Entrepreneurship ©2013

Chapter 5: Business Ownership—Checkpoint Solutions

Checkpoint 5.1

1. List some of the characteristics of a target market.

Answer: A target market will have specific wants and needs that the company can meet, people with the money to buy the goods or services, people willing to buy the product, and enough potential customers to make the business worthwhile.

2. A business will identify a market segment. What does this mean?

Answer: The process of dividing a large market into smaller groups. A market segment is a smaller group of people, families, businesses, or organizations with common characteristics or needs. One of the main purposes of market segmentation is to help a business determine its target market.

3. Explain why population density is important in market segmentation.

Answer: Customers may be grouped according to the population density of where they live. These geographic segments are urban, suburban, and rural. If a product appeals to people working on a ranch, the target market may be rural. If a product appeals to people who live in larger cities, the target market is urban.

4. Name three geographic segmentation variables.

Answer: 1. Region. 2. Population density. 3. Climate.

5. Name three psychographic segmentation variables.

Answer: (any three) 1. Activities. 2. Interests. 3. Attitude. 4. Value.

Checkpoint 5.2

1. What will market research help to accomplish?

Answer: Market research helps to define primary customers, identify growth opportunities, and learn about the competition.

2. Why do many researchers and entrepreneurs use secondary data first?

Answer: Secondary data are usually inexpensive and easy to find. In some cases, secondary data are free, such as the census data. Many researchers and entrepreneurs review secondary data first.

3. Name three sources of primary data.

Answer: *(any three)* 1. Interviews. 2. Surveys. 3. Diaries. 4. Experiments. 5. Observation.

4. Explain the difference between qualitative and quantitative data.

Answer: Qualitative data are data that provide insight into what people think about a topic. Quantitative data are the facts and figures from which conclusions can be drawn.

5. Why is it important to analyze data?

Answer: Raw data, by itself, is useless unless something is done with it. Analyzing the data helps draw conclusions about the hypothesis and to make sound business decisions.

Checkpoint 5.3

1. Explain what an indirect competitor is. Give an example of indirect competition between companies.

Answer: Indirect competitors offer different, but similar, products or services that could also meet the customer's needs. The products or services sold by indirect competitors could actually substitute for your products. For example, if your business sells fruit smoothies, an indirect competitor may be a store selling frozen yogurt. The businesses compete, but not directly. Student examples will vary, but should be similar to the fruit smoothie example above.

2. How does a competitive advantage benefit a business' customers?

Answer: A competitive advantage is giving customers greater value, better products, or something not offered by the competition.

3. What is a unique selling proposition (USP)? Upon what two factors might it be based?

Answer: The unique selling proposition (USP) is a statement that lists a business' or product's special features or benefits that highlight its competitive advantage. A USP may be based on price as well as nonprice factors.

4. What is the difference between a product's features and its benefits?

Answer: *Features* are facts about a product or service, but *benefits* are the reasons it will make customers' lives better.

5. How can you complete a competitive analysis?

Answer: As information is gathered about the competitors, keep it on a spreadsheet to easily see how they compare to your business. First, list the important features and benefits. These will include both price and nonprice factors. Next, list each direct competitor and describe their features or benefits in each category.