

# CHAPTER 2: Spotting Trends and Opportunities

## I. Business Plan Building Block (SLIDE 2-2)

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

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

## II. CHAPTER LEARNING OUTCOMES

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### (SLIDE 2-3 and SLIDE 2-4)

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

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

### **III. LECTURE OUTLINE**

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#### **1. Recognizing Opportunities (SLIDE 2-5 and SLIDE 2-6)**

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

What are the best business ventures to pursue today? Only they can answer the question. The best business for them is the one that they enjoy; uses those experiences, skills, and aptitudes that are unique to them; and serves a market need—as we learned from the Chris Griffiths experience in the opening vignette of Chapter 1 and Connie van Reenen’s new venture in the opening caption of this chapter.

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

In this new economy many large corporations outsource many of their products and services to small businesses. As we learned from the Tanya Shaw Weeks case study, page 317, outsourcing signals opportunity for enterprising small business entrepreneurs who can latch on to this trend.

Action Step 9, page 32, will help them get some new perspectives on change.

#### **2. Brainstorm Your Way into Small Business (SLIDE 2- 7)**

Brainstorming—a free and open exchange of ideas—is a powerful entrepreneurial technique used to help identify market trends and opportunities. Many entrepreneurs, like Pete and Geoff, page 32, record their brainstorming ideas using mind maps. The key to a successful brainstorming session is to create an open and non-threatening environment that stimulates the creative juices. Brainstorming tips are provided on page 33.

#### **3. Be a Trend Watcher (SLIDE 2-8 and SLIDE 2-9)**

Industry or market trends reflect our economy’s response to change. And change creates entrepreneurial opportunities. Your students want to make sure that their

business serves a need and market trends help them hone in on growth opportunities. Major trends creating opportunities for enterprising entrepreneurs are shown in Box 2.1, page 34. Even more trends are provided in the E-exercise, Box 2.2, page 34.

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

1. **Globalization.** The export market accounts for about 45 percent (2006) of Canada's gross domestic product (GDP). Today, one-third of Canadians owe their livelihood to the strength of the country's global economy. Increasingly, "new breed" Canadian small businesses are seeking to participate in and benefit from this export trend. For example, exporting was a key factor contributing to the success of Garrison Guitars, profiled in Chapter 1 (opening caption). In the opening vignettes (Chapter 2) we learned how Labelle Florists and Pacific Western Brewing Co. found ways to capitalize on the fast-growing exporting trend. Much more information on exporting can be obtained by clicking on to the book's support Web site at: [www.knowledgescastillo6e.nelson.com](http://www.knowledgescastillo6e.nelson.com) (see Box 2.3, page 35).
2. **Technology.** We remain deeply embedded in the so-called technology revolution—one which will continue to change the way we live and work. Many of today's successful entrepreneurs such as Chris Griffiths (Garrison Guitars, Chapter 1), Tanya Shaw Weeks of Unique Solutions Design Ltd. (page 31), and Paul Schmitt of Webview 360 (page 36), are cashing in on this trend. Action Step 10 (page 36) asks them to explore new technologies in more depth.
3. **Internet and e-commerce.** Most Canadian households and business are now connected to the Internet. As shown in Figure Table 2.1, page 38, almost 65 percent of Canadian households and 82 percent of private businesses are connected. The question now facing the business community is: How do you profit from this connectivity? Successful companies like Job Shark, Webview 360.Com, and Labelle Florists are launching e-commerce (or e-business) strategies. **E-commerce** is a catchall term that includes any business function or business process performed over electronic networks. E-commerce accounts for less than 1 percent of total operating revenues for private firms (2004). Clearly, the e-commerce trend is just beginning.
4. **Boomer trend.** The baby boomers, those born between 1947 and 1966 and composed of about 10 million Canadians (30 percent of our total population), are now beginning to hit the big "60." By 2010, half of them will be over 55, and 18 percent of them will be over the age of 60 (see Table 2.2, page 39, for example). Catering to the needs of retiring boomers is only one opportunity. There are all kinds of opportunities resulting from this trend. As this segment ages, not only in Canada but around the world, boomer needs will have a profound impact on sectors such as real estate, when boomers begin selling their homes, finance as

they begin cashing in their RRSPs, and health care as boomers will be living longer and healthier.

