

Mentorship Workshop for Young Entrepreneurs Unemployed Youths Africa

February 6, 2021

MODULE 5

December 26, 2020 to May 21, 2021

Industry Overview And Trends

Technological Trends

Build your resilience with values & vision

Do the essential with mission & goals

Be competitive with timely targets

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BUSINESS PLAN TEMPLATE FOR ENTREPRENEURS

Instructions

The template is - a reference only

Not all sections are relevant - You may need to modify to your needs

- Ideas for what to write (in red)
- Write simply and CONCISELY – bullet points
- Avoid repetition
- Business Plan
 - NOT a static document
 - review REGULARLY
 - adjust to CHANGING conditions

New Co. Inc.

Business Plan

(SAMPLE)

Prepared

February 11, 2020

Contact information

(INSERT NAME HERE), (INSERT TITLE)

Tel:

Email:

Website:

Business address

(INSERT FULL POSTAL ADDRESS)

BUSINESS PLAN TEMPLATE FOR ENTREPRENEURS

TABLE OF CONTENTS

Business Overview

- 1. Business Description**
- 2. Mission, Vision, Values**
- 3. Industry Overview And Trends**
- 4. Technological Trends**
5. Government Regulations
6. The Market
 - 6.1 Overview Of Market Trends
 - 6.2 Target Market
7. Products And Services
8. The Competition
 - 8.1. Competitors And Types Of Competition
 - 8.2. Competitors' Strengths And Weaknesses
 - 8.3. Competitive Advantage And Differentiator

3. Industry overview and trends

Include here:

- Practices in the industry, or market where you sell, that could impact you positively or negatively.
- Has there been a pick up in demand for a product or service?
- Is there a demographic shift in the age, gender etc. of customers?
- Is the current product or service line at risk of becoming out dated, compelling you to change?
- Are there new competitors emerging?
- Are there regulatory, tax or trade law changes that could affect your business?

Perform a 3 factor industry analysis:

1. Identify the underlying forces impacting the industry;
2. The general attractiveness of the industry; and,
3. The critical factors that determine a company's success within the industry.

3. Industry overview and trends

Industry Analysis

A tool that helps a business:

- Position relative to other businesses with similar products and/or services.
- Determining the forces driving your industry sector is a critical ingredient for effectively planning strategy.

Industry analysis enables small business owners to

- Identify the threats and opportunities facing their businesses
- Focus resources on developing unique capabilities that provide a competitive advantage.

Too many small business owners consider themselves observers in their industry

3. Industry overview and trends

Understanding your industry helps you to

- Identify your competitive advantage
- Anticipate future trends and directions
- Identify the factors that will help you to succeed
- Gain the knowledge needed to react to and control your niche in the industry
- Identify the difference between you and your competitors in dealing with industry forces

An industry analysis examines the:

- Underlying forces operating in the industry
- Overall attractiveness of the industry; and

Critical factors that determine a company's success within the industry

3. Industry overview and trends

Ratio Analysis

- Used to compare a particular business with the average of all participants in the industry
- Ratios are calculated by dividing one measurable business factor by another, total sales divided by number of employees, for example.
- These ratios may be calculated for an entire industry with data available from reports and papers published by government agencies
- Comparing a particular ratio for one company with that of the industry as a whole enables understanding where the business stands in comparison with the industry average
- Example, a nursing home business can compare its "payroll per employee" ratio with the average for all residential care operators in the province or nationally to determine if it is competitive

3. Industry overview and trends

The 5 Industry Forces

"The collective strength of these forces determines the ultimate profit potential in the industry, where profit potential is measured in terms of long term return on invested capital,"

Porter stated. "The goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against these competitive forces or can influence them in its favor."

Understanding the underlying forces determining the structure of the industry can highlight the strengths and weaknesses of a small business, show where strategic changes can make the greatest difference, and illuminate areas where industry trends may turn into opportunities or threats.

