software programmers, and management consultants. Many market offerings mix goods and services, such as a fast-food meal.

EVENTS

Marketers promote time-based events, such as major trade shows, artistic performances, and company anniversaries. Global sporting events such as the Olympics and the World Cup are promoted aggressively to both companies and fans.

EXPERIENCES

By orchestrating several services and goods, a firm can create, stage, and market experiences. Walt Disney World’s Magic Kingdom allows customers to visit a fairy kingdom, a pirate ship, or a haunted house. There is also a market for customized experiences, such as a week at a baseball camp with retired baseball greats, a four-day rock and roll fantasy camp, or a climb up Mount Everest.

PERSONS

Artists, musicians, CEOs, physicians, high-profile lawyers and financiers, and other professionals all get help from celebrity marketers.

Some people have done a masterful job of marketing themselves—David Beckham, Oprah Winfrey, and the Rolling Stones. Management consultant Tom Peters, a master at self-branding, has advised each person to become a “brand.”

PLACES

Cities, states, regions, and whole nations compete to attract tourists, residents, factories, and company headquarters.

Place marketers include economic development specialists, real estate agents, commercial banks, local business associations, and advertising and public relations agencies.

PROPERTIES

Properties are intangible rights of ownership to either real property (real estate) or financial property (stocks and bonds). They are bought and sold, and these exchanges require marketing. Real estate agents work for property owners or sellers, or they buy and sell residential or commercial real estate. Investment companies and banks market securities to both institutional and individual investors.

ORGANIZATIONS

Organizations work to build a strong, favourable, and unique image in the minds of their target publics. Universities, museums, performing arts organizations, corporations, and non-profits all use marketing to boost their public images and compete for audiences and funds. For example, Chalimbana University in the recent past has embarked on several marketing activities to attract more people whole are willing to take up its new programmes.

INFORMATION

The production, packaging, and distribution of information are major industries.

Information is essentially what books, schools, and universities produce, market, and distribute at a price to parents, students, and communities.

IDEAS

Every market offering includes a basic idea. Charles Revson of Revlon once observed: “In the factory we make cosmetics; in the drugstore we sell hope.” Products and services are platforms for delivering some idea or benefit. Social marketers are busy promoting such ideas as “Friends Don’t Let Friends Drive Drunk” and “A Mind Is a Terrible Thing to Waste.”

1. Who Markets?

### 1.5 MARKETERS AND PROSPECTS

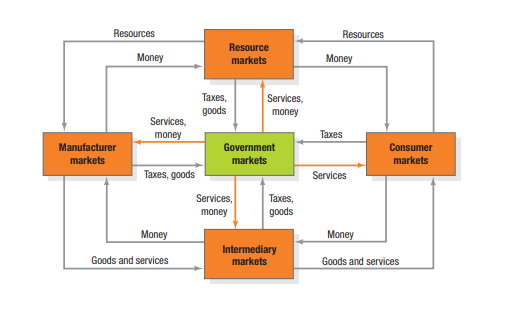
A marketer is someone who seeks a response—attention, a purchase, a vote, a donation—from another party, called the prospect. If two parties are seeking to sell something to each other, we call them both marketers.

MARKETS

Traditionally, a “market” was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class (such as the housing market or the grain market).

Five basic markets and their connecting flows are shown in

Figure 1.1. Structure of Flows in a Modern Exchange Economy



Source: Kotler and Keller (2012) Marketing Management 12th Edition.

Manufacturers go to resource markets (raw material markets, labour markets, money markets), buy resources and turn them into goods and services, and sell finished products to intermediaries, who sell them to consumers.

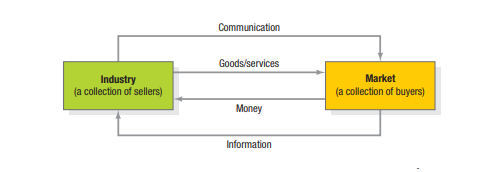
Consumers sell their labour and receive money with which they pay for goods and services.

The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets and uses these goods and services to provide public services. Each nation’s economy, and the global economy, consists of interacting sets of markets linked through exchange processes.

Marketers use the term market to cover various groupings of customers. They view sellers as constituting the industry and buyers as constituting the market. They talk about need markets (the diet-seeking market), product markets (the shoe market), demographic markets (the youth market), and geographic markets (the Chinese market); or they extend the concept to cover voter markets, labour markets, and donor markets, for instance.

Figure 1.2 shows the relationship between the industry and the market. Sellers and buyers are connected by four flows. Sellers send goods and services and communications such as ads and direct mail to the market; in return they receive money and information such as customer attitudes and sales data. The inner loop shows an exchange of money for goods and services; the outer loop shows an exchange of information

Figure 1.2 a simple Marketing System



Source: Kotler and Keller (2012) Marketing Management 12th Edition

## 1.6 KEY CUSTOMER MARKETS

Let us consider the following key customer markets: consumer, business, global, and non-profit.

**Consumer Markets**

Companies selling mass consumer goods and services such as juices, cosmetics, athletic shoes, and air travel spend a great deal of time establishing a strong brand image by developing a superior product and packaging, ensuring its availability, and backing it with engaging communications and reliable service.

**Business Markets**

Companies selling business goods and services often face well-informed professional buyers skilled at evaluating competitive offerings. Business buyers buy goods to make or resell a product to others at a profit. Business marketers must demonstrate how their products will help achieve higher revenue or lower costs. Advertising can play a role, but the sales force, the price, and the company’s reputation may play a greater one.

**Global Markets**

Companies in the global marketplace must decide which countries to enter; how to enter each (as an exporter, licenser, joint venture partner, contract manufacturer, or solo manufacturer); how to adapt product and service features to each country; how to price products in different countries; and how to design communications for different cultures. They face different requirements for buying and disposing of property; cultural, language, legal and political differences; and currency fluctuations. Yet, the payoff can be huge.

**Non-profit and Governmental Markets**

Companies selling to non-profit organizations with limited purchasing power such as churches, universities, charitable organizations, and government agencies need to price carefully. Lower selling prices affect the features and quality the seller can build into the offering. Much government purchasing calls for bids, and buyers often focus on practical solutions and favour the lowest bid in the absence of extenuating factors.

Activity

|  |
| --- |
| 1. Explain marketing in your own understanding 2. As an entrepreneur, why is marketing your products and services important? 3. Discuss challenges faced by entrepreneurs in marketing their products and services |

### 1.7 CORE MARKETING CONCEPTS

To understand the marketing function, we need to understand the following core set of concepts.

Needs, Wants, and Demands

Needs are the basic human requirements such as for air, food, water, clothing, and shelter. Humans also have strong needs for recreation, education, and entertainment. These needs become wants when they are directed to specific objects that might satisfy the need. A Zambian consumer needs food but may want nshima and some tea with bread. While a person in Afghanistan needs food but may want rice, lamb, and carrots. Wants are shaped by our society. Demands are wants for specific products backed by an ability to pay. Many people want a Mercedes; only a few are able to buy one. Companies must measure not only how many people want their product, but also how many are willing and able to buy it. These distinctions shed light on the frequent criticism that “marketers create needs” or “marketers get people to buy things they don’t want.” Marketers do not create needs:

Needs pre-exist marketers. Marketers, along with other societal factors, influence wants. They might promote the idea that a Mercedes would satisfy a person’s need for social status. They do not, however, create the need for social status. Some customers have needs of which they are not fully conscious or that they cannot articulate. What does it mean when the customer asks for a “powerful” lawn mower or a “peaceful” hotel? The marketer must probe further.

### 1.8 TYPES OF CUSTOMER NEEDS

We can distinguish five types of needs:

1. Stated needs (The customer wants an inexpensive car.)

2. Real needs (The customer wants a car whose operating cost, not initial price is low.)

3. Unstated needs (The customer expects good service from the dealer.)

4. Delight needs (The customer would like the dealer to include an on board GPS navigation system.)

5. Secret needs (The customer wants friends to see him or her as a savvy consumer.) Responding only to the stated need may short-change the customer.

Consumers did not know much about cellular phones when they were first introduced, and Nokia and Ericsson fought to shape consumer perceptions of them. To gain an edge, companies must help customers learn what they want.

summarySummary

This unit has looked at the importance of marketing and has tried to bring out a basis for understanding marking management concepts. The next unit now focuses on market orientations

# UNIT 2: THE MARKETING FUNCTION OF A BUSINESS

# 

### 2.1 INTRODUCTION

In this unit, our focus will be on the relationship between marketing and small business. To begin with, we must understand the marketing function of a business which I will explain in detail.

**Learning Outcomes**

By the end of this unit, students should be able to;

|  |
| --- |
| Outcomes   * Explain the marketing function of a business * Discuss significant role of marketing to a business * Prescribe simple cost efficient marketing strategies for small business |

TimeTime Frame; you are expected to spend

One-hour study time

Marketing has taken centre stage in the realisation of revenue and profits for business and organisations. As companies are increasingly becoming more customers centric, the customer is now dictating the success of companies in their businesses. There is need for SMEs to appraise themselves of what the customer needs, and whether the needs are adequately met through the company’s products because the customers’ needs are shaping the product offering of a company, (Murombedzi, Mungwangwa & Chivandikwa, 2015).

Kotler, (1994) agrees with this viewand points out that emphasis of marketing is on the customers’ needs and how to ensure that these needs are satisfied.

Marketing is the distinguishing and unique function of the business. A business is set apart from all other human organisations, by the fact that it markets a product or a service. Ducker argues that “any organisation in which marketing is either absent or incidental is not a business and should not be run as if it were one.”

Marketing encompasses the entire business. It is the whole business seen from the point of view of its final results, that is, from the customer’s point of view. The concern and focus of marketing as such, should permeate all areas of the enterprise. Marketing encompasses so many things from the design and delivery of products, how they are priced, packaged and promoted, to the business side of segmentation and targeting customers and then positioning the product using the strategic tools available.

Thus Marketing, through its studies and research, will establish what a customer wants in given product, what price he is willing to pay and where and when it will be wanted. Marketing would have authority in product planning, product scheduling, and inventory control as in the sales distribution and the servicing of the product.

