

Welcome

2013

Big Idea Challenge



WHAT'S YOUR
BIG IDEA?

Workshop #2

Customers, Competitors & Suppliers



Agenda

- 💡 Sign in sheets
- 💡 About the Center
- 💡 Big Idea Challenge Overview
- 💡 Competitors, Customers, Suppliers
- 💡 Questions and Answers
- 💡 Wrap Up



About Lamar University SBDC AND IES



LU SBDC's professional business consultants help you develop business plans and strategies, identify financing options, prepare loan packages and conduct financial check-ups using ProfitCents, a financial analytical software.



Institute for **Entrepreneurial** Studies
L A M A R U N I V E R S I T Y

To help develop and support an entrepreneurial culture on our campus.



What is a BIG IDEA?



**THE SKY
IS THE
LIMIT!**



What's the Big Idea?

- 💡 Lamar University, Lamar Institute of Technology, Lamar State College-PA, Lamar State College-Orange-wide program asking:

What's your big idea?

New Product

New Service

New Company

- 💡 Ideas are judged by members of the business and academic communities.
- 💡 Cash prizes awarded.



Why We Do This

💡 Students:

- Encourage entrepreneurial thinking.
- Real world feedback on your idea.
- Skills development.
- Nice resume addition.
- Cash prizes and recognition.

💡 Colleges:

- Showcase students in the community.
- Develop entrepreneurial culture.
- Involve business community in local college activities!



How it Works

1. Student develops bright idea.
2. Student completes two forms.
3. Student submits forms.
4. Judging panel selects top finalists.
5. Finalists present to judging panel.
6. Judges vote on top ideas.
7. Awards and networking reception.



Prizes

💡 **First Place:**

- \$3,000

💡 **Second Place:**

- \$2,000

💡 **Third Place(s):**

- \$1,000



Key Dates

- ~~2/21~~ ~~Introduction to Big Idea challenge~~
- 3/07 Customers, Competitors and Suppliers
- 3/21 2-minute Drill & Intellectual Property
- 4/03 Submission deadline- 5PM
- 4/09 Finalists notified
- 4/18 Finalists Workshops
- 4/27 Judging Day & Awards Reception



Submitting Your Idea

- 💡 Ideas are submitted in writing.
- 💡 Complete an entry form and terms & conditions form.

www.lamarbmt.sbdcnetwork.net

- 💡 Limited to 1000 words. No more!
- 💡 Ideas must be submitted by:
 - April 3, 2013
 - 5PM
 - Email to LUBigIdea@gmail.com



Entry Form

💡 Word Document.

💡 Covers:

- ❌ ~~Identification.~~
- ❌ ~~Idea title.~~
- 2-minute drill.
- ❌ ~~The Idea~~
- Customers.
- Competition.
- Suppliers.
- Benefits.
- Goals.

| BIG IDEA CHALLENGE ENTRY FORM FOR ACADEMIC YEAR 2012-2013 | |
|--|---|
| Idea Title: (Provide a brief, descriptive title for your idea.) | AUTHORS' NAMES, THE DATE AND TIME OF SUBMISSION, AND THE INFORMATION IN THIS CELL WILL BE POSTED ON THE CENTER'S WEBSITE DO NOT PLACE ANY INFORMATION IN THIS CELL THAT YOU WISH TO KEEP CONFIDENTIAL. (Authors may delete this warning when this form is filled out) |
| 2-Minute Drill: (Persuasively describe your idea very briefly and succinctly) | |
| The Idea: (Spell out the details of the idea. What is the product or service, and how will it be used?) | |
| Customers (Who will use your product or service? Who makes the purchase decision? What customer needs does your product or service satisfy?) | |
| Competitors: (Who are your competitors? Why is your idea better than what they offer? How will they react? What will keep them from squashing your business like a grape?) | |

Page 2 of 3




Terms & Conditions Form

💡 Word document.

💡 Agreement
between you and
Lamar University
SBDC AND IES:

- It is **your** idea.
- We will maintain confidence.
- Ability to publicize winners.