3. Industry overview and trends

1. New competitors

The ease of entry into an industry depends upon two factors:

- The reaction of existing competitors to new entrants; and
- The barriers to market entry that prevail in the industry

Some of the major barriers to market entry include

- Economies of scale
- High capital requirements
- Switching costs for the customer
- Limited access to the channels of distribution
- A high degree of product differentiation, and
- Restrictive government policies.

3. Industry overview and trends

2. Power of Suppliers

Suppliers can gain power when:

- An industry relies on just a few suppliers
- There are no substitutes available
- There are switching costs associated with changing suppliers
- Each purchaser accounts for just a small portion of the suppliers' business
- Suppliers have the resources to move forward in the chain of distribution and take on the role of their customers.
- Supplier power can affect the relationship between a small business and its customers by influencing the quality and price of the final product.

3. Industry overview and trends

3. Power of Buyers

Powerful buyers can exert pressure on small businesses by

- Demanding lower prices
- Higher quality
- Additional services
- Playing competitors off one another

The power of buyers tends to increase when

- Single customers account for large volumes of purchase
- Substitutes are available
- Costs associated with switching suppliers are low
- Buyers have the resources to move backward in the chain of distribution

3. Industry overview and trends

4. Availability of Substitutes

All businesses compete with industries producing substitute products

Substitution:

- Place a ceiling on the prices a business can charge
- Occurs when a customer believes a similar product can perform the same at a better price
- Can be subtle – Example: insurance agents gradual move into investment field controlled by financial planners
- Can be sudden – Example: CDs replacing Vinyl records.

The main defense against substitution is product differentiation. .

3. Industry overview and trends

5. Existing Competitors

"The battle against competitors is one of the strongest industry forces to contend with. Competitive battles can take the form of:

- Price wars
- Advertising campaigns
- New product introductions
- Expanded service offerings

All of which can reduce the profitability of firms within an industry.

Intensity of competition tends to increase when there are:

- A number of well-balanced competitors
- A slow rate of industry growth
- High fixed costs
- Lack of differentiation between products
- High exit barriers—including specialized assets, emotional ties, government or social restrictions, strategic interrelationships with other business units, labor agreements, or other fixed costs—which make competitors stay and fight even when they find the industry unprofitable.

3. Industry overview and trends

Include here:

- Trends within your industry or market that could impact your business for the better or the worst?
- Have you noted an increase in demand for a product or service?
- Is there a demographic shift in your customer base?
- Is your product or service getting outdated compelling you to change?
- Are there new competitors emerging?
- Are there changes in regulations, tax or trade laws that will impact your business?

New Co. Inc. (EXAMPLE)

The Canadian home renovation market is worth billions of dollars.

- About one quarter of homeowners replace windows and doors as part of their renovations.
- An aging population tends to stay home more and invest in comfort
- Market niche is buffered against fluctuations in the real estate market.
- High quality doors and windows add both resale value and comfort.
- Environmental consciousness:
 - Appeal of wood, a natural product, remains strong as consumers move toward eco-friendly design.
 - Our use of eco-friendly glues is a selling point for the eco-conscious consumer.
 - Various governments have introduced eco-renovation rebates for homeowners.
 - Repair and remodeling investment is steady.
 - Custom products, such as those from New Co. Inc., tend to be protected from fluctuations.

4. Technological trends

Include here:

- Any new technologies disrupting your industry?
- Your plan to deal with emerging technological trends in your industry
- The technology are you using and how do you maintain this?
- How do your suppliers and customers use technology? Are there changes?

Technology can affect internal and external processes along the supply chain.

Write here...

Describe how you are Integrating new technology, as well as information and communication systems into your company to gain a competitive edge.

How can new technology increase productivity and profitability.