## THE ROLE OF MARKETING IN BUSINESS

* Successful firms are the ones that are able to adapt themselves to take advantage of opportunities and avoid threats presented by the dynamic environment. They have to find the fit between the firm’s goals and capabilities and the changing marketing environment Marketing plays a major role in ensuring that this is achieved through developing offers that customers find irresistible, coupled with the strong use of promotional techniques.
* Good marketers understand their customers well and base all activities on what can be acceptable to them. They work in their organisation to ensure that the best possible overall offering is developed and that it is supported by all employees of the organisation. But more importantly, today, marketers regard customers as partners in the exchange process. Customers are crucial to an organisations successes and this involves interacting with those customers and developing profitable exchanges with them over time.
* Customers are not just there to be sold to, but are to be encouraged and developed so that very satisfied customer is an advocate for the supplier, prepared to recommend a favoured company to friends and acquaintances, and willing to purchase again from the organisation, (Adcock. Halborg, and Ross (2001).
* However, it appears that the interests of the various groups, more often than not conflict. Consumers normally want quality products at reasonable prices. On the other hand, producers want to maximise return on investment. As such SMEs are challenged to design a marketing mix that both attracts and satisfies consumers’ needs and gives greatest value to the firm.

### 2.3 MARKETING STRATEGIES FOR SMES.

Basically strategies are simple consistent and long term objectives for organisations. In simple terms, objectives explain where the organisation wants to get to and strategy addresses how the organisation will get there in a challenging business environment. These plans should be guided by the organisation’s mission statements. which though broad outlines what the organisations is set out to achieve.

Marketing as an organisation function requires that its activities are guided by the strategic long term as well as short term direction of the organisation. It is marketing that originates the market opportunities through research and market intelligence, and from there the strategic planning analysis will then take over setting the long term goals, vision and resource allocation of the organisation.

A versatile and effective marking campaign does not require an entrepreneur to spend large amounts of money, but it does demand creativity, ingenuity, and an understanding of customers’ buying habits. Building a successful versatile marketing plan does not have to be complex, Guerrilla marketing expert J. Conrad Levison says that entrepreneurs can create a marketing plan with just seven sentences:

1. What is the purpose of your marketing plan? In other words, what action do you want customers or prospective customers to take as a result of your marketing efforts?
2. What primary benefit can you offer customer? Or what is your competitive advantage as a solution to your customers?
3. Who is your target market? Whom are you aiming your marketing efforts?
4. Which marketing tools will you use to reach your target audience? Focus should be on using cost effective tools to market the business.
5. What is your company’s niche in the marketplace? In other words, how do you intend to position your company against your competition?
6. What is your company’s identity in the market place? Customers enjoy doing business with small companies that have a clear, meaningful and compelling identity in the market place.
7. How much money will you spend on your marketing? In other words, what is your marketing budget?

Answers to these questions will help an entrepreneur to outline an effective marketing plan. However, there are two essential elements that small business owners should consider in trying to achieve this:

* The need to understand their target market, including what customers want and expect from the business products and services.
* Identifying the obstacles that stand in the way of satisfying customers (competitors, barriers to entry, processes, outside influences, budgets, knowledge and others) and eliminating them.

The following simple strategies and effective strategies that entrepreneurs can implement for business success.

1. Help organise and sponsor a service- or community oriented project.
2. Offer to speak about your business, industry, product, or service to local organisations.
3. Launch a loyalty program that gives customers a reason to return. Be sure to provide loyalty program members with benefits, such as special offers, discounts, shopping previews, and others.
4. Develop a sale ‘script’ that ask customers a series of questions to hone in on what they are looking for and what will lead them to the conclusion that your product or service is it.
5. Offer 100 percent, money- back with a punch-card, no-hassles guarantee. By removing the customer’s risk of buying, you increase your products attractiveness.
6. Create a big event of your own: for example, you can pick December as Customer Appreciation Month. Buy one product and get the other one free.
7. Get a former journalist to write a story ‘pitch,’ for local media.
8. Show an interest in your customer’s needs. If you spot a seminar that would be of interest to them, tell them! Become a valuable resource to them
9. Corporate with other businesses selling complementary products and services in marketing efforts and campaigns, a process called fusion marketing. Share mailing lists and advertising time or space or work together on a special occasion.
10. Create a brochure. Brochures can be great tools that give pertinent information to customers who want to think over a company’s products and services.
11. Email marketing is perfect for small businesses as it provides an opportunity to develop customer loyalty. A lot of companies are using this strategy by sending weekly newsletters and catalogues of what is new in store.
12. Offer high levels of customer involvement and interaction which will increase the probability that they spend a long time in your shop and may end up buying a product.
13. Send out promotions with your invoices. This is an easy way that small businesses can use to send out information on what promotions they are running using their invoices.
14. Create a friendly store environment that is welcoming, friendly and gives customers a reason to return.
15. Embrace social marketing, Businesses recognise that many of their current and potential customers use social networking sites and are reaching out to them with social marketing efforts. Social media marketing is cost effective and entrepreneurs spend very little or nothing at all to advertise on such platforms.

### UNIT ACTIVITY

|  |
| --- |
| 1. Critically discuss with the use of practical examples the role of marketing to a small business 2. Outline and explain 3 practical strategies which small business can implement that are cost effective |

summaryUNIT SUMMARY

The role that SMEs play in economic development is critical. However, despite the many challenges small businesses face, they too can rise and grow their business through various techniques that include a deliberate versatile cost effective marketing plan. Through this they can attract a pool of right customers to their businesses and in turn be able to make profits. Strategic market planning therefore becomes cardinal in ensuring that these efforts are achieved.

# UNIT 3: NEW COMPANY CAPABILITIES

### 3.1 INTRODUTION

Welcome to unit three! I shall take you through this unit and our focus will be on discussing company capabilities for marketers that help companies to create and market their products to their target markets effectively. Let us begin by reviewing the unit objects;

**Learning outcomes;**

By the end of this unit, students are expected to;

|  |
| --- |
| Outcomes   * Explain what is meant by company capabilities * Discuss how new company capabilities help to enhance business performance. |

Time**Time Frame**

In this unit your are required to spend approximately 2 hours study;

Major societal forces create complex challenges for marketers, but they have also generated a new set of capabilities to help companies cope and respond.

* Marketers can use the Internet as a powerful information and sales channel. The Internet augments marketers’ geographical reach to inform customers and promote products worldwide. A Web site can list products and services, history, business philosophy, job opportunities, and other information of interest.
* Marketers can collect fuller and richer information about markets, customers, prospects, and competitors. Marketers can conduct fresh marketing research by using the Internet to arrange focus groups, send out questionnaires, and gather primary data in several other ways. They can assemble information about individual customers’ purchases, preferences, demographics, and profitability.
* Marketers can tap into social media to amplify their brand message. Marketers can feed information and updates to consumers via blogs and other postings, support online communities, and create their own stops on the Internet superhighway.
* Marketers can facilitate and speed external communication among customers. Marketers can also create or benefit from online and offline “buzz” through brand advocates and user communities.
* Marketers can send ads, coupons, samples, and information to customers who have requested them or given the company permission to send them. Micro-target marketing and two-way communication are easier thanks to the proliferation of special-interest magazines, TV channels, and Internet newsgroups. Extranets linking suppliers and distributors let firms send and receive information, place orders, and make payments more efficiently. The company can also interact with each customer individually to personalize messages, services, and the relationship.
* Marketers can reach consumers on the move with mobile marketing. Using GPS technology, marketers can pinpoint consumers’ exact location and send them messages at the mall with coupons good only that day, a reminder of an item on their wish list, and a relevant perk (buy this book today and get a free coffee at the bookstore’s coffee shop). Location based advertising is attractive because it reaches consumers closer to the point of sale. Firms can also advertise on video iPods and reach consumers on their cell phones through mobile marketing.
* Companies can make and sell individually differentiated goods.
* Companies can improve purchasing, recruiting, training, and internal and external communications. Firms can recruit new employees online, and many have Internet training products for their employees, dealers, and agents.
* Companies can facilitate and speed up internal communication among their employees by using the Internet as a private intranet. Employees can query one another, seek advice, and download or upload needed information from and to the company’s main computer. Seeking a single online employee portal that transcended business units.
* Companies can improve their cost efficiency by skilful use of the Internet. Corporate buyers can achieve substantial savings by using the Internet to compare sellers’ prices and purchase materials at auction, or by posting their own terms in reverse auctions. Companies can improve logistics and operations to reap substantial cost savings while improving accuracy and service quality.

## MARKETING IN PRACTICE

Not surprisingly, these new marketing forces and capabilities have profoundly changed marketing management. In theory, the marketing planning process consists of analysing marketing opportunities, selecting target markets, designing marketing strategies, developing marketing programs, and managing the marketing effort.

In practice, however, in the highly competitive marketplaces that are more often the norm, marketing planning is more fluid and is continually refreshed. Companies must always be moving forward with marketing programs, innovating products and services, staying in touch with customer needs, and seeking new advantages rather than relying on past strengths. This is especially true of incorporating the Internet into marketing plans.

Marketers must try to balance increased spending on search advertising, social media, direct e-mail, and text/SMS marketing efforts with appropriate spending on traditional marketing communications. But they must do so in tough economic times, when accountability has become a top priority and returns on investment are expected from every marketing activity. “Marketing Insight: Marketing in an Age of Turbulence” offers some recommendations for adjusting to new marketing realities

### UNIT ACTIVITY

|  |
| --- |
| 1. Discuss societal forces that create challenges for marketers 2. Explain how the new marketing forces and capabilities have profoundly changed marketing. |

summarySummary

In this unit we have looked at some of the marketing challenges experienced by entrepreneurs. We also looked at some new marketing capabilities in the process of business development. In the next unit, we shall look at the evolution of the marketing concept and its effect on small businesses.

# UNIT 4: EVOLUTION OF MARKETING AND ITS EFFECT ON ENTREPRENEURS

### 4.1 INTRODUCTION

Welcome to unit four! In the previous unit, we looked at new company capabilities. This unit will focus on the role of marketing strategy development and lays the groundwork for analysing the two critical issues of competitive positioning and market choices. To establish this we shall also look at how marketing has evolved and how the trends affect the performance of small business.