Terms and Conditions
Big Idea Challenge 2013

PLEASE READ CAREFULLY BEFORE SIGNING

1. If you are an author or co-author of a business idea entered in the *Big Idea*, you must print or type your name and student ID, and your signature on each page of this form, and fax, mail, or bring it to Lamar University SBDC. Your name and signature on this *Terms and Conditions* form indicates that you accept the terms and conditions stated herein. This form may not be altered in any way. Any alterations will cause the associated entries to be judged invalid.
2. Entries can include no more than 1,000 words, plus the words on the original form.
3. Each author must be a registered student of Lamar University, LIT, Lamar State College-Orange, or Lamar State College-Port Arthur at the time of entry submission.
4. Each author must put his or her name, student ID, and signature on each page of his or her own copy of the *Terms and Conditions* form, and mail, fax, or bring the completed form to the LU SBDC. Only one form is needed per author, even if that author submits more than one business idea. Forms must be received before 5:00 PM April 3, 2013. The Center's contact information is:

Lamar University Small Business Development Center
801 Pearl St.
P.O. Box 10067
Beaumont TX, 77710
Phone: (409)880-2367
Fax: (409)880-2201
www.lamarbmt.sbdcnetwork.net
5. Entries received after the deadline (April 3, 2013 by 5 PM) will not be accepted. Any entry that does not have a Terms and Conditions form signed by each author and placed on file by April 3, 2013 by 5 PM will be dropped from the competition.
6. No single person may be an author or co-author on more than 10 entries.
7. All ideas entered must be the original ideas of the author or co-authors, or done with explicit agreement of those who own the rights to the ideas, or those who contributed importantly to the development of the ideas. By signing this form, all authors indicate that the ideas submitted are their own original work, unless the entry form specifically states otherwise. Authors must be aware that any ideas developed in the context of their employment may have consequences for ownership of the ideas as a form of intellectual property.

| Name (please print clearly) | Student ID | School | Signature |
|-----------------------------|------------|--------|-----------|
| | | | |

Each page must be signed by the author

1



Who is Eligible?

💡 Any registered student at Lamar University, Lamar Institute of Technology, Lamar State College-PA or Lamar State College-Orange.

- Freshman to doctoral students!
- Apps to Zippers!

💡 Team or individual entries.

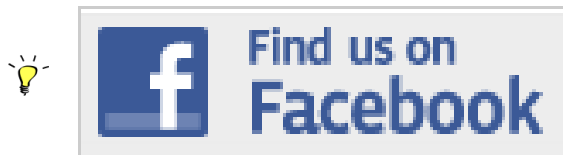


Resources

Lamar University SBDC Website

- Overview and Guidelines
- Entry Form
- Terms & Conditions Form

Workshops



 Please submit e-mail address to
LUBigIdea@gmail.com for e-mail updates.



A Competitive Idea

The 4 Anchors of a Good Idea

- 💡 The idea adds **significant value to the user** – it solves an important problem, or meets a significant want or need, and the user is willing and able to pay for it.
- 💡 The idea is **economically attractive** – it has high margins, low fixed costs, and good cash flows.
- 💡 The idea is **competitively attractive** – it goes up against weak, disinterested, or disorganized competitors, and is hard to copy or imitate.
- 💡 The idea **fits** the entrepreneur's life goals, values, knowledge and skills.



Competitive Advantage

- 💡 A firm has a competitive advantage when it implements a strategy competitors are unable to duplicate or find too costly to try and imitate (Hitt, Ireland, Hoskisson, 2009)
- 💡 The biggest single problem facing the startup is building advantages that competitors cannot or will not match over time.



Name some companies
that you feel have a
competitive advantage.
Why do they?