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

1. ***A shrinking middle class.*** There are more high-end, affluent consumers and an increasing number of consumers who live at or near the poverty level (for example, part-time workers, single parents and contract workers).
2. ***Shifting sizes of age groups.*** Each group has particular well-defined needs—echo boomers (or Y generation); the tweens (8–14 year-olds); and the affluent over 80-year-olds are examples. All of these changing segments have specific needs that create opportunities.
3. ***Living arrangements are changing and evolving.*** These include: stepfamilies, dual-career families, single parents, and grandparents raising grandchildren. Each of these groups has a different need for such things as furniture, housing, transportation, food preparation.
4. ***Ethnic groups are shifting and growing.*** Our visible minority population has shown a three-fold increase since 1981. More facts on this growing trend are provided in Box 2.4, page 40.
5. ***Improved information access.*** The electronic and digital economy means that all Canadians are far more informed and particular about what they buy. We have now entered into what some experts have called the ***mass customization*** era. Successful business owners like Tanya Shaw Weeks of Unique Solutions, page 31, customize their products and services then sell them in large quantities. Shaw Weeks, for example, found a way to provide individualized sewing patterns for the mass market of women who wanted to customize their sewing creations.

**4. Trends Create Opportunities (SLIDE 2-10 and SLIDE 2-11)**

Change creates market trends that lead to opportunities for enterprising entrepreneurs. Encourage your students to become a “trend tracker” so they can take advantage of the resulting business opportunities. Changes within the business and social world can be grouped into six major (SEPTIC) environmental categories. (**Note:** some teachers use the SEPTIC acronym to help students remember the six categories.)

1. **Social/cultural:** immigration, single parents, religion, ethnic shifts, aging population.
2. **Economic:** recessions, inflation, changing income levels, cost of housing, food, energy.

3. **People (demographics):** the boomers, the echo boomers, changing ethnic and multicultural patterns.
4. **Technology:** biotechnology, the Internet, nanotechnology, personal genomics, universal translation.
5. **International (legal/political):** who is in power and changing rules—locally, provincially, and nationally, tax laws. Where are the growing export markets?
6. **Competition:** deregulation, impact of the so-called box stores, foreign companies.

Encourage students to scrutinize boomers carefully. Knowing the needs of this growing demographic force can reap huge benefits for the imaginative entrepreneur. By encouraging your students to complete Action Step 11, page 41, this will help them get started on the process of identifying change, subsequent trends, and market opportunities. Action Step 12, page 45, will help them come up with their own list of trends and opportunities.

### **5. The Life Cycle Stages (SLIDE 2-12)**

Trends (in industries, products, businesses, services, or even locations) can be divided into four life cycle stages: embryo or birth, growth, maturity, and decline (Figure 2.2, page 45). Encourage your students to watch for market signals to determine where their business is within the four-stage life cycle. This will help them to plan their marketing and pricing strategies. It will also help them discover niche opportunities even in mature or declining industries—the aftermarket, for example. One suggested strategy is to look for a growth segment in a growth industry.

Action Step 13, page 46, will get them to match the life cycle stages with trends they have discovered.

### **6. Segmentation and Gap Analysis (SLIDE 2-13)**

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

Figure 2.3, page 48, illustrates a mind map that dissects one segment of the health-care industry into sub-segments.

Action Step 14, page 49, will help your students look for segments and market gaps.

## **7. Futurists Top Forecasts (SLIDE 2-14)**

Discuss the top forecasts as predicted by futurists:

- Your phone will tell you when you're in love
- People will download and print their own auto parts and jewelry
- Brain-to-brain telephathy
- Micro-nations on artificial islands will shift global politics
- Young people will read, old people will play video games

Direct students to Box 2.5 for more trends.

## **8. Define Your Business (SLIDE 2-15)**

In the Mary Clark case, page 49, only by stepping back can your students answer the question of what business they are in (i.e., know who your customers really are and what satisfies their needs). It is important for your students to define their business in terms of the benefits to their customer. Mary Clark, for example, was not in the "stabling horses" business. Rather, she was in the business of providing services for young girls who wanted to ride horses. Table 2.3, page 50, can help your students to define their business.

## **8. Develop Your Pitch (SLIDE 2-16)**

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

Now your students are ready for Action Step 15, page 51. Encourage them to take a stab at defining their business and developing their elevator pitch.

## **9. Think Points for Success**

**Review the following think points with your students:**

- √ A valuable tool you can use for charting trends is the four-stage life cycle yardstick.
- √ The life cycle yardstick helps you find a growth industry, decide what business you're really in, and discover gaps and segments that are promising.
- √ Once you know what segment you're in, you can focus on market research with new eyes.
- √ Try to latch onto a trend that will help you survive (in style) for the next 10 to 15 years.

- √ Trends don't develop overnight. The signs are out for all to read, months—even years—in advance.
- √ Develop a list of trends and opportunities. Keep this in your 24/7 Adventure Notebook.