**Learning Outcomes**

By the end of this unit, students should be able to

|  |
| --- |
| Outcomes   * Discuss market orientation’s * Explain the evolution of the marketing concept |

Time**Time Frame**

In this unit you are required to spend a minimum;

2 hours study time.

## 4.2 MARKET ORIENTATION

Marketing Science Institute studies during the 1990’s attempted to identify the specific activities that translate the philosophy of marketing into reality, i.e. to achieve market orientation. Marketing orientation according to Kohli and Jaworski (1990) is defined as;

1. One or more departments engaging in activities geared toward developing an understanding of customers current and future needs and the factors affecting them
2. Sharing of this understanding across departments and,
3. The various departments engaging in activities designed to meet select customer needs, in other words, refers to the organisation-wide generation, dissemination, and responsiveness to the market intelligence.

Figure 2.1 Components and Context of Market Orientation

Source: Hooley, Piercy and Nicoulaud, 2008: 9

From the above illustration, a number of components and context of marketing are proposed:

* **Customer orientation**: understanding customers well enough continuously to create superior value
* **Competitor orientation**: awareness of the short- and long term capabilities of competitors
* **Inter-functional coordination**: using all company resources to create value for target customers
* **Long term profit focus**: as the overriding business objective

## 4.3 ORGANISATIONAL STAKEHOLDERS

Why do organisations exist?

The simple answer to this question for a commercial would be to earn returns on their investments. I.e. make a profit. However, for other faith based, faith based organisations; the answer may lie in the desire to serve specific communities

According to peter Drucker, organisations exist to create a customer.

However, in the context of commercial organisations a number of primary stakeholders and be identified, they are explained below;

Source; Hooley, Piercy and Nicoulaud, 2008

1. 4. Employees priorities are generally some combination of combination of compensation (through wages and salaries), job satisfaction and security (of employment).
2. Managers: are concerned with personal rewards in the form of salaries and prestige. Managerial success is often measured by short term gains (in sales, for example, or efficiency).
3. Customers are the ultimate source of shareholder value. The source of a company’s long term cash flow is its satisfied customers’.
4. Suppliers and distributors are concerned with provision of raw materials for the production of goods and services and reaching the target customers.

## 4.4 THE COMPANY ORIENTATIONS TOWARDS THE MARKET PLACE

Given these new marketing realities, what philosophy should guide a company’s marketing efforts? Increasingly, marketers operate consistent with the holistic marketing concept. Let’s first review the evolution of earlier marketing ideas.

**The Production Concept**

The production concept is one of the oldest concepts in business. It holds that consumers prefer products that are widely available and inexpensive. Managers of production-oriented businesses concentrate on achieving high production efficiency, low costs, and mass distribution. Marketers also use the production concept when they want to expand the market.

**The Product Concept**

The product concept proposes that consumers favour products offering the most quality, performance, or innovative features. However, managers are sometimes caught in a love affair with their products. They might commit the “better-mousetrap” fallacy, believing a better product will by itself lead people to beat a path to their door. A new or improved product will not necessarily be successful unless it’s priced, distributed, advertised, and sold properly.

**The Selling Concept**

The selling concept holds that consumers and businesses, if left alone, won’t buy enough of the organization’s products. It is practiced most aggressively with unsought goods, goods buyers don’t normally think of buying such as insurance and cemetery plots—and when firms with overcapacity aim to sell what they make, rather than make what the market wants. Marketing based on hard selling is risky. It assumes customers coaxed into buying a product not only won’t return or bad-mouth it or complain to consumer organizations but might even buy it again.

**The Marketing Concept**

The marketing concept emerged in the mid-1950s41 as a customer-centred, sense-and-respond philosophy. The job is to find not the right customers for your products, but the right products for your customers. Dell doesn’t prepare a perfect computer for its target market. Rather, it provides product platforms on which each person customizes the features he or she desires in the computer. The marketing concept holds that the key to achieving organizational goals is being more effective than competitors in creating, delivering, and communicating superior customer value to your target markets. Harvard’s Theodore Levitt drew a perceptive contrast between the selling and marketing concepts: Selling focuses on the needs of the seller; marketing on the needs of the buyer. Selling is preoccupied with the seller’s need to convert his product into cash; marketing with the idea of satisfying the needs of the customer by means of the product and the whole cluster of things associated with creating, delivering, and finally consuming it.

Several scholars found that companies embracing the marketing concept at that time achieved superior performance.

The Holistic Marketing Concept Without question, the trends and forces that have defined the first decade of the 21st century are leading business firms to a new set of beliefs and practices. “Marketing Memo: Marketing Right and Wrong” suggests where companies go wrong—and how they can get it right—in their marketing. The holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognize their breadth and interdependencies. Holistic marketing acknowledges that everything matters in marketing—and that a broad, integrated perspective is often necessary

## 4.5 MARKETING AND CUSTOMER VALUE

The task of any business is to deliver customer value at a profit. In a hypercompetitive economy with increasingly informed buyers faced with abundant choices, a company can win only by fine-tuning the value delivery process and choosing, providing, and communicating superior value.

**The Value Delivery Process**

The traditional view of marketing is that the firm makes something and then sells it, with marketing taking place in the selling process. Companies that subscribe to this view have the best chance of succeeding in economies marked by goods shortages where consumers are not fussy about quality, features, or style, for example, basic staple goods in developing markets. This traditional view will not work, however, in economies with many different types of people, each with individual wants, perceptions, preferences, and buying criteria. The smart competitor must design and deliver offerings for well-defined target markets. This realization inspired a new view of business processes that places marketing at the beginning of planning. Instead of emphasizing making and selling, companies now see them as part of a value delivery process. We can divide the value creation and delivery sequence into three phases.

First, choosing the value represents the “homework” marketing must do before any product exists. Marketers must segment the market, select the appropriate target, and develop the offering’s value positioning. The formula “segmentation, targeting, positioning (STP)” is the essence of strategic marketing. The second phase is providing the value. Marketing must determine specific product features, prices, and distribution. The task in the third phase is communicating the value by utilizing the sales force, Internet, advertising, and any other communication tools to announce and promote the product. The value delivery process begins before there is a product and continues through development and after launch. Each phase has cost implications.

The Value Chain Harvard’s Michael Porter has proposed the value chain as a tool for identifying ways to create more customer value.

According to this model, every firm is a synthesis of activities performed to design, produce, and market, deliver, and support its product. The value chain identifies nine strategically relevant activities—five primary and four support activities—that create value and cost in a specific business. The primary activities are

(1) In-bound logistics or bringing materials into the business;

(2) Operations, or converting materials into final products;

(3) Outbound logistics, or shipping out final products;

(4) Marketing, which includes sales; and

(5) Service. Specialized departments handle the support activities—

(1) Procurement,

(2) Technology development,

(3) Human resource management, and

(4) Firm infrastructure. (Infrastructure covers the costs of general management, planning, finance, accounting, legal, and government affairs.) The firm’s task is to examine its costs and performance in each value-creating activity and look for ways to improve it. Managers should estimate competitors’ costs and performances as benchmarks against which to compare their own. And they should go further and study the “best of class” practices of the world’s best companies. We can identify best-practice companies by consulting customers, suppliers, distributors, financial analysts, trade associations, and magazines to see whom they rate as doing the best job. Even the best companies can benchmark, against other industries if necessary, to improve their performance. The firm’s success depends not only on how well each department performs its work, but also on how well the company coordinates departmental activities to conduct core business processes.

These processes include:

* The market-sensing process. All the activities in gathering and acting upon information about the market
* The new-offering realization process. All the activities in researching, developing, and launching new high-quality offerings quickly and within budget
* The customer acquisition process. All the activities in defining target markets and prospecting for new customers.
* The customer relationship management process. All the activities in building deeper understanding, relationships, and offerings to individual customers
* The fulfilment management process. All the activities in receiving and approving orders, shipping the goods on time, and collecting payment Strong companies are reengineering their work flows and building cross-functional teams to be responsible for each process.

**Core Competencies**

Traditionally, companies owned and controlled most of the resources that entered their businesses; labour power, materials, machines, information, and energy but many today outsource less-critical resources if they can obtain better quality or lower cost. The key, then, is to own and nurture the resources and competencies that make up the essence of the business. Many textile, chemical, and computer/electronic product firms do not manufacture their own products because offshore manufacturers are more competent in this task. Instead, they focus on product design and development and marketing, their core competencies.

A core competency has three characteristics:

(1) It is a source of competitive advantage and makes a significant contribution to perceived customer benefits.

(2) It has applications in a wide variety of markets.

(3) It is difficult for competitors to imitate

Competitive advantage also accrues to companies that possess distinctive capabilities or excellence in broader business processes. Wharton’s George Day sees market-driven organizations as excelling in three distinctive capabilities: market sensing, customer linking, and channel bonding.

* In terms of market sensing, he believes tremendous opportunities and threats often begin as “weak signals” from the “periphery” of a business.
* He offers a systematic process for developing peripheral vision, and practical tools and strategies for building “vigilant organizations” attuned to changes in the environment, by asking three questions each related to learning from the past, evaluating the present, and envisioning the future.
* Competitive advantage ultimately derives from how well the company has fitted its core competencies and distinctive capabilities into tightly interlocking “activity systems.” Competitors find it hard to imitate Hungry Lion, because they are unable to copy their activity systems.

## UNIT ACTIVITY

|  |
| --- |
| 1. Marketing has evolved through the years to what it is now. It plays a key in the development of small businesses. Trace the evolution of marketing and discuss how it has affected the growth of small businesses |

summaryUNIT SUMMARY

In this unit, we have looked at various aspects that comprise an organisational marketing strategy for business development. We looked at the marketing orientations with keen focus on how it currently affects the marketing activities. An organisations core competencies and how they can be applied to create customer value was also discussed. You are encourage at this point to proceed to the next unit, were we shall focus on business idea generation.