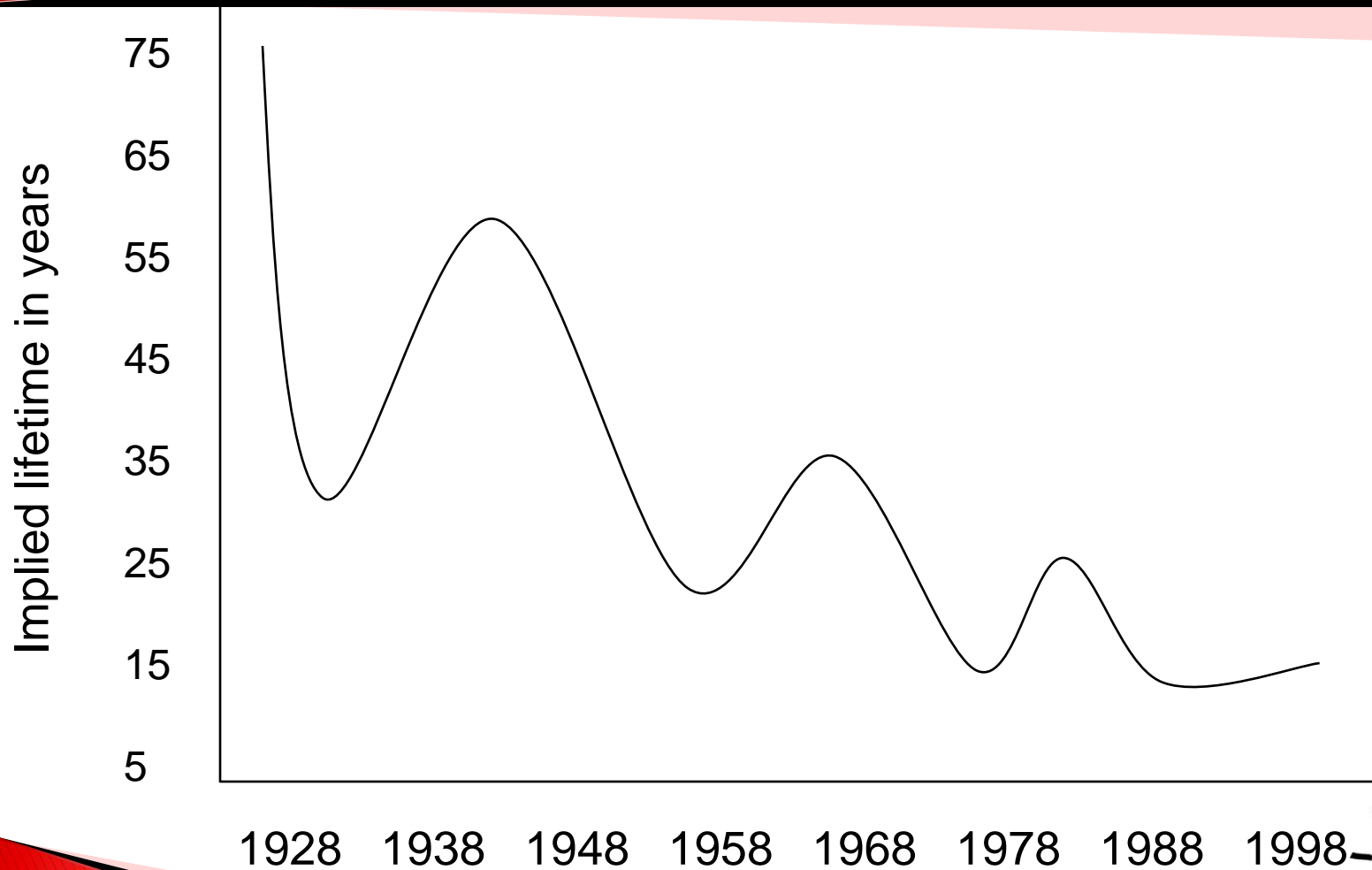
Does the environment matter?