## 10. Checklist Questions and Actions to Develop Your Business Plan (SLIDE 2-18 and SLIDE 2-19)

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

- √ What trends will influence your small business?
- √ What business are you really in?
- √ What segment of the market will be your niche?
- √ Is it a growth segment in a growth market?
- √ Initially define your target market, and determine how large that customer base is.
- √ Identify the secondary sources you will use as part of your market research.
- √ Does this business fit your vision and values?
- √ Other than making money, what are the goals of your proposed venture? (You should be able to establish four to six over the next three years.)
- √ For your business, what objectives do you wish to achieve this next year?

## IV. SUGGESTIONS FOR GUEST SPEAKERS

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

1. **A market researcher from the local newspaper, radio station, or TV station.** Have your guest describe how he or she uses research information. You might also want this speaker to talk about demographic differences in different segments or areas of your community.
2. **A real-estate expert from a commercial firm.** People in real estate have a unique way of grasping trends and movements. Ask your speaker to talk about local growth areas, high traffic areas, and the sources for his or her information.
3. **A planner.** You can find planners working for the city, for the region, or for any large firm in your area. Ask your planner to talk about projected growth areas in your community.
4. **A representative of the Business Development Bank (BDC).** Staff from the BDC assist in the financing of small businesses and are usually available

to talk to groups. Ask your guest to talk about sources of information for small business or trends in small business. Try to guide the discussion away from failure and into formulas for success.

## V. CLASS PROJECTS

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1. Divide the class into groups of 4–7 students. Then list a variety of different businesses on the board. Divide these businesses into as many areas as you have student groups. In their groups, have students come up with a statement that describes what these businesses are concerned with overall. You should aim to get students to define businesses in terms of benefits to the customer. For example, a locksmith might be in the security business, or a trophy company might be in the recognition business. You may want to refer to Table 2.3, page 50.
2. Assign groups of students to specific chapters of *Boom, Bust & Echo* (by David Foot and Daniel Stoffman). Ask them to report back to the class on key points and supporting evidence.
3. Have each student profile a trade journal in the industry that is interesting to him or her. The key questions are: 1) Is this industry growing or declining? 2) How does it “feel”? Use these criteria—or develop your own—for the profile:
  - Name of publication
  - Industry that the journal caters to
  - Place of publication
  - Circulation (How often is it published? Number of subscribers?)
  - Cost (Fee? Does it come as part of an association membership?)
  - Web site (How useful is it?)
  - Intended audience (Beginners? Owners with years of experience?)
4. You can use a mind map on the board to explore and profile almost any industry. A mind map helps to pool knowledge from the group. Use the models from the text or from one of these books: *Use Both Sides of Your Brain* (Buzan) and *Writing the Natural Way* (Rico).
5. Have students “decode the secrets of the shopping cart.” They can do this individually while shopping, or you can take the whole class on a field trip and assign different students to analyze different shoppers. Getting the data is easy. All it takes is observation. Have students bring their results to class, put them on the board, and attempt to offer some conclusions.
6. Political scientist Neil Nevitte tells us that Canadian values and beliefs are changing. In his book, *The Decline of Deference*, Nevitte argues, for example, that we are becoming more permissive and less likely to bend to authority. In our family relationships we are becoming more egalitarian. Health and social relationships are more important to us than money, and we have become more accepting and tolerant of abortion and divorce. Ask students if they agree with these changing social values. Then ask how their parents would

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

## **VI. INTERNET EXERCISES**

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### **1. Market Trends Create Opportunities (Box 2.1, page 34)**

Link on to the “Entrepreneurship” page of the Atlantic Canada Opportunities Agency (ACOA):

<http://www.acoa.ca/e/business/entrepreneurship/ideas/sectioniv.shtml>

Read the article titled “Some Market Trends to Watch.”

- What is the difference between a trend and a fad?
- Get students to list an opportunity for 5 of the 13 trends identified in the article.

### **2. E-Commerce (Box 2.3, page 38)**

How much do you know about e-commerce? Take the interactive e-commerce quiz:

[http://strategis.ic.gc.ca/epic/internet/inecom-come.nsf/en/h\\_qy00034e.html](http://strategis.ic.gc.ca/epic/internet/inecom-come.nsf/en/h_qy00034e.html)

### **3. Building an Effective Web site (Case study question 5, page 54)**

Link on to the Manitoba efuturecentre “Building an Effective Web Site:

[www.e-future.ca/manitoba/en\\_CA/pdf/building\\_an\\_effective\\_website.pdf](http://www.e-future.ca/manitoba/en_CA/pdf/building_an_effective_website.pdf).