# UNIT: 5 BUSINESS IDEA GENERATION

### 5.1 INTRODUCTION

Welcome to unit 5 in this module. In the previous unit, we looked at the evolution of marketing and its effect on the growth of small businesses. However, in this unit, we shall look at how business ideas are generated based on the marketing opportunities. I am sure that by now you fully understand the two concepts and how they contribute to the success of an entrepreneur. However, this unit is a build up from the previous topic and I will take you through the process of business idea generation. Business ideas are the seed of the enterprise development. An entrepreneur’s initial task is to scan the environment and create new business ideas. It is from the created ideas that bring about opportunity identification. Therefore, we shall look at how an entrepreneur can identify business opportunities in order to be successful. Our focus therefore will be to discuss the following sub-topics, business ideas, environmental scanning, feasibility study, business opportunities, risk taking.

OutcomesUNIT OBJECTIVE

By the end of this unit, you should be able to:

1. Describe business ideas;
2. Explain the process of generating business ideas;
3. Outline the techniques or business idea generation;
4. Generate a business idea.

### Description: TimeTIME FRAME

In this unit you are expected to spend approximately

2 hours’ study time

### 5.2 DESCRIPTION OF BUSINESS IDEAS

Do you want to start a business?

1. A business idea is a new, creative approach to specifically address a perceived need, want, problem or challenge of customers through a profit generation activity. It is a result of your specific thought or concept that arises in your mind.
2. Business ideas come from various sources. The commonest source is the need of the members of the community that is not yet satisfied. Your business idea in any of the three types of business namely: retail, manufacturing and services.
3. Sometimes the list of types of business covers farming and mining. Selling goods to other people is retail business. Making some things to sell to your customers is manufacturing. When you sell your time, skills and knowledge, then you are in the service business. Growing crops and keeping livestock for sale is a farming business. Digging, collecting and processing minerals is mining. There are also businesses that require harvesting natural resources in water and on land such as fish, timber and non-timber forest products.

### 5.3 THE PROCESS OF GENERATING BUSINESS IDEAS

The process of generating ideas involves two steps namely: scanning the surrounding (environment) and idea generation. Scanning the environment assist you to see what is going on, changing and the needs of people. By having a keen interest in what is going on you will be able to see the needs of people emerging.

### 5.4 SOURCES OF BUSINESS IDEAS/INFORMATION

Scanning the environment involves collecting information from various sources. These sources are:

|  |  |  |
| --- | --- | --- |
| **No.** | **Category of Information Sources** | **Sources** |
|  | Personal and Informal | Family member, Friends, Employees, Customers, Sales Persons, |
|  | Personal and Formal | Bankers, Investment Centre, Consultants, Researchers, Councils, Business Associations, Business Registration Office, Commercial Exhibitions, Industry and Trade Contacts |
|  | Written | Magazines, Newspapers, Newsletters, Books, Catalogues, Journals, Bill Boards, Posters |
|  | Oral | Trade Shows, Seminars, Suppliers/Agents, Professional Organizations |

### 5.5 THE TECHNIQUES FOR BUSINESS IDEA GENERATION

There a number of methods you can use to generate business ideas.

|  |  |  |
| --- | --- | --- |
| **No.** | **Technique** | **Explanation** |
|  | Draw on your skills | Covert your skills into a business |
|  | Make use of Your Experience | Based on personal experience, you advise others in the same field at a fee? |
|  | Use your hobby | Do you like music? Set up a music store. |
|  | Improve services | Offer a better service of the current services you pay for |
|  | Improve a product | Improve its appearance, function, colour, packaging and so on |
|  | Modify an existing product into a new one | Make it look luxurious, make it simpler, or make it smaller, change the shape. |
|  | Travel | Come back with something you saw or used not available in your area |
|  | Listen to complaints | Crate a solution to a complaint |
|  | Research | Find out special needs of certain groups of customers |
|  | Reproduce the idea | Apply a successful idea to new settings |
|  | Create new value for a product | Use taxi vehicle for advertising |
|  | Somebody’s waste is another person’s Treasure | Turn waste into something useful for someone. |
|  | Brainstorm | Generate as many ideas as possible without checking the usefulness one may turn out to be a gold mine |
|  | Commercialize research recommendations and inventions | Turn research ideas from research institutions into business |
|  | Combine uses into one product | Create a pen with functions of a musical instrument |
|  | Visualization | Create a picture of a business in your mind |
|  | Adding or Subtracting | Add or subtract a few features to the product or service to make it suitable in terms of use or price. Selling cooking oil from a pump |
|  | Time framing | Offer the same service in a short time |
|  | Technology application | Technological developments these days are so fast and abundant that one can come up with so many ideas of unique applications |
|  | Creation of opposites | If a product is small make it big, if it is long make it short, if it is slow making it fast, if it is for very one make it for one person, if it is tall make it short n advice versa. |

The list of methods of generating ideas does not end there. You will be able to come up with other methods as you listen, see, touch and smell. The list will be determined by how much you use your imagination.

### 5.6 GENERATION OF BUSINESS IDEAS

Once you start thinking you will be generating hundreds of ideas. The tradition of keeping all the ideas in your head is not useful. Buy a note book. Write all the ideas that come into your mind in the notebook. At this stage, do not worry about how good or silly the idea is: you will be surprised how good the idea was in later days or years.

Before you go to the marketplace, research institution or business associations to look for business ideas, start with yourself. You should look at your strengths and weaknesses which will show the areas suitable for business ideas, the size and type of the business.

Every person has strong points and weak ones. You should build on your strengths and work on your weaknesses. The business idea you choose will be influenced by your strengths, weakness, likes and dislikes. Selecting a business idea is not a matter of wishful thinking or simple fantasizing. It will be helpful to you if you select a business idea in the area you are familiar with and have knowledge and skills that will either find immediate application or balance the skills of the others in the business. A look at the environment will also suggest to you whether the business idea is good or not.

Make very day an exciting creative day. You may be lying on bed, washing, in class, working, at a social gathering, or travelling, or any other activity you may be doing. Let your mind zero in on the business possibilities your senses bring in all the information. Write down quickly as the business idea come to you mind. Within a few hours or days, you should produce an encouraging list of business ideas.

### 5.7 SELECTING THE BUSINESS IDEAS

It is promising that you have a list of the business ideas. Where do you go from there?

Having prepared a reasonable list of ideas you must examine each business idea so that you end up with a short list of business ideas with the highest chance of success. You can use the scoring suggested below.

*Simple Scoring Method for Business Ideas.*

*Score: Yes = 1 and No = 0; Allocate scores to each question. If the answers to all the questions is YES, the total score is 12 and 0 if all your answers were No. You may select a business idea if it scores above 5 and review it or reject it if it scores below 5.*

### 5.8 BUSINESS IDEA ASSESSMENT FORM

Name of the Business Idea:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Focus | Question | Yes | No | Score |
|  | Personal characteristics | The business suits your personal characteristics? |  |  |  |
|  | Knowledge and skills | You have knowledge and skills that will help you run this type of business? |  |  |  |
|  | Experience | You have experience that will help you to run this business? |  |  |  |
|  | Business Knowledge | You know about the products and services in this business? |  |  |  |
|  | Business Support | You know where to get advice and information about this business |  |  |  |
|  | Customers | You are knowledgeable of the potential customers for this particular business? |  |  |  |
|  | Competition | This will be the only business of this kind in your area? |  |  |  |
|  | Profitability | You have reasons why you think this business will be profitable? |  |  |  |
|  | Human Resources, Premises, Equipment and Materials | You know the type of equipment, materials premises or qualified staff required for this business? |  |  |  |
|  | Finances | You are sure you will be able to get the finances to provide what is needed in the business? |  |  |  |
|  | Resources | You know where will you get the resources to start this type of business |  |  |  |
|  | Business Growth | You know this business has potential for growth? |  |  |  |
| TOTAL SCORE | | |  |  |  |

After the business ideas identification, listing and assessment you are now ready to go further to develop this business idea into business opportunities through spending time assessing, researching, developing and planning.

### ACTIVITY

1. *What is a business idea?*
2. *What is environmental scanning*
3. *Outline three methods for generating business ideas?*
4. *Describe how you can select a business idea from long list of other ideas?*

Description: summaryUNIT SUMMARY

We defined a business idea as a new, creative approach to specifically address a perceived need, want, problem or challenge of customers through a profit generation activity. We also outlined the process of generating ideas that it involves two steps namely: scanning the surrounding (environment) and idea generation. We described scanning that it involves collecting information from various sources environment. Twenty techniques or methods one can use to generate business ideas were outlined. The Business Idea Assessment Form was introduced as a screening mechanism to select ideas.

### UNIT 6: BUSINESS OPPORTUNITY

### 6.1 INTRODUCTION

An opportunity is a foundation for establishing of a business for an entrepreneur. A bruises opportunity personifies the entrepreneur and motivates the mobilization of resources to start an enterprise.

OutcomesUNIT OBJECTIVES

By the end of this unit, you will be able to:

1. Define the term business opportunity;
2. Identify sources of business opportunity;
3. Develop business opportunities selection criteria;
4. Select business opportunities;
5. Relate the business opportunities to entrepreneurial activities;
6. Differentiate between a business idea and business opportunity.

Description: Time TIME FRAME

In this unit you are expected to spend approximately;

2 hours’ study time

### 6.3 DEFINING BUSINESS OPPORTUNITY

We can define a business opportunity is an attractive business idea which an entrepreneur has selected to invest his/her resources to create value on the basis of assumptions of favourable market need and profit.

### 6.4 SOURCES OF BUSINESS OPPORTUNITY

You need to be focused and quite serious in your effort of identifying business opportunities. Business opportunities can be sourced from:

* **The Environment** – the natural resource base of an area;
* **Population**– occupational pattern, socio economic background;
* **Current Business Situation** – trading and business activities in the area and the trends for new demands of goods and services;
* **Target Market** – expectations of the target group in terms of their skills, knowledge, and financial resources;
* **Resources**–Industries based on minerals, agriculture, marine and other natural resources.

### 6.5 BUSINESS OPPORTUNITIES SELECTION CRITERIA;

An entrepreneur’s first task after assessing himself/herself is to identify and select an attractive business opportunity. An acceptable business opportunity is a combination of:

* Confirmed need in the community;
* Capability of an entrepreneur;
* Availability of resources to develop the business opportunity.