💡 S&P 500

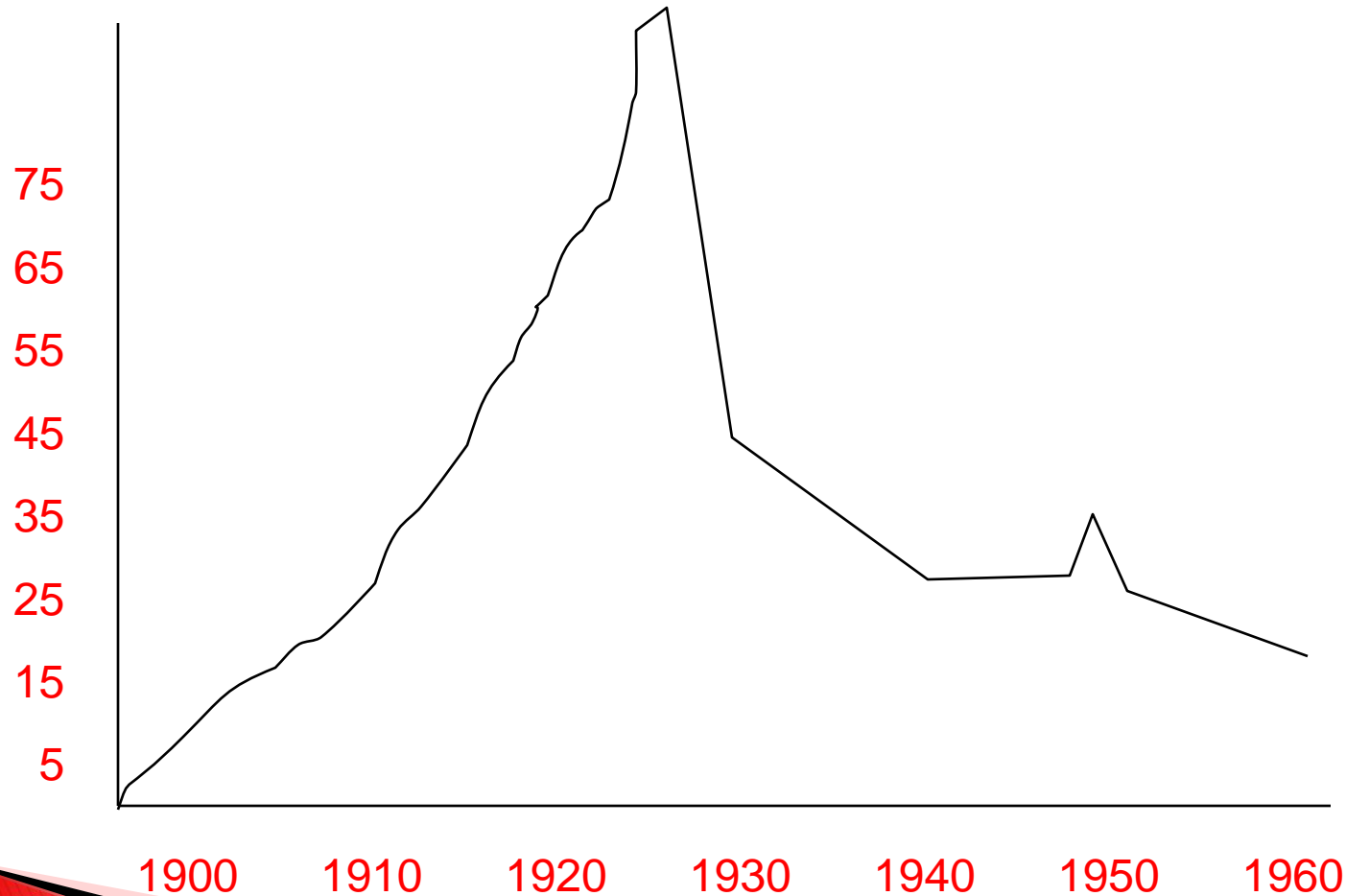
- What is it?