Go to pg. 6: “What Should You Have on Your Website?” What are eight common sections and pages that should be contained on an effective Web site? Evaluate the Garrison guitars home page based on these criteria. Suggested answers are provided in Section IX below.

### **4. Outsourcing and Contracting Out (Case study question 4, page 54)**

- i. Click on to “What is Outsourcing”( [www.outsourcing-faq.com/1.html](http://www.outsourcing-faq.com/1.html) ) and watch the Web cast video. According to Peter Bendor-Samuel, a top authority on outsourcing, what is his distinction between outsourcing and contracting out?
- ii. What are the possible major benefits of outsourcing?

## VII. SUGGESTED LESSON PLAN

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Time (Minutes)	Activity	Methodology	Support Activities
15	1. Review and Overview	Lecture and Q&A	Chapter 1, SLIDE 1-2, SLIDE 1-3, & SLIDE 1-4
10-40	2. Recognizing Opportunities	See NETA Lesson Plan #1	SLIDE 2-5 & SLIDE 2-6
10-20	3. Major Trends	Lecture and Class Discussion	SLIDE 2-8, & SLIDE 2-9,
10-30	4. Market Trends Create Opportunities	Group Brainstorming and Class Discussion	SLIDE 2-10 & SLIDE 2-11
15	5. Life Cycle Stages	Lecture and Class Discussion	SLIDE 2-12
15	6. Networking Break		
10-30	7. Market Segmentation	Lecture and Group Brainstorming	SLIDE 2-13
10-30	8. What Business Are You Really In?	See NETA Lesson Plan #2	SLIDE 2-15
10	9. Develop Your Pitch	Lecture and Group Discussion	SLIDE 2-16
10	10. Summary, Case Study, Q&A, and Preparing for Chapter 3	Lecture and Class Discussion	SLIDE 2-18 & SLIDE 2-19

## VIII. SUGGESTED ACTIVITIES

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### Activity 1: Review and Overview

1. Review Chapter 1 and answer any questions. (Show SLIDE 1-2, SLIDE 1-3, SLIDE 1-4 and SLIDE 1-25, if necessary.)
2. Introduce Chapter 2 and show and explain SLIDE 2-2 and SLIDE 2-3. This chapter takes students into researching market trends and

opportunities. You may want to remind them that there is plenty of available information and various resources for seeking it out.

### **Activity 2: Recognizing Opportunities**

See NETA Lesson Plan #1

### **Activity 3: Market Trends Create Opportunities**

1. Show SLIDE 2-8 and explain that major trends can be categorized into six “SEPTIC” categories.

**Note:** Some instructors use the “SEPTIC” acronym to help students remember the six categories. The major point here is that any one of these trends can create opportunities. You may want to stress the importance of the boomer trend. A list of opportunities is shown on page 38.

2. Show and explain SLIDE 2-9.
3. You may want to note that Action Step 11, page 41, will help students get started on the process of identifying change, subsequent trends, and market opportunities. Action Step 12, page 45, will help students come up with their own list of trends and opportunities.

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

1. Show students **only the trends** column of SLIDE 2-9.
2. Break the class into groups to brainstorm at least one opportunity resulting from each of the trends shown in SLIDE 2-9. Allow about 15 minutes for class brainstorming.
3. Review the class answers. You may want to get a student to mind map the class brainstorming ideas.
4. Show and briefly review some suggested answers provided in the **opportunities column** of SLIDE 2-9.

### **Activity 4: Life Cycle Stages**

1. Show and explain SLIDE 2-10. One example of each life cycle stage is provided. (This slide is based on Figure 2.2, page 45.) You may want to ask students to think of more examples.
2. Action Step 13, page 46, will help students match the life cycle stages with the trends they have discovered.

### **Activity 5: Networking Break**

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

### **Activity 6: Market Segmentation**

1. Show SLIDE 2-11. Explain that once a person becomes familiar with market trends (demographic and industry), the next step is to try to break down potential markets into as many “digestible” sub-segments as possible.
2. Mind mapping is a technique that can help students identify niche opportunities or market gaps. Figure 2.3, page 48, is an example of how to mind map one segment of the health industry. You and your students may wish to do an exercise on mind mapping other opportunity segments.
3. Action Step 14, page 49, will help students look for segments and market gaps.

#### **Optional group activity (20-30 minutes)**

1. You may wish to split the class into groups to brainstorm some opportunities arising from the growth of the 50+ year-old segment.
2. Mind map the results. (You may want to have a student do this.)
3. You may want to conclude this discussion by asking students to take a look at page 39 for a short list of opportunities arising from the boomer market.