##### 6.5.1 THE EXISTENCE OF NEEDS IN THE COMMUNITY

A good idea is a good seed for a business opportunity. Growing the idea into a business opportunity requires confirming that whatever is proposed for production must have a market need. If the need is already confirmed for you then it cuts down on your costs. If not, you are required to carry out an environmental scan.

##### 6.5.2 ENTREPRENEUR’S CAPABILITY

You as an entrepreneur have certain level of knowledge, skills, values, experience and assorted traits. It is obvious certain business opportunities will suit your personality others will not. It is obvious that you need to match given business opportunities with your personality profile.

##### 6.5.3 AVAILABILITY OF RESOURCES

To develop a business idea into a business opportunity you will need resources. The resources needed may be special skills, technology, raw materials, infrastructure and finance.

##### 6.6 SELECTION OF BUSINESS OPPORTUNITIES

You can apply the results of the scanning and feasibility to identify to select the business that is presents the most attractive option.

|  |  |  |  |
| --- | --- | --- | --- |
| **Focus** | **Method** | **Application** | **Expected Results** |
| Scanning | BPEST | Identification of external issues that may affect the business operations | Business, political, economic and technological trends are good |
|  | Porters Five Force Model | Isolate competitive forces that influence the level of competition in an industry | Competitive strength and position of a business in the market is favourable |
|  | SWOT | Identify how the current resources and capacity of the business can manage the situation in the environment | Business capacity in terms of strengths, weaknesses, opportunities and threats |
|  | Value Chain | Assesses how you can create the greatest possible value for your customers, as well as your best route to profit maximization | Developed strategies focusing on activities where competitive advantage can be sustained. |
| Feasibility Study | Payment Period | Calculating the number of years required to recover the original cash outlay invested in a business project | Selection of a project based on the number of years required to recover the original cash outlay invested in a business project being lower that the set period |
|  | Net Present Value | Finding the net present value by subtracting the present value of cash outflow from the present value of cash inflows. | Net present value of the results of subtracting the present value of cash outflow from the present value of cash inflows. |
|  | Internal Rate of Return | Finding the rate which equates the present value of cash inflows with the present value of cash outflows of an investment. | Rate which equates the present value of cash inflows with the present value of cash outflows of an investment. |

### 6.7 DECISION MAKING

This is the most critical step in the entire business development process. In a sense it is the point of no return. Once you start to establish a business, it is difficult to turn back otherwise you waste resources. If you have doubts or fears about the business, you should not go ahead. Be open, honest and discuss this matter before you make the decision.

Commitment to the business idea is another important reason to look at before you continue. Avoid underestimating the time and effort you need to start a business. A financial commitment by you at this time and others is an important sign of dedication to establishing the business.

This step involves making one of the three possible decisions listed below:

* Decide that the business opportunity is viable and move forward with it.
* Do more study and or examine additional options.
* Decide that the business is not viable and abandon it.

### 6.8 THE BUSINESS OPPORTUNITIES AND ENTREPRENEURIAL ACTIVITIES

To be an entrepreneur one must have the passion to own a business; self-motivated person prepared to face risks. The reason for entrepreneurship is the ability to identify, pursue and exploit the value from a business opportunity. You cannot call yourself an entrepreneur until you identify and track at least one business opportunity.

Business opportunities may be there but not everyone will follow up on them. You have heard people say I had the same idea when they see a business, they were thinking of starting has commenced operation under the ownership of a stranger. If a business opportunity is complex leave, you will be lost in the arrangements of so many parts that have to work together smoothly.

### 6.9 BUSINESS IDEA AND BUSINESS OPPORTUNITY

A business idea is a seed for a business opportunity. Before business opportunities are developed one should identify business ideas. Business ideas are new, creative approaches to specifically address a perceived need, wants, problems or challenges of customers through a profit generation activity while opportunities are business projects which an entrepreneur has selected to invest his/her resources to create value on the basis of assumptions of favourable market need and profit. The selection of business ideas involves only one step scoring method. The selection of business opportunities involves the assessment of business ideas and undertaking feasibility study.

### UNIT ACTIVITY

1. *Describe a business opportunity*
2. *What can make a business opportunity acceptable?*
3. *Explain the process of selecting business opportunities?*

Description: summaryUNIT SUMMARY

In this unit we described business opportunity as an attractive business idea which an entrepreneur has selected to invest his/her resources to create value on the basis of assumptions of favourable market need and profit. It was argued in this unit that an acceptable business opportunity is combinations of confirmed need in the community; capability of an entrepreneur; and availability of resources to develop the business opportunity. We discussed the application of feasibility study as a basis of selection of a business opportunity. It was stated that entrepreneurship is the ability to identify, pursue and exploit the value from a business opportunity. Lastly, we differentiated a business opportunity from a business idea.

# UNIT 7: DEMONSTRATING MARKETING AND ENTREPRENEURIAL COMPETENCES

### 7.1 INTRODUCTION

Congratulations! For coming this far, you are almost there. In this unit we shall talk about how an entrepreneur can demonstrate marketing and entrepreneurial competence for business success. The sub topics to be covered in this unit include entrepreneurial traits and characteristics, discovering you, positive thinking, and goal setting.

OutcomesUNIT OBJECTIVES

By the end of this unit, you should be able to:

1. Identify competences
2. correctly describe entrepreneurial traits and characteristics
3. explain the relationship between entrepreneurial traits and characteristics and the success of the enterprise
4. describe personal attributes and talents
5. identify personal attributes and talents
6. Relate talents and attributes to entrepreneurial success.

Description: TimeTIME REQUIRED

In this unit you are expected to spend approximately 2 hours’ study time

### 7.2 ENTREPRENEURIAL TRAITS AND CHARACTERISTICS

**What are entrepreneurial Traits?**

By now you should be familiar with the meaning of an entrepreneur. You must understand that there are many meanings of the term entrepreneur. In all explanations you will come across or create for yourself, you may notice that there are four parts to the meaning namely, *person or persons and their personality, persistent pursuing of an opportunity*, *the establishment of business or organization* and *the achieving of benefit and growth.* Traits are a mixture of an individual set of qualities, including behaviour, nature, needs, drive and main beliefs. These traits you are born with and others you may get them through informal and formal training.

The traits are influenced by:

1. Characteristics they are born with;
2. Culture of the community (society);
3. Family, work and;
4. Education;
5. Political and policy environment

These sources of influences may encourage or discourage the growth of entrepreneurship.

### 7.3 THE ENTREPRENEURIAL TRAITS AND CHARACTERISTICS LIST

Entrepreneurs are successful for a number of reasons. In this session we shall discuss the entrepreneurial traits and characteristics. You may ask what are traits and characteristics. These traits have been observed through observation and studies among successful business persons in a number of countries. Let us look at some of the traits and characteristics. Do you have the following traits?

1. **You set clear goals** – Your road to success must begin with asking yourself where you are going. The existence of a clear and specific purpose, aim or goal is the starting point for your road to achievement.
2. **You are committed** - You have belief in what you are capable of achieving; you are committed to your team and the people you work with in the business.
3. **You act on opportunities** – Identify and act on new or unusual business opportunities by looking for resources to create something valuable.
4. **You have initiative** – You are self-reliant, and have willingness to initiate action without needing or taking direction from others and have ability to solve problems.
5. **You are persistent –** You do not tire to hunt for success despite difficulties on the road to success. If one door closes on you another is identified and opened.
6. **You have strong passion**– A driving passion to carry out your idea, be it in the form of a new technology, a different approach, and a more thorough application of known technologies or a combination of all three.
7. **You have strong self-confidence** – You are willing to be lonely and make tough decisions and believing you are right despite the majority thinking you are wrong.
8. **You are disciplined** – You have self-control to plan and carry out the plan.  You know where you are going and how you will get there because you have refined your goal into action and you have put in measures to check progress.
9. **You are a moderate risk taker**– You are not a gambler who throws around money without having control over the results of your action. Many people think entrepreneurs are generally thought of as tremendous risk takers.  You as an entrepreneur are advised to focus on reducing risk deliberately by planning and managing the business well.
10. **You are knowledgeable about business** – You look for information within the business or its surroundings to help you achieve your purpose or avoid problems.

The list of these traits is not exhausted. You may think of other characteristics or remember certain behaviour among the business persons you have come across.

### 7.4 SUCCESS IN BUSINESS AND ENTREPRENEURIAL TRAITS

Like many nice things in life, owning and managing a business successfully is tough. Business is not for the weak in body and mind. In business there are many dangers. You many lose your effort, time and money you may have put in it. Or the business may be a problem to other people who are not in any way connected to it.

For an entrepreneur to successful own a business, they go through the following activities:

* Identifies and develops a business opportunity
* Develops a business strategy (way of doing business);
* Mobilize resources to start the business;
* Start the business;
* Expand the business

There are many opportunities out there unless one has a trait of identifying and developing them, they remain unexploited. To develop a business strategy requires developing a clear goal, information, passion and commitment. There are enough negative influences from your friends, family and community to discourage you put the idea on hold or put the easy way out and seeks employment.

For a business activity to start you need resources but resources are few and those who have resources are not easy to help. This is one of the strongest tests to starting a business. I am sure you have met many people who say that they are unable to go into business because of lack of resources. You need to rely on some of the traits above, namely, seeking information on resource providers, persistent in asking for support even when you have been turned down several times and showing confidence in what you plan to do to win over others.

A new business has as many needs to care for as a newly born baby. In a new business almost everything is new, the owners, customers, employees and suppliers are new. In addition, the business belongings are new. In this new environment mistakes are bound to be made. The entrepreneur needs to have the character to be focused and apply some of his/her traits such as being disciplined to handle temptations, having the goal in mind despite current difficulties, having personal initiative to solve problems.

Some of the problems experienced by start-up are as follows:

1. Lack of experience;
2. Low capital, poor cost control;
3. Poor location;
4. Too much stock;
5. Excessive buying of fixed assets;
6. Poor customer care;
7. Poor planning;
8. Poor execution of plans;
9. Negative attitudes to work among employees

A business that is expanding will need new management to take care of its increased responsibilities. If the entrepreneur was owner-manager it is time to take initiative and take the opportunity of employing experienced and skilled human resource in the business.