4. Technological trends

Greatest opportunities often arise in times of crisis

- COVID-19 showed limits of globalized manufacturing
- Localized production could create greater resilience
- Manufacturing, sourcing, ordering and transport – automated - error-less
- More transparency - helps managers make better decisions
- Promote higher ecological standards with lower carbon footprint
- Opportunity to dominate or create completely new categories
- Smaller players have advantage over large corporations hurting from upheaval

4. Technological trends

How will Industry 4.0

- Significantly boost productivity.
- Reduce costs and improve product quality
- Monitor and control machinery and equipment in real time with sensors at every step of the production process

Technology could allow you to:

- Check production at every step of the process
- Improve quality
- Reduce or eliminate downtime, because data from equipment tells when a machine needs maintenance or is about to break down.

4. Technological trends

How to improve business productivity

Productivity generally refers to

- How well a business converts input (such as labour, materials, machines and capital) into goods and services or output.
- Today increasing productivity means working smarter

Before buying equipment, determine current and future business needs.

Ask yourself:

- Would it be better to rent equipment?
- Will the equipment give you good results?
- Will this acquisition be a long-term investment?
- Will you use all the features, or are they simply gadgets?
- Have you considered the costs of training employees on new equipment?

4. Technological trends

Use technology to improve your operations

Consider web-based technologies to

- Improve operations
- Increase market share
- Prevent customer-service problems.
- Aggressively pursue cost reduction or greater efficiency
- Enable online buying for more competitive pricing & reduced paperwork.
- Set up inventory control systems to reduce inventory, improve profitability and speed up customer response time.
- Integrate inventory with purchasing, accounts and business systems to track order status
- Identify peak and low periods, to adjust supply purchases and better manage working capital.

4. Technological trends

Tips to help you make the right equipment purchase.

1. Assess your business reality

It is important to understand your objectives.

- Are you looking to increase productivity?
- Will the equipment make you more successful in the marketplace?
- Will it help you stay ahead of your competitors?

2. Get an external point of view

Look at factors such as capacity, employee usage and current resources.

Do a cost-benefit analysis to justify purchase and determine pros and cons.

3. Invest in digital technologies

Main driver of productivity growth is - capacity to predict and prevent downtime; and to optimize equipment effectiveness and maintenance.

4. Technological trends

Tips to help you make the right equipment purchase.

4. Create a technology roadmap

Rather than make isolated purchases, look at the overall needs of your business and plan for the long term. .

A technology roadmap aligns business objectives to long- and short-term technology solutions

5. Shop around for suppliers

Get information from the Internet, equipment companies, trade shows and industry associations

Don't let price alone be your guide

Consider post-sales service and a supplier's reputation

Ask for better warranties or an extended customer service plan.

6. Keep training in mind

You may need to train employees and still be sure your operations can run at capacity.

4. Technological trends

Tips to help you make the right equipment purchase.

7. Do you buy or lease the equipment

Leasing or renting may be appropriate for equipment that quickly becomes obsolete or is needed for a specific project. Renting can make your payments lower.

8. Think safety first

A healthy and safe equipment operations environment can increase productivity

9. Keep it green

Purchase equipment or technology that is energy efficient to save money and contribute to the health of the planet

4. Technological trends

Include here:

- Are there new technologies disrupting your industry?
- What your plans are for dealing with emerging technological in your industry?
- What technology are you using and how do you maintain it?
- How do your suppliers and customers use technology? Is there change?

Technology can affect both internal and external business processes

New Co. Inc. (EXAMPLE)

3D printing has become the norm for prototypes in the millwork industry

- More time spent with customers in the design phase, as customers request higher levels of **customization**.
- New Co. Inc. has purchased a 3D printer and plan to purchase an additional one as export sales increase.
- **Online platforms** has increased competition from vendors and manufacturers outside of Canada
- **Data on customers, suppliers and orders** is now integrated into all processes and connected to machines, which automate inventory, staffing requirements.
- New Co. Inc...’s website has an inbound marketing strategy that allows it to compete comfortably in the **online marketing** world to remain the first choice for Canadian and worldwide customers.
- Focus on specifications of products, photos and stories of real installations to give customers an authentic experience of our product.