

Username: Jon Hobart**Book:** Entrepreneurial Small Business, 4th Edition. No part of any book may be reproduced or transmitted in any form by any means without the publisher's prior written permission. Use (other than pursuant to the qualified fair use privilege) in violation of the law or these Terms of Service is prohibited. Violators will be prosecuted to the full extent of the law.

6. Small businesses that pursue a cost (or cost focus) strategy often do so by using a location in a very low-rent district, with the store itself made up of used furniture, no decorations, and a very no-frills atmosphere. What is the problem with such an approach? Can you think of other ways to achieve low-cost without encountering similar problems?
7. What is the competitive advantage of a business, and how does it lead to success?
8. In the life cycle of an industry, how can you tell when it has left the introductory stage and entered the growth stage?

EXPERIENTIAL EXERCISES



1. Go to the Online Learning Center and look for the Skill Module, "How to Generate Local Statistics from National Ones." Develop a set of statistical estimates for an industry in your area. If the census reports numbers for your area already, try the exercise using the same industry, but do it for "Lawn and garden equipment and supplies stores" (NAICS 4442) for Brattleboro, VT. Be sure to remember to include nonemployer businesses (alias the solo entrepreneur).
2. Look at local hamburger restaurants. How do they pursue imitative strategies, and where do they offer their innovations?
3. Pick five online businesses in the same industry. From their websites, see if you can identify what *they* think is their competitive advantage. Do you agree with their assessment? Why or why not?
4. Think of the life cycle of an industry. Give examples of industries that are at the different stages, and be ready to defend your classification.

MINI-CASE

Ronnie Scales had his heart set on an Internet consulting business specializing in SEO (search engine optimization), which involves getting websites the characteristics that help them appear high up in search result displays. Being on the first screen that people see can be worth a lot to a company selling on the web.

Ronnie had a strong background, with a bachelor's degree in MIS with a marketing minor from a university in his hometown of Dallas. He had worked in the university's lab, and had done web design and SEO for campus organizations, local nonprofits, and a few students with online businesses. When he tried a perceptual map with cost and value benefits like expertise, his firm did not do well. After all, he was new to the industry so his experience was not as great as a lot of his competitors. Also, since SEO can be done remotely, he was competing with firms in India and Eastern Europe who charged less than he did. He felt there had to be some advantages of being physically near to the customer, but he was not sure how to leverage it.

What sort of tactics could he use to better position his SEO business for success in such a crowded industry?

CASE DISCUSSION QUESTIONS

1. Considering the Porter model, from what sectors would Ronnie's competitors be coming? What kinds of threats do they pose to his business?
2. Pick two tactics from the list in Exhibit 7.2 and explain how they could be applied to Ronnie's business. Explain why you think those tactics would work.
3. Industry experts say that SEO is an industry on the rise. What are the implications for Ronnie as he plans to run his business?