### UNIT ACTIVITY

1. *Name one successful entrepreneur you know very well. What are some of entrepreneurial traits that you have observed in this person?*
2. *Explain how training can help develop entrepreneurial traits*

### 7.5 ASSESSING COMPETENCES

**Discovering Yourself**

It is important for you to discover your personality in order to see whether entrepreneurship is for you. Knowing your personality may help you chose a business that will be enjoyable rather than a punishment. What you enjoy doing has a relationship with type of personality you have.

**What Are Personal Attributes and Talents?**

You have personal attributes and talents that can make you succeed in business. Personal attributes and talents are the right skills and abilities for the job. A successful career in business is an outlet for your personality, interests, skills and values. So, what are your personality, interests, skills and values? The sum total of these qualities is called your personality.

Understanding your personality can tell you such things as how much encouragement you need from other people to do anything. Or are you a person who is relaxed working on your own? Are you an organized person or otherwise? Do you approach everything caution or you one who goes through with anything without concern?

It is important for you to discover if your personality in order to see whether entrepreneurship is for you. Please you must realize though that your personality may assist you chose a business that will be enjoyable rather than a punishment. What you enjoy doing has a relationship with type of personality you have.

### 7.6 IDENTIFYING PERSONAL ATTRIBUTES AND TALENTS

The following attributes are useful in identifying business opportunities, establishing the business, managing the business and initiating its growth.

Ask yourself the following questions:

1. Do you like to work with machines and tools?
2. Do you like to observe, learn, examine, analyze, and solve problems?
3. Do you like to use your imagination or creativity to solve problems?
4. Do you like to work with people; to inform, enlighten, help, train, develop or cure them;
5. Do you like to work with people; to influence, persuade, lead, or manage for organizational goals or economic gain?
6. Do you like to work with data?
7. Do you have functional skills? (Skills not necessarily associated with a specific job and are used to accomplish general tasks or functions of a job e.g. problem solving);
8. Do you have content skills called work-content skills, specific and specialized to one job, such preparing a financial statement, or fixing a car?
9. Do have adaptive skills covering ability to learn quickly, teamwork, being self-motivated, self-awareness, empathy, persistence, optimism, and social deftness?

### 7.7 APPLYING TALENTS AND ATTRIBUTES TO ENTREPRENEURIAL SUCCESS

There are a number of skills you'll need to succeed as an entrepreneur. You should not worry if do not possess them all. As an entrepreneur you can always employ people with those skills to add to your abilities.

Below are skills you may need now or later to help you in business:

**Interpersonal Skills**

As an entrepreneur you should have good people skills. Your ability to freely mix with many people is a valuable asset that is worthy more than the money you may have in a bank. When people like you it is very likely they will like your business too.

**Networking Skills**

Networking can be a useful business approach to establish build partnerships and discover new business contacts. A successful entrepreneur is a net worker. You must be visible and easy to remember in gatherings.

**Leadership Skills**

Leadership is the ability to influence. Once you are an entrepreneur it means you have taken up a leadership role. You may be owner-manager – worker (OMW), the skills of leadership is very important.

**Management Skills**

Management skills mean planning, organizing, leading and controlling activities that cover operation, employees, customer, suppliers, and government agencies.

**Employee Relation Skills**

Employees are the most important resource your business has. It is essential that you manage this resource very carefully. It is a resource that can come in today and walk out tomorrow. A good relationship with human resource will make your life much easier.

**Team Building Skills**

You must build a team of essential professionals who you share the same vision. You do possess all the needed skills and experience assembling a team of employees, partners, accountants, your lawyers, and bakers will take your business to a higher level.

**Marketing and Sales Skills**

Marketing and selling skills are essential to bringing in revenue. Unless the customer is aware of and interested in what you are selling, they will never buy. If marketing and selling are difficult employ a sales person.

**Financial Management skills**

Understanding cash flow will save your business going under faster than you can register it. The danger areas are poor working capital; cash withdraws by the owner, credit mismanagement, and misunderstanding of cash surplus and profit.

**Time Management Skills**

Time cannot be stored for future use. It cannot be bought from a shop. It is not elastic. You can only use or misuse time available. Time is one of the resources whose value is underestimated until it is too late. There a number of ways that will increase the wastage of time namely: meetings, poor planning, repeated interruptions, failure to list priorities, failure to delegate, being disorganized, indiscipline and failure to say “no”.

Many people even those who have been running business for many years do not have all these skills. As an entrepreneur, however, you must learn some of these skills to help you run the business effectively.

### 7.8 APPLYING COMPETENCES

**Positive Thinking**

What one thinks about somehow transform itself into the physical reality. If one expects to fail, you will fail and if you expect to win you will win. If an individual has a positive thoughts and attitude towards success in business the mind sets you up in a position to succeed.

**Description of positive thinking**

If you expect to win you will win and conversely if you expect to lose you will lose. It is a matter of your attitude. What is an attitude? It is a mental make-up, usual frame of mind. Attitudes are part of the abilities. The ability to interact socially requires certain attitudes. All of our feelings, beliefs and knowledge are based on our internal thoughts, both conscious and subconscious. You are in control, whether you know it or not. We can be positive or negative, enthusiastic or dull, active or passive.

**The Thinking Process**

The mind has tremendous power that can be used to make your life better. You mind can be conditioned to think positively to bring desirable changes to your life. You as a human being are created with enough resources to be successful in the field of your choice.

The mind is the mental power that enables you and me to:

* Think;
* Make choices,
* Experience emotions

The mind is the seat of intelligence and memory. The mind is divided into two parts of activities known as:

* Conscious Mind;
* Subconscious Mind

The conscious mind enables you to:

* Use numbers in calculations;
* Words in speech;
* Controls muscular movements;
* Make decisions

The subconscious mind on the other hand enables:

* Management of internal organs workings such heartbeat, breathing, digestion and blood circulation (touch the wrist – do feel the blood circulation);
* Imagination (close your eyes and imagine you own the biggest bank in Zambia);
* Reactions to emotional stimulation (do you remember the last time you laughed);
* Automatic reproduction of activities learnt over time (are able to write he word Entrepreneur without looking at spelling in this manual?

**How Does the Mind Work?**

**Transforming Thoughts into Reality**

The mind can change thoughts into reality. You remember that one of the functions of the conscious mind is to enable you make decisions and the main function of the subconscious mind is to automatically reproduce any action repeated over time. The decision making and reproduction of repeated action combined transform thought into reality. If you think that you will fail you will indeed fail but if you think that you will succeed you will.

**The Mind does not make Judgments**

The subconscious mind works only after you have given it instructions through your decisions and thinking. Before the subconscious mind turns thoughts into reality it first has to receive instructions from your thinking. However, it does not judge your thoughts to be bad or good. It is neutral. If you were worried about something so much have you noticed that which you were worried about does really happen. So, instead of you spending time worrying use it to create solutions.

**The Mind sees No Difference between Real and Unreal**

The subconscious mind does not tell the difference between reality and imagination. You must have observed that some people are frightened of the lion whether they see it right there or they are told of the story.

**Entrepreneurial Success and Process of Positive Thinking**

As an entrepreneur you must think positively and positive thinking is communicable. People you will meet and those near you pick your mental moods and are affected accordingly. On your mind, play around with thoughts of happiness, good health and success, and you will cause people to like you and want to help you, because they enjoy the positive vibrations that your positive mind sends out.

To harvest good results from positive thinking yield, you should do some inner work in the mind. Developing a positive attitude toward life will result in a successful outcome of whatever you do in business. Positive attitude will also make you take any necessary actions to ensure your entrepreneurial success.

If you want to reap from positive thinking it is not enough to sparingly say few positive words and spent much of your time crowding your mind with negative thoughts. To successful apply positive thinking; your entrepreneurial goal has to be your main mental attitude.

Therefore, it is very important for you as an entrepreneur to;

* Cover your inner dialogue with thought and feelings of happiness, strength and success;
* Avoid negative thoughts of losses in business and swap them with constructive happy thoughts. In discussions with employees, suppliers, customers and advisors use words that suggest scenes of strength, happiness and success in their minds;
* Visualize with concentration and belief the pleasant outcome of your plan or action before you prepare or start;
* Show confidence and self-belief in your dealings with other people. Engage in physical exercise it helps in developing a positive attitude.

### 7.9 GOAL SETTING

Successful entrepreneurs need to think in a long-term way. Life is a long-term journey. Entrepreneur need to know where they are and where they are going. Entrepreneurs need to have a destination to aim for, start small, achieve a little at a time and build on the achievement. Entrepreneurs should reflect on the achievement and challenges over the period.

**Definition of Goals**

A goal is an aim of what you want to achieve in life over a period of time. Unless you know where you are going anything you do is a waste. Setting goals and targets allows you to choose where you want to go in life. If you know what you want to achieve then you will be able to focus on that goal. Setting your goals will enable you gather information and resources to help you achieve it. When you set goals, it enables you to:

* Be aware of what you want to achieve;
* Add to what you already have;
* Improve performance and increase results in whatever you may be doing
* Influence others to achieve;
* Create a sense of pride and satisfaction yourself;
* Build confidence in yourself
* Think positively;
* Be imaginative, creative and innovative.

**Goal Setting**

To set goals you must decide what you want to be and have in your life time. You may set goals in the following areas:

* Career – Do you want to be an entrepreneur in specific sector?
* Family – what type of family would you want?
* Financial Status – how much financial resources would you need?
* Social status – What type of social relations do you want?
* Physical status – what physical state of your body do you need?
* Spiritual - what spiritual needs to what satisfied?

**Achieving your Goals**

Once you set your goals, you must break them into specific, measurable, achievable, realistic and time bound stages called objectives. The objectives can further be broken into activities over a period of time and using known resources (skills, information and time. Goals, objectives, and activities are positive statements that must be written.