### **Activity 7: What Business Are You Really In?**

See NETA Lesson Plan #2

### **Activity 8: Develop Your Pitch**

Show and explain SLIDE 2-13. Action Step 15, page 51, will help students formulate an elevator pitch for their business.

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

1. Recap the key points for each objective (using SLIDE 2-2 and SLIDE 2-3 if necessary).
2. Encourage students to complete the Business Plan Building Block on page 52.
3. Show SLIDE 2-18 and SLIDE 19 and encourage students to complete the Checklist Questions and Actions to Develop Your Business Plan, page 53. You may also want to briefly review the Think Points for Success, page 51.

4. Show SLIDE 2-20 and encourage students to complete the case study questions. Answers to the case study questions are contained in Section IX below.
5. Respond to any questions that students may have.
6. Encourage students to go to the Nelson Small Business site: [www.knowlescastillo6e.nelson.com](http://www.knowlescastillo6e.nelson.com). Click on to the Test Yourself link and complete the true or false/multiple choice, short answer, and matching exercise for Chapter 2.
7. Have students read Chapter 3 in preparation for the next lesson. Some instructors may want to encourage students to also prepare a mind map of key points contained in Chapter 3.

## IX. CASE STUDY

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*Note:* This case study will help students put to practice their knowledge of the learning opportunities of Chapter 2. Some instructors may wish to use this case for a one-hour tutorial type seminar. As we discussed in the opening vignette and Chapter 1 case study, Garrison Guitars has become a raging success story. We can all learn from Chris Griffith's experience.

Now we want you to dig a little deeper, go back and link onto the following sites:

- Innovation in Canada: Garrison Guitars case profile:  
<http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04209.html>
- Innovation in Canada, The Practice of Innovation Facilitator's Guide:  
<http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04194.html>
- Web cast video profile of Garrison Guitars, based on interviews with principals of the company:  
<http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04697.html>
- Garrison Guitars: <http://www.garrisonguitars.com/history.asp>

### Case Questions and Answers

#### 1. Entrepreneurial skills (e-skills)

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

- a. Briefly, what is brainstorming?

**Answer:**

According to the text, brainstorming is a free and open exchange of ideas.

- b. Trends create opportunities. Brainstorming is a skill that can be learned with practice. Get together with a group of friends or classmates. Brainstorm the

possible trends that would help Chris Griffiths be successful in the manufacturing and distribution of guitars? Record your results in the form of a mind map.

**Answer:**

*Note:* Refer students to page 28 on brainstorming. Emphasize that every idea is a good idea. Encourage students to get as many ideas as possible—even if the ideas don't seem plausible. The so-called "good ideas" can be sifted out later on. To get more information on trends, encourage students to link on the "trend" sites provided in Box 2.2, page 34.

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

Here are some plausible and not so plausible brainstorming responses:

- e-commerce (textbook)
- exporting (textbook)
- downsizing (textbook)
- technology (textbook)
- trend toward big box outlets (maybe get students to link on to "what are your goals for 2005":  
([http://www.fastcompany.com/fast50\\_05/profile/?griffiths219](http://www.fastcompany.com/fast50_05/profile/?griffiths219) )
- boomer trend (hard to argue that Chris Garrison used this trend but brainstorms include all ideas not just realistic ideas)
- splintering of mass market (e.g., quality, service, mass customization)
- contracting out (some call this partnering)
- outsourcing
- cocooning (more leisure time)
- dynamic partnering (text)
- cutting costs (text)
- the vigilante consumer (ACOA site, Box 2.2, page 34)
- self improvement (ACOA site)
- manufacturing (Note: According to the ACOA website manufacturing is a growth sector in the Atlantic Provinces:  
(<http://www.acoa.ca/e/business/entrepreneurship/ideas/sectioniv.shtml>)

## **2. Trends create opportunities**

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

- a. Briefly, what is a trend? What's the difference between a trend and a fad?  
(Hint: Link onto ACOA's, "From Ideas to Business Opportunities" site provided in Box 2.2, page 34.)

**Answer:**

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

- b. Faith Popcorn is the author of *The Popcorn Report*, a bestselling book on market trends. She tells us that, ideally, a winning business idea should include or encompass at least three major trends. Five pervasive macro trends that Canadian small business must embrace were discussed on page 33. Briefly describe these five trends. Which of these five trends did Chris Griffiths take advantage of?