Average lifetime span of S&P 500 companies



Number of manufacturing firms in the US Auto Industry

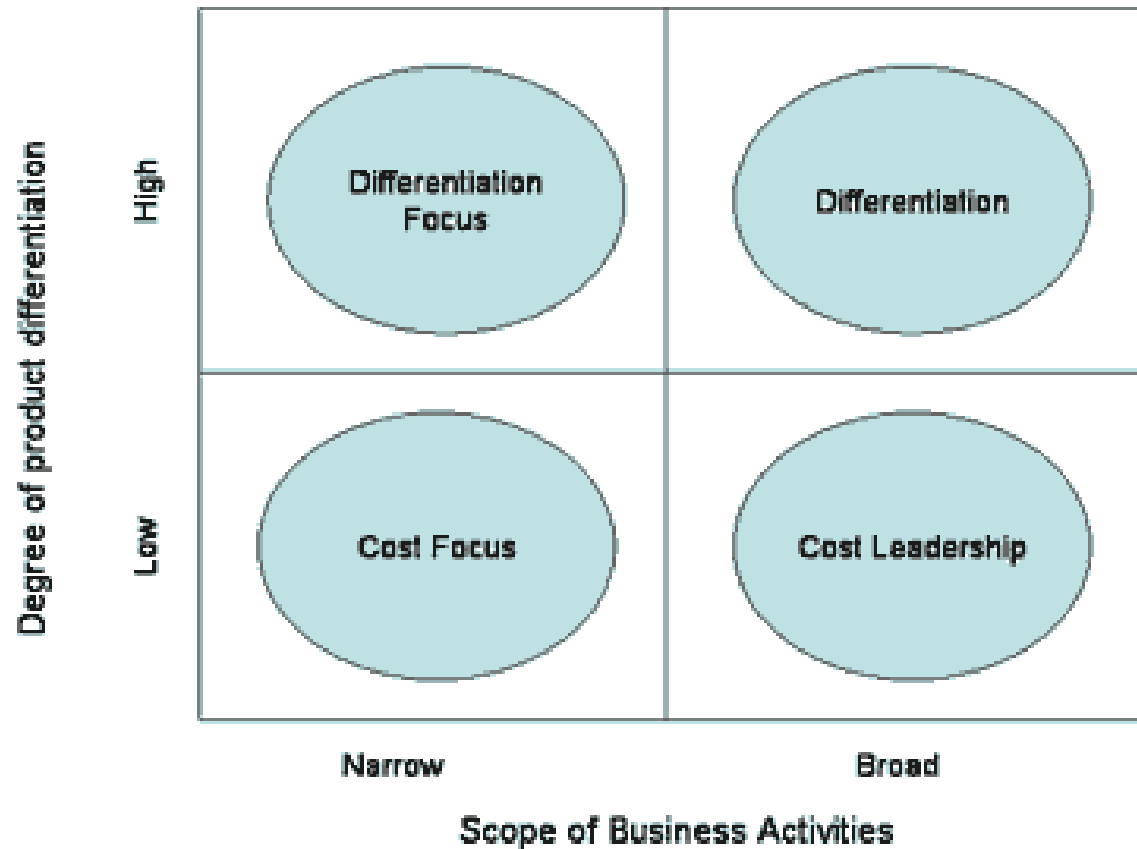


Realities of the competitive environment

- 💡 70 percent of all new products can be duplicated within one year
- 💡 60 to 90 percent of process improvement (learning) eventually diffuses to competitors
- 💡 Everyone knows competing on price is never sustainable.



Competitive Strategies





Krispy Kreme

\$1.23 / share



Focus Differentiation Strategy

THE STATION INN



WATCH THE TRAINS FROM OUR FRONT PORCH



McCafe



Customers

(Who will use your product or service?
Who makes the purchase decision? What
customer needs does your product or
service satisfy?)

Describe some instances of
lousy customer service
that you have experienced.



Customers – Who?

💡 You must clearly identify customer.

💡 Buyer or user?

- Medical device – who is the customer?
- Baby product – who is the customer?
- Key test- who writes the check to you?

💡 Buyer vs. Influencer.

- Identify and understand both.
- Understand the relationship.



Customer – Why?



💡 Why will...

- A user use?
- A buyer buy?
- An influencer influence?

💡 Benefits – the reason people will buy.

- Tangible benefits **VALUE**
- Soft benefits.

💡 Tangible, hard, quantifiable, real benefits are **REQUIRED**.

- Financially motivated.
- “Have to” motivated – regulatory.



Bargaining Power of Buyers

💡 The ability of your buyers to squeeze profits out of your business.

