

SAVVY ENTREPRENEURSHIP

1

The Savvy Entrepreneur

LEARNING OBJECTIVES

- Identify the small-business owner as an entrepreneur
- Recognize entrepreneurial business opportunities
- Create a business model that leads to profitability
- Describe the mechanisms used in small business
- Exhibit the lifestyle of the small-business entrepreneur

Small-Scale Business Owners Are Entrepreneurs

Case Study: Early Dawn Confections

- Envision a dream
- Further education
- Start small: farmers markets
- Consider expenses
- Understand the market



Entrepreneurial Opportunities

Tips:

1. Pick a profitable audience.
2. Build a simple foundation.
3. Focus on what works for you.
4. Get exposure.
5. Offer value and charge what you are worth.
6. Study what's working and scale.

Entrepreneurial Opportunities (cont.)

Use the “disruptive lens”

- Can the process be done faster?
- Can the process be done with less cost and more sales?
- Are there more environmentally friendly resources?
- Does the process target all consumers who would be interested?

Entrepreneurial Opportunities (cont.)

Three ways to identify an entrepreneurial opportunity:

1. Existing jobs with limited providers
2. Low-end market opportunities of little interest to large players
3. New market opportunities



The Business Model

- The manner in which a business makes revenue
- Must consider resources:
 - Financial needs
 - Available time (resources needed)
 - Other available resources (like equipment and technology)
 - Risk involved (too much or too *little*?)
 - Competitors

The Business Model (cont.)

The Business Model Canvas:

1. Value Propositions
2. Customer Segments
3. Customer Relationships
4. Channels
5. Key Activities
6. Key Resources
7. Key Partnerships
8. Cost Structure
9. Revenue Streams



The Business Model (cont.)

- Be flexible
 - Susie Smith's Dak Bar and her focus on the needs of her customers
- Determine profitability
 - How is it calculated? $\text{ALL REVENUE} - \text{ALL EXPENSES}$
 - What's revenue? \$ FROM SALES
 - What sorts of expenses? FIXED, VARIABLE, DIRECT, INDIRECT



The Business Model (cont.)

Dak Bar profitability

- Profit per bar after direct expenses: \$2.40
- Monthly indirect costs: \$3,505
- Bars that need to be sold to cover direct and indirect costs:

$$\$3,505 \div \$2.40 = 1,460 \text{ bars}$$

MONTHLY INDIRECT EXPENSES	
Rent	\$1,500
Utilities/HVAC	\$400
Internet service	\$130
Packaging (in addition to direct packaging)	\$150
Transportation to retailers	\$350
Insurance	\$200
Health Inspection	\$75
Marketing/advertising	\$200
Miscellaneous	\$500
TOTAL	\$3,505

The Business Model (cont.)

Is there a market?

- Ask customers!
- Have customers try the product and then gather feedback.
- Determine how many units can potentially be sold daily (DAU) or monthly (MAU).
- Measure the experience as if you were a customer:
 - Is the product easy to order online?
 - Is the product easy to locate in a store?
 - Is the store clean?
 - Etc.



The Mechanics of the Business

- Know *why*: Fulfilling a passion? Solving a problem?
- Create a clear vision: Know today, envision tomorrow.
- Develop budgets and projections: Will this be profitable?
- Keep reports and records: Legal entities require it!
- Price fairly and competitively: Determine the value proposition.

The Balancing Act of the Entrepreneur



Stay Entrepreneurial

Consider Marjorie Perry's advice:

- Realize your passions.
- Be mindful in goal setting.
- Show up every day.
- Embrace creativity.
- Understand the role of rejection.
- Be open-minded.
- Embrace self-improvement.
- Be inspired.
- See the bigger picture.
- Rest.
- Celebrate milestones.
- Reward often.



CHAPTER SUMMARY

- Small-business owners are entrepreneurs working to bring their product or service to market.
- When analyzing entrepreneurial business opportunities, consider your finances, time, equipment, risk appetite, and competitors.
- In a profitable business model, revenue surpasses expenses; consider the business canvas.
- Small-business mechanisms and systems include policies, budgets, inventory management, employees, and operations.
- Being continually willing to evolve with an ever-changing market is key for the savvy lifestyle entrepreneur.