**Answer**

The five major trends described in this chapter are:

**1. Globalization and the resulting exporting trend**

The export market accounts for about 45 percent of Canada's gross domestic product (GDP). Today, one-third of Canadians owe their livelihood to the strength of the country's global economy. Small enterprises like Labelle Florists and Pacific Western Brewing Co., page 25, and winning *PROFIT* 100 companies are finding ways to capitalize on the fast-growing exporting trend. According to *PROFIT* magazine some 72 percent of Canada's fastest growing companies tapped the international market in 2004—up from 50 percent in 2001. Increasingly, “new breed” Canadian small businesses are seeking to participate in and benefit from this export trend.

As of March 2003, Griffiths' factory was building Garrison Guitars at a rate of 12,000 annually. His major markets were in the United States, Europe, and Japan (<http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04209.html>). As of 2005, Garrison Guitars had garnered 5 percent global market share. It was actively distributing to 35 countries worldwide and talks were in place with potential partners in many other countries including China, Hong Kong, Mexico, and Brazil.

**2. Technology**

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

According to the text, page 35, technological breakthroughs such as powerful personal digital assistants, e-books, and toxin testers continually remind us that we remain deeply embedded in the so-called technology revolution—one which will continue to change the way we live and work. Technology affects every aspect of small business today—distribution, marketing, products, and so on. Many of today's successful entrepreneurs such as Paul Schmitt with his 360-degree digital imaging technology are cashing in on this trend.

Garrison Guitars are constructed using the patented Griffiths Active Bracing System™ and the patented Griffiths Integrated Blocking System™. These innovations replace the more than 30 wood pieces found in traditional guitar bracing systems with one glass-fibre component.

The Garrison Guitars factory of today is a showcase for technological progress. It is equipped with the latest robotics, laser-cutting, computer-controlled milling, and ultraviolet finishing equipment. A unique projection-molding technology creates skeletal structures for guitars in 45 seconds, compared to the traditional assembly-line process, which takes between two and two and a half hours. (<http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04209.html>)

### ***3. Internet and e-commerce***

Most Canadian households and business are now connected to the Internet. Almost 65 percent of Canadian households and 82 percent of our private businesses are connected. However, the trend to sell on the Internet is just beginning. For example, only about 7 percent of Canadian businesses sell goods and services over the Net. But the Internet is more than a sales tool. Successful companies like Job Shark, Webview 360, and Labelle Florists are launching e-commerce (or e-business) strategies. E-commerce includes any business function or business process performed over electronic networks. E-commerce accounts for less than 1 percent of total operating revenues for private firms (2004). Clearly, the e-commerce trend is just beginning.

### ***4. Boomer trend***

The **baby boomers**, those born between 1947 and 1966 and composed of about 10 million Canadians, are now beginning to hit the big “60.” By 2010, half of them will be 55+, and 18 percent of them will be over the age of 60. There are all kinds of opportunities resulting from this trend. As this segment ages, not only in Canada but around the world, boomer needs will have a profound impact on sectors such as real estate, finance, health, and tourism.

In this case study, it is not clear how Garrison has taken advantage of this demographic trend. But, it could be argued that as the boomers retire they will have more leisure time and thus more time to play a musical instrument.

### ***5. Splintering of the mass market***

Today’s consumers are informed, individualistic, and demanding. Their buying habits are often difficult to isolate because they tend to buy at several levels of the market. Garrison Guitars uses its Web site to inform. This new vigilante consumer wants quality and service. Garrison guitars focuses on these consumer needs.

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

### 3. Mass customization

The new electronic era means that Canadians are becoming far better informed, with a resulting trend toward individualism. Many Canadians search the Net, get product and company information from around the world, and buy what they want at the click of a button. Electronic access to information is a key factor in the splintering of the mass market. We have now entered a growing trend called mass customization. In this chapter, we learned how Tanya Shaw Weeks took advantage of mass customization (page 31). Go to the Garrison Web site. Show how Garrison Guitars has now begun taking advantage of this new mass customization trend.

**Answer:**

Mass customization is the ability of a company to customize its products and services efficiently and cost effectively in large quantities. You might want to suggest to students that Unique Solutions Web site has an informative “White Paper” on the issue of mass customization in the apparel business entitled “Mass-Customization for Clothing: Where’s the Fit?”

([http://www.unique ltd.com/content/pdfs/white\\_paper\\_fit.pdf](http://www.unique ltd.com/content/pdfs/white_paper_fit.pdf))

In 2005, Garrison Guitars launched its Online Custom Shop. (See, Garrison Custom Shop link: <http://www.garrisonguitars.com/customshop.asp>.) The Garrison Online Custom Shop offers existing Garrison options in any configuration. According to Chris Griffiths “This is just the beginning of The Custom Shop. In the future, Garrison will add exotic tone woods including Koa, Brazilian Rosewood, and other custom features.”