💡 A problem when:

- There are few buyers and many suppliers.
- Buyers purchase in large quantities.
- Buyers can switch suppliers at low cost.
- Buyers can easily backward-integrate.
- Buyers can buy from several suppliers at once.

💡 Examples: Wal-Mart; auto manufacturers.



Competitors

(Who are your competitors?
Why is your idea better than
what they offer? How will they
react? What will keep them
from squashing your business
like a grape?)

Who is a Competitor?

- 💡 Same product or service.
 - GM vs. Ford vs. Toyota vs. Honda vs...
- 💡 Substitute product or service.
 - Car vs. bus vs. cab vs. walking vs. airline



Step 1 – Identify Direct Competitors

- 💡 Who offers the directly competitive products or services?
- 💡 What is the profile of these companies?
 - Strong financially?
 - Strong technically?
 - Strong brand?
 - Entrenched in the market?
 - Aggressive reputation?



Rivalry

- 💡 The willingness of competitors to directly attack each other.
- 💡 When rivalry is strong, price wars are likely and competition is intense – low profits.
- 💡 When rivalry is weak, prices are easier to raise, and competitors don't fight over customers.
- 💡 One determinant: The number and relative size of competitors.
- 💡 The best way to enter a consolidated industry is under the radar screens of the big players:
 - A specialized product with a tiny market share



Step 2–Identify Substitutes

💡 Products from outside the industry that can serve the same purpose as the products from within the industry.

💡 Examples:

- Wood, plastic, and steel (structural materials).
- Pizza, hamburgers, tacos (low-cost meals).
- Coal, oil, and natural gas (sources of energy).
- Most forms of entertainment.



Step 3 – Identify Complementary

💡 Complementors are products, services that work along with your business, improving them in some way.

- Examples:

- Aps on iTouch
- Games on xBox or PS3
- Amazon and UPS



Step 4 – You vs. the Competitors

💡 Once you understand:

- Direct competitors.
- Substitute competitors.
- Complementors.

💡 Critically evaluate your position:

- Clear sustainable advantage.
- Clear advantage for now.
- **Oh Oh!!!!!!!!!!!!!!**

💡 Develop plan to build and exploit advantages or reconfigure



Suppliers

(Who are the suppliers your business will need? What are their interests? Will you need their direct support?)

What do you Need?

💡 Old saying- if your suppliers sneeze you will likely get the flu!!!!!!

💡 What will it take to produce your product or service?

- Direct costs:
 - Raw materials.
 - Facilities – manufacturing, warehouses, etc.
 - Transportation.
 - Labor.
- Indirect costs:
 - Sales and marketing.
 - Technical skills – engineering, science, R&D.
 - Management.
 - Facilities – offices.



Are There Supply Constraints?

💡 What about:

- Unique raw materials – limited supply, limited production capacity.
- Hard to find talent – engineers, scientists, programmers, etc.
- Regulatory issues – waste permits, zoning requirements.



Bargaining Power of Suppliers

💡 The ability of suppliers to squeeze profits out of your business. A problem when:

- There are few suppliers and many buyers.
- Buyers are not important customers to suppliers.
- Buyers can't switch suppliers easily.
- Suppliers can easily forward-integrate.