### UNIT ACTIVITY

1. *What is positive thinking?*
2. *State the two states of the mind*
3. *Explain why positive thinking is important for business su*
4. *Define a goal*
5. *Give three advantages and disadvantages of goal setting for an entrepreneur*

Description: summaryUNIT SUMMARY

In this unit we have looked at a number of issues that are important to business success for every entrepreneur. Entrepreneurial traits and competencies, applying competencies, positive thinking and its effect on business success and finally goal setting

# UNIT 8: SCANING THE ENTREPRENEURIAL ENVIRONMENT

### 8.1 INTRODUCTION

In this unit, we shall look at scanning the entrepreneurial environment for business success. All businesses operate in an environment. There are people, natural resources and organizations in the environment. Understanding the environment will reduce the uncertainties and provides evidence for opportunities. The key areas of focus include description of environmental scanning, the importance environmental scanning, techniques of environmental scanning, process of environmental scanning and carrying out an environmental scan.

OutcomesUNIT OBJECTIVES

On completion of this unit, you will be able to:

1. Describe the concept of environmental scanning;
2. Discuss the importance environmental scanning;
3. Explain the techniques of environmental scanning;
4. Outline the process of environmental scanning;
5. Carry out an environmental scan.

Description: TimeTIME FRAME

In this unit you are expected to spend approximately, 3 hours’ study time

### 8.2 ENVIRONMENTAL SCANNING

Now that you have identified one business idea you want to develop you must understand that your business will operate in an environment. The business you want to start will operate in a complex environment of business, economic, technological, social and political influences. The other term for the environment is surroundings. Scanning is checking or examining. Understanding the surroundings will reduce the uncertainties.

### 8.3 THE IMPORTANCE OF ENVIRONMENTAL SCANNING

Environmental scanning is important for these reasons:

1. Spot important economic, social, cultural, environmental, health, technological, and political trends, situations, and events in the country and outside that may have an effect on your business
2. Identify the potential opportunities and threats for the business arising from these trends, situations, and events
3. Achieve an accurate understanding of your business’s strengths and weaknesses
4. Present a support for study of future opportunities

### 8.4 Techniques of Environmental Scanning

There are a number of techniques you can use to carry out an environmental assessment. This module will cover the following techniques:

1. BPEST Analysis;
2. Porters Five Force Model;
3. SWOT analysis;
4. Value Chain Analysis

##### 8.4.1 BPEST Analysis

BPEST analysis is concerned with the environmental influences on a business. The acronym stands for the Business, Political, Economic, Social and Technological issues that could affect the strategic development of a business.

Identifying BPEST influences is a useful way of summarizing the external environment in which a training institution operates. However, it must be followed up by consideration of how a business should respond to these influences.

The table below lists some possible factors that could indicate important environmental influences for a business under the BPEST headings.

**BPEST ANALYSIS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Business** | **Political / Legal** | **Economic** | **Social** | **Technological** |
| ***Sate of industry known or projected*** | ***- Environmental regulation and protection*** | - Economic growth (overall; by industry sector) | - Income distribution (change in distribution of disposable income; | - Government spending on research |
| ***Market: current and projected demand,***  ***Buyer behaviour,*** | ***- Taxation (corporate; consumer)*** | - Monetary policy (interest rates) | - Demographics (age structure of the population; gender; family size and composition; changing nature of occupations) | - Government and industry focus on technological effort |
| ***Competition:***  ***Market share;***  ***New comers,***  ***New products*** | ***- International trade regulation*** | - Government spending (overall level; specific spending priorities) | - Labour / social mobility | - New discoveries and development |
| ***Suppliers: Reliability;***  ***Alternatives*** | ***- Consumer protection*** | - Policy towards unemployment (minimum wage, unemployment benefits, grants) | - Lifestyle changes (e.g. Home working, single households) | - Speed of technology transfer |
| ***Ban Fund***  ***Donor Funds*** | ***- Employment law*** | - Taxation (impact on consumer disposable income, incentives to invest in capital equipment, corporation tax rates) | - Attitudes to work and leisure | - Rates of technological obsolescence |
| ***Business Associations*** | ***- Government organization / attitude*** | - Exchange rates (effects on demand by overseas customers; effect on cost of imported components) | - Education | - Energy use and costs |
|  | ***- Competition regulation*** | - Inflation (effect on costs and selling prices) | - Fashions and fads | - Changes in material sciences |
|  |  | - Stage of the business cycle (effect on short-term business performance) | - Health & welfare | - Impact of changes in Information technology |
|  |  | - Economic "mood" - consumer confidence | - Living conditions (housing, amenities, pollution) |  |

***Table 8.1 BPEST Analysis***

##### 8.4.2 Porters Five Force Model

Michael Porter's famous Five Forces of Competitive Position model provides a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization.

Five competitive forces influence the level of competition in an industry which finally will have a say on the level of profit in a particular industry.

The competitive forces are:

* The threat of new entrants to the industry;
* The threat of substitute products or services;
* The bargaining power of customers;
* The bargain power of suppliers
* The rivalry of current competitors

**The threat of new entrants to the industry** – a new entrant into an industry will bring extra capacity and more competition.

**The threat of substitute products or services** – a substitute product or service produced by another industry satisfying the same needs of the customers.

**The bargaining power of customers** - customers want better products at lower prices. Meeting this want may result in the lowering of profitability.

**The bargain power of suppliers** – suppliers can apply force to obtain higher prices for their products and services.

**The rivalry of current competitors** – the higher the rivalry the likely possibility of lowering prices and high investment in marketing to beat competition which may results in low profitability

**Porter Five Forces of Competition Diagram**

New Market Entrants

- The threat

Suppliers – bargaining power of suppliers

Customers – bargaining power of customers

Industry Competitors Rivalry

Substitute Products – the treat of substitute products

***Figure 8.3 Source: Scarborough (2014)***

##### 8.5.3 SWOT Analysis

Strengths/weaknesses of the organization are related to the opportunities and threats of the environmental helps to identify how the current resources and capacity of the Organization manage the situation in the environment.

SWOT Analysis is a common strategic planning tool developed to compare internal strengths and weakness with the external opportunities and Threats.

**S- Strengths, W - Weaknesses, O - Opportunities, T- Threats**

***Sample SWOT analysis***

|  |  |
| --- | --- |
| **STRENGTHS** | **WEAKNESSES** |
| * Good traditions and image * Effective decision making * Strong leadership * Committed and caring staff * Qualified and experienced staff * Office equipment is available * Availability of transport | * Insufficient financial resources * Lack of management systems and policies * Unclear communications and linkages * Too reliant on donor funding * Lack own premises * Lack of finances * Uncommitted staff |
| **OPPORTUNITIES** | **THREATS** |
| * Cause related organizations are trendy * Ageing population will increase clients and * More opportunities for collaboration in * Current era of partnership networks | * + Increasing competition for resources with similar organizations   + Government trend toward privatization of public services   + law suits in courts |

***Table 8.2: SWOT Analysis***

**Tips for successful SWOT analysis.**

1. Be realistic about the strengths and weaknesses of your business when conducting SWOT analysis.
2. SWOT analysis should differentiate between where your business is today, and where it could be in the future.
3. SWOT should always be specific.
4. Avoid vague areas.
5. Always apply SWOT in relation to your competition i.e. better than or worse than your competition.
6. Keep your SWOT short and simple.
7. Avoid complications and too much analysis
8. SWOT is subjective.

##### 8.6.4 Value Chain Analysis

Value Chain Analysis is tool for working out how you can create the greatest possible value for your customers, as well as your best route to profit maximization.

In business, customer pay you to take raw inputs, and to “add value” to them by turning them into something of worth to other people. In manufacturing, where the manufacturer adds value by taking raw material of little use to the customer (house wife/husband) for example, maize and turning it into something that customers are prepared to pay money, for example mealie meal. This idea is also important in-service industries such as training, where people use inputs of time, knowledge, equipment and systems to create services of real value to the person being served - the customer in this case the learner.

The Value Chain Analysis helps you identify the ways in which you create value for your customers, and then helps you think through how you can maximize this value: whether through nice products or useful services.

Michael Porter suggested that the activities of a business could be grouped under two headings:

1. **Primary Activities** - those that are directly concerned with creating and delivering a product (e.g. component assembly); and
2. **Support Activities**, which whilst they are not directly involved in production, may increase effectiveness or efficiency (e.g. human resource management). It is rare for a business to undertake all primary and support activities.

Value Chain Analysis is one way of identifying which activities are best undertaken by a business and which are best provided by others ("out sourced").

**Linking Value Chain Analysis to Competitive Advantage**

What activities a business undertakes is directly linked to achieving competitive advantage. For example, a business which wishes to outperform its competitors through **differentiating** itself through higher quality will have to perform its value chain activities better than the opposition. By contrast, a strategy based on seeking **cost leadership** will require a reduction in the costs associated with the value chain activities, or a reduction in the total amount of resources used.

**Primary Activities are as follows:**

* **Inbound logistics** - - All activities dealing with receiving and storing externally obtained materials
* **Operations** - The manufacture of products and services - the way in which resource inputs (e.g. materials) are converted to outputs (e.g. products)
* **Outbound logistics** - All activities connected to getting finished goods and services to buyers
* **Marketing and sales** - activities involved with informing buyers and consumers about products and services (benefits, use, price etc.)
* **Service** - All activities related to maintaining product performance after the product has been sold

**Support Activities are as follows:**

* **Procurement *–*** This covers how resources are acquired for a business (e.g. sourcing and negotiating with materials suppliers)
* **Human Resource Management*–***Activities concerned with recruiting, developing, motivating and rewarding the workforce of a business
* **Technology Development *–*** Activities concerned with managing information processing and the development and protection of "knowledge" in a business
* **Infrastructure *-*** Concerned with a wide range of support systems and functions such as finance, planning, quality control and general senior management.

**Steps in Value Chain Analysis**

Value chain analysis can be broken down into a three orderly steps:

1. Break down a market/organization into its key activities under each of the major headings (primary or secondary;
2. Examine the potential for adding value via cost advantage or differentiation, or identify current activities where a business appears to be at a competitive disadvantage;
3. Develop strategies built around focusing on activities where competitive advantage can be sustained.