### 4. Outsourcing and contracting out

- a. Click onto “What is Outsourcing” (<http://www.outsourcing-faq.com/1.html>) and watch the video. According to Peter Bendor-Samuel, a top authority on outsourcing, what is his distinction between outsourcing and contracting out?

**Answer:**

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

Contracting out is a process by which a firm or buyer purchases goods or services from another company (supplier or vendor). In this situation, the buyer owns and controls the process. When you contract out you tell a company exactly what you want and how it is to be processed or made. A good example of the distinction between outsourcing and contracting out can be found on: “Is ‘contracting’ or ‘contracting out’ just different terminology for outsourcing?” (<http://www.outsourcing-faq.com/2.html>).

- b. What are the possible major benefits of outsourcing?

**Answer:**

According to Peter Bendor-Samuel's "What is Outsourcing" Web cast (<http://www.outsourcing-faq.com/1.html>), the major benefits of outsourcing are:

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

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

- c. In the commercialization stage, did Chris Griffiths choose to take advantage of the outsourcing or contracting out trend? (See <http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04198.html>)

**Answer:**

For the most part, Chris did not choose to take advantage of the outsourcing or contracting out trends. According to this case study, there are three ways to acquire new expertise or technology: buy it, hire someone with the requisite knowledge, or persuade someone to show the way for free. Buying technology (through contracting out or outsourcing) is usually too expensive for smaller or younger companies, so the most common techniques are to hire the right people and ask a lot of questions of knowledgeable people.

Other reasons for not relying on outsourcing or contracting out include:

- Lack of funding. In the initial stages Chris did not have the capital to pay the high and risky start-up fees to a potential supplier. Garrison would have to rely on venture capital and its own employees.
- No immediate economies of scale.
- No known expertise.
- Desire to own and control the process.
- Desire to support the local economy. In the later stages of commercialization (1995) Chris was faced with stiffer international competition. To become more efficient, Chris relied mainly on in-house staff. "I sold my team on the vision of keeping shop in Newfoundland" ([http://www.fastcompany.com/fast50\\_05/profile/?griffiths219](http://www.fastcompany.com/fast50_05/profile/?griffiths219))

In 2004, Garrison Guitars announced a partnership with MOL Marketing—to improve the level of service and product support for the Garrison line in Canada. This could have been a possible outsourcing arrangement. In 1995, Chris Griffiths announced his intention of building a line of guitars for sale in big box stores. This MOL partnership may be the mechanism for Garrison to service these types of distributors. In 2007, Chris sold his company to Gibson Guitars Corporation.

## 5. Building an effective Web site

Link on to the Manitoba efuturecentre “Building an Effective Web Site: [http://www.e-future.ca/manitoba/en\\_CA/pdf/building\\_an\\_effective\\_website.pdf](http://www.e-future.ca/manitoba/en_CA/pdf/building_an_effective_website.pdf). What are eight common sections and pages that should be contained on an effective Web site? Evaluate the Garrison Guitars home page based of these criteria.

### **Answer:**

The main point here is to get students to start thinking about what they would like to see on their own Web site. Web sites keep changing, so the answer below may differ from the time that students link on to this site. At the time of review (2006), we gave this site a “C” rating at best.

You might want to encourage students to rank each of the criteria on a scale of 1–10 (1 = poor and 10 = excellent). We have rated Garrison on this basis and the result was 36/80. At the time of review, it is our opinion that the site needed considerable improvement. This may change and we will keep you updated. However, it is a good lesson for students. Even successful firms have room for improvement.

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

### **1. About us**

**Basic requirements:** You should include a brief overview of your company, what you do, your key staff, and a brief history of your company (how many years in business, etc).

**Garrison site:** Did not contain an “about us” link but some of this information was contained on the company link: (<http://www.garrisonguitars.com/company.asp>). At the time of review, key staff was not included. This site could do with an update. (our rating 6 out of 10)

### **2. Products and services**

**Basic requirements:** You need to tell people what you do and provide detailed information about each of your company’s products or services (how to order, reasons to buy, client testimonials, etc.)

**Garrison site:** Yes, this site provided decent information on the guitars—models, features technology, warranty, and care.

( <http://www.garrisonguitars.com/guitars.asp>). The site also included information on how to order, reasons to buy, dealer location, and a good section on testimonials.  
(our rating: 8 out of 10)

### **3. Frequently asked questions (FAQ)**

**Basic requirements:** A well-developed FAQ page can provide answers to your clients' most common questions.

**Garrison site:** This section was not available (coming soon) at the time of this review. We expect that eventually this will be available.  
(our rating for now: 0 out of 10)

### **4. Customer support**

**Basic requirements:** You should tell visitors about your product and service support. It's also a good idea to provide contact information for support staff.