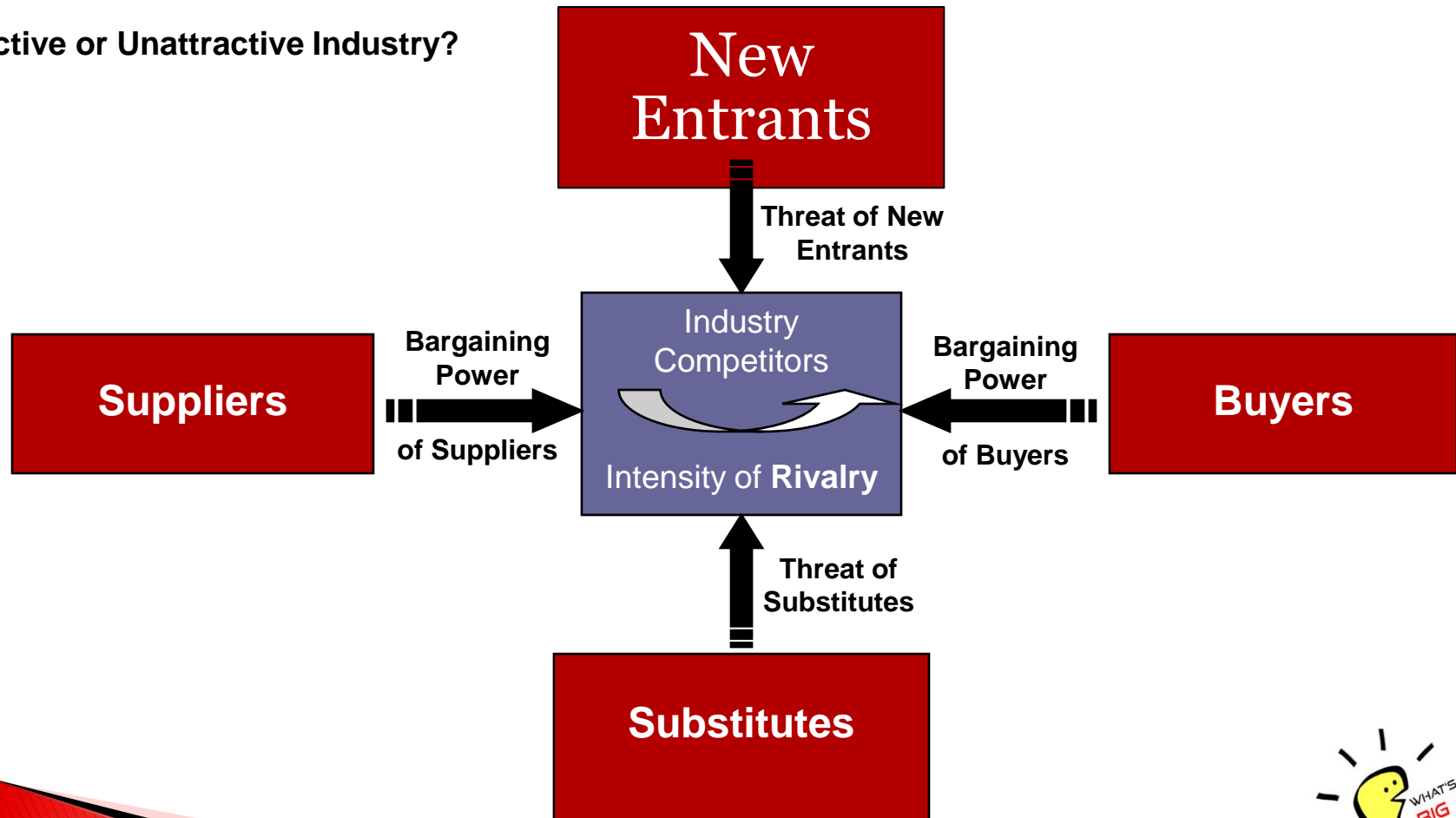
💡 Examples: Intel; Microsoft



In SUM

Analyze the BCS Pizza Industry

Attractive or Unattractive Industry?



Wrap Up

- 💡 If you don't have a strategy that leads to a competitive advantage that you can easily explain to someone you don't know well, either find another idea or refine yours further.
- 💡 If you think your business won't have competitors, think again!
- 💡 Be careful of entering a business that has buyers and suppliers who can squeeze profits out of your company.
- 💡 If you can't articulate quantifiable, real benefits, reconsider.



Wrap Up

- 💡 Entry deadline = **April 3** at 5 PM.
- 💡 Must submit two forms from Lamar University SBDC/IES website.
- 💡 Must be able to articulate idea in 1000 words or less.
- 💡 Get going...\$8,000 is waiting to get spent!



Key Dates

~~2/21~~ — ~~Workshop 1~~

~~3/07~~ — ~~Workshop 2~~

3/21 **Workshop 3**

3/03 Submission deadline- 5PM

4/09 Finalists notified

4/18 Finalists workshop

4/27 Presentation Day & Awards





Questions

Thank You