##### 8.5 PROCESS OF ENVIRONMENTAL SCANNING

Steps to conducting the environmental scanning:

1. Clearly state the purpose of collecting information
2. Decide on how the information will be collected desk or field study or both;
3. Identify who is responsible for the process.
4. Decide who will collect information;
5. Identify the sources of information;
6. Identify methods of collecting information;
7. Assemble existing information on issues and needs;
8. Reflect on the strengths and limitations of that information including;
9. Select data gathering techniques to fill in information or audience gaps, detect emerging issues, and verify existing information
10. Collect scanning information from other organizations.
11. Assemble the information;
12. Analyze and translate the information into actionable

##### 8.6 CARRYING OUT AN ENVIRONMENTAL SCAN

Carrying out the environmental assessment will assist you identify a number of issues in the natural environment, the business scene, target market and competition, human resources, legal frame work, technologies and social issues.

### UNIT ACTIVITY

*Discuss the environmental scanning techniques; where possible give their advantages and disadvantages*

##### 8.7 PESTEL ANALYSIS

POLITICAL ENVIRONMENT

This includes the political system, the government policies and attitude towards the business community and the unionism. All these aspects have a bearing on the strategies adopted by the business firms. The stability of the government also influences business and related activities to a great extent. It sends a signal of strength, confidence to various interest groups and investors. Further, ideology of the political party also influences the business organization and its operations. You may be aware that Coca-Cola, a cold drink widely used even now, had to wind up operations in India in late seventies. Again, the trade union activities also influence the operation of business enterprises. Most of the labour unions in India are affiliated to various political parties. Strikes, lockouts and labour disputes etc. also adversely affect the business operations. However, with the competitive business environment, trade unions are now showing great maturity and started contributing positively to the success of the business organization and its operations through workers participation in management.

ECONOMIC ENVIRONMENT

The survival and success of each and every business enterprise depend fully on its economic environment. The main factors that affect the economic environment are:

1. **Economic Conditions:** The economic conditions of a nation refer to a set of economic factors that have great influence on business organizations and their operations. These include gross domestic product, per capita income, markets for goods and services, availability of capital, foreign exchange reserve, growth of foreign trade, strength of capital market etc. All these help in improving the pace of economic growth.
2. **Economic Policies:** All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are:
3. **Industrial policy:** The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development.
4. **Fiscal policy:** It includes government policy in respect of public expenditure, taxation and public debt.
5. **Monetary policy:** It includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry.
6. **Foreign investment policy:** This policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development and take advantage of the modern technology.
7. **Export–Import policy:** It aims at increasing exports and bridges the gap between expert and import. Through this policy, the government announces various duties/levies. The focus now-a-days lies on removing barriers and controls and lowering the custom duties.

The government keeps on changing these policies from time to time in view of the developments taking place in the economic scenario, political expediency and the changing requirement. Every business firm has to function strictly within the policy framework and respond to the changes therein.

1. **Economic System:** The world economy is primarily governed by three types of economic systems, viz., (i) Capitalist economy; (ii) Socialist economy; and (iii) Mixed economy. India has adopted the mixed economy system which implies co-existence of public sector and private sector.

**SOCIAL CULTURAL ENVIRONMENT**

The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc. Due to increase in literacy rate the consumers are becoming more conscious of the quality of the products. Due to change in family composition, more nuclear families with single child concepts have come up. This increases the demand for the different types of household goods. It may be noted that the consumption patterns, the dressing and living styles of people belonging to different social structures and culture vary significantly.

**TECHNOLOGICAL ENVIRONMENT**

Technological environment includes the methods, techniques and approaches adopted for production of goods and services and its distribution. The varying technological environments of different countries affect the designing of products. For example, in USA and many other countries electrical appliances are designed for 110 volts. But when these are made for India, they have to be of 220 volts. In the modern competitive age, the pace of technological changes is very fast. Hence, in order to survive and grow in the market, a business has to adopt the technological changes from time to time. It may be noted that scientific research for improvement and innovation in products and services is a regular activity in most of the big industrial organizations. Nowadays in fact, no firm can afford to persist with the outdated technologies.

**LEGAL ENVIRONMENT**

This refers to set of laws, regulations, which influence the business organizations and their operations. Every business organization has to obey, and work within the framework of the law.

### UNIT ACTIVITY

1. *Carry out a PESTEL analysis to a business you are familiar with*
2. *Explain why entrepreneurs should carry out environmental scanning to their given environments.*

Description: summaryUNIT SUMMARY

This unit has looked environmental scanning for the entrepreneurial environment. We looked at what environmental scanning is, why you need to carry out an environmental scan, the techniques used to carry out the environmental scanning. Our next unit focuses on intellectual property rights. I urge you to go back to the previous units in case you may have not understood the concepts presented. You are also encouraged to consult other sources of information to build a rich information base.

# UNIT 9: MARKETING TOOLS FOR ENTREPRENUERS

### 9.1 INTRODUCTION

Entrepreneurs need to create maximum awareness of their products and services to the target market. A number of tools exist that an entrepreneur can use to market their products and services. In this unit we look at marketing tools that entrepreneurs use to market their products and services. The 4 Ps will be explained and how they can be used by entrepreneurs.

OutcomesUNIT OBJECTIVES

By the end of this unit, you will be able to:

* Discuss marketing tools for business development
* Apply the 4 Ps to a business
* Use marketing tools to market their products and services.

Description: TimeTIME FRAME

In this unit you are required to spend a minimum of 2 hours of study time

9.2 THE FOUR P’S

McCarthy classified various marketing activities into marketing-mix tools of four broad kinds, which he called the four Ps of marketing: product, price, place, and Promotion. The following illustration shows the link and the rationale for the marketing mix

Figure 9.1



Source; Kotler and Keller (1997)

Given the breadth, complexity, and richness of marketing, however, as exemplified by holistic marketing, clearly these four Ps are not the whole story anymore.

If we update them to reflect the holistic marketing concept, we arrive at a more representative set that encompasses modern marketing realities: people, processes, programs, and performance, as in

Figure 9.2**, People** reflects, in part, internal marketing and the fact that employees are critical to marketing success. Marketing will only be as good as the people inside the organization. It also reflects the fact that marketers must view consumers as people to understand their lives more broadly and not just as they shop for and consumer products and services.

**Processes** reflect all the creativity, discipline, and structure brought to marketing management. Marketers must avoid ad hoc planning and decision making and ensure that state-of-the-art marketing ideas and concepts play an appropriate role in all they do. Only by instituting the right set of processes to guide activities and programs can a firm engage in mutually beneficial long-term relationships. Another important set of processes guides the firm in imaginatively generating insights and breakthrough products, services, and marketing activities.

**Programs** reflect all the firm’s consumer-directed activities. It encompasses the old four Ps as well as a range of other marketing activities that might not fit as neatly into the old view of marketing. Regardless of whether they are online or offline, traditional or non-traditional, these activities must be integrated such that their whole is greater than the sum of their parts and they accomplish multiple objectives for the firm

**Figure 9.1**



Source; Kotler and Keller (1997)

### 9.3 NEW PRODUCT DEVELOPMENT

New product development is a vital part of the marketing policy for all companies and organizations. It represents one of the key means by which corporate renewal is achieved, a future secured. As it is future future-directed activity it affects the whole company and should support corporate objectives and strategies.

Marketers (entrepreneurs) have a major role to play in product development because it is part of the marketing strategy, and a route to both increased competitiveness and customer satisfaction

The most obvious case for product development is the strategic need to innovate and change in response to, or preferably somewhat ahead of, market change.

While companies will innovate at different speeds, and with vary in success, some will appear more competitive and forward- thinking in their product development activities and others more reactive and conservative.

In business, product development is an undertaking concerned with opportunity- seeking though conservative estimates would indicate that at least 50 percent and up to 70 percent, of new products fail within their launch year.

Entrepreneurs must ensure that a succession of new products is coming on-stream, to cover the commercial ground lost through the demise of older products at the other end of the product life cycle. The rationale for product development varies among companies; the following include some of the strategic objectives that companies follow;

* To increase or defend market share
* To develop or enter a new market share.
* To maintain a lead position as an innovator
* To diversify into new product markets, as a strategic hedge against over-dependence on a limited product range.
* To exploit distribution strengths
* To make productive use of slack resources, e.g. in sales or production capacity, or perhaps to remedy seasonal or cyclical clips in activity
* To exploit the company experience in working with a new technology or new materials, or otherwise commercialize spin-offs and by products of the company’s endeavours.

### 9.4 BRANDING

**A brand** is a distinct image that differentiates one offering from another. The aim is to differentiate the goods of one manufacturer from those of others, even though they are basically the same (i.e. used for the same of purpose). Product differentiation aims at earning and creating goodwill of customers so that they become brand conscious and be loyal to only one brand.

A brand is not a product that just happens to have high awareness, nor is it just a recognizable name or logo, although these are present. It is so much more; it is a powerful stimulus that conjures up a complex image and level of expectation about itself and what it can do for a consumer.

**Branding** means selling of goods under the **Trade Mark, Logo** or **Brand Name** of the manufacturer, the wholesaler or retailer. The trade-mark is clearly displayed on the package or container.

Branded goods are of uniform size, weight and quality and sometimes prices. They are often beautifully packed and are advertised a great deal.

The strength of a brand is reflected in four ways

* **Brand awareness**; how many customers ‘know ‘or are familiar with the brand
* **Brand belief**; qualities attributed to the brand
* **Brand associations**; this is anything directly or indirectly linked to the brand in the mind of the customer.
* **Brand loyalty**; the critical issue is how many customers remain loyal to a brand, resisting incentives to change to a competitive offering.

summaryUNIT SUMMARY

Congratulations! You have reached the end of the module. The unit looked at marketing, how the marketing mix can be used in strategic marketing planning, the new product development and finally branding and its role in marketing. Overllary, the module highlighted issues in marketing and entrepreneurship. Marketing in entrepreneurship is a subject that is significant to the growth and devel9opment of small business. Entrepreneurs need to acquaint themselves with some marketing skills in order to effectively market their products and services. This will enable them to gain competitive advantage over their competitors and in turn will help to develop their market share and enhance industry position. I hope you are now able to explain the different concepts presented here. If not, i urge to still go back and revise through the nine units covered in this module.

UNIT ACTIVITY

|  |
| --- |
| 1. Describe marketing in your own words. 2. What is branding? 3. Explain the marketing Mix. 4. State the importance of new product development for a business. |

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