**Garrison site:** Contained basic information in the warranty link (<http://www.garrisonguitars.com/guitars.asp>)  
(our rating: 7 out of 10)

### **5. Contact information**

**Basic requirements:** Your customers have to be able to contact you. This section should contain all relevant contact information (company name, mailing address, phone, fax, e-mails).

**Garrison site:** This information was provided on the "contact" link (<http://www.garrisonguitars.com/contact.asp>). It was well done.  
(our rating: 9 out of 10)

### **6. Value-added content (news, events, resource information, etc.)**

**Basic requirements:** A regularly updated Web site can encourage visitors to return often. A common strategy is to include news articles that provide company and related industry information, or a free, valuable offer.

**Garrison site:** This site had the basic requirements including an online newsletter, players, news articles, and careers. At the time of review this section could be improved to include more events, freebies, contests etc.  
(our rating: 6 out of 10)

### **7. Site map or search function**

**Basic requirements:** You can include a site map that provides links to the major sections in your site. If your Web site is large, consider integrating a search function.

**Garrison site:** At the time of review, the site map was not available.  
(our rating: 0 out of 10)

## **8. Privacy policy and legal information**

**Basic requirements:** Including and abiding by a good privacy policy in your site tells people you care about their privacy. You should also include any relevant legal or “terms of use” information in your site.

**Garrison site:** At the time of review, no link existed.  
(our rating: 0 out of 10)

## **6. What business are you really in?**

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

a. Who is the target or major customer of Garrison Guitars?

**Answer:**

The end-user for Garrison Guitars are those people with a love for playing guitars who want quality sound at a reasonable price. Garrison Guitars real target customers are distributors. These are businesses who sell the guitars to the end-user.

b. What business is Garrison Guitars really in?

**Answer:**

Garrison is really in the manufacturing and distribution business. It is in the business of manufacturing the highest quality guitars at the lowest prices for a worldwide distribution partnership network that sells and services its value-added products.

You might want to explain to students that Garrison guitars is not just in the manufacturing business. It can manufacture the best guitars at the lowest prices, but if its distribution business is not in place, it will not have the world market it needs to sell its product. Garrison must also develop a distribution network model that provides value-added service such as warranties, sales support, and training. For example, to improve the level of service and product support for the Garrison line in Canada, Garrison Guitars announced a partnership with MOL Marketing (in 2004).

## **7. Pitching your product**

Chris Griffiths spent several years perfecting and developing his idea. When it came time to manufacture his guitars, he needed venture capital—\$250,000—to build his prototype, and a further \$3 million to build a factory and complete the commercial implementation phase. Assume for a moment that you are Chris Griffiths of Garrison Guitars and you now need the \$3 million. You have to satisfy

the needs of your potential venture capitalists, and you do not have much time to convince them. You need an elevator pitch.

a. What is an elevator pitch?

**Answer:**

**Elevator pitch:** According to the text, page 50, an elevator pitch is clear, concise description of your business idea that can hook your listener (in this case, a venture capitalist) into responding “tell me more.”

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

*Note:* You may want to refer students to the ACOA “Venture capital” site [http://www.acoa.gc.ca/e/financial/venture\\_capital\\_doc.shtml#4\\_1](http://www.acoa.gc.ca/e/financial/venture_capital_doc.shtml#4_1)  
This site summarizes needs and requirements of a venture capitalist.

**Answer:**

The major needs of the venture capitalists in this case were:

- A successful entrepreneur with a vision of where he wanted to take a company that was export market oriented, and had developed a new technology. (For example, refer to the comment by David King: (<http://innovation.ic.gc.ca/gol/innovation/site.nsf/en/in04722.html>.)
- A growth market. According to Chris Griffiths there was a “double digit demand for acoustic guitars with strong potential for exporting.
- A well defined target customer with proof that the customer is prepared to buy.
- A well defined product or service.
- A product/manufacturing process that could not be easily replicated or duplicated.
- A skilled and well-balanced management team.
- A well thought out business plan.

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

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

**Answer:**

According to the text, page 50, the key issues addressed in an elevator pitch are:

**1. What is the market?**

- What is your product or service?
- What are the features and benefits?

- What are the driving trends? Why does your target market need that product or service?

**2. How does your business satisfy this market need?**

- What is your competitive advantage?
- Who is your competition and why will your customer buy from you?

**3. How do you, the business, and the target market benefit from this venture?**

- How will your business satisfy its financial objectives—make money?
- Why will your customer be happy to buy your product or service? (Price? Service? Convenience?)