
**Macro changes that
increase new venture
opportunities**

Objectives

- Examine the relationship between change and the creation of opportunity
 - Recognize that a first step in identifying a valuable opportunity is identifying the *change or gap* that makes the opportunity possible
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Types of changes that increase new venture opportunities

- Changes in technology
 - Changes in social and demographic factors
 - Changes in industry structure
 - Changes in political and regulatory rules
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1. Technological Change

- One of the most important triggers of change, because new technology allows for the expansion of new innovations
 - Portable cassette players
 - ...leads to portable compact discs players
 - ...leads to the development of portable MP3 players
 - ...leads to the capability to play songs on cell phones
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Significant technological change can create entirely new markets

- The larger the technological change, the greater the opportunity for new businesses to be created
 - Larger magnitude changes affect more uses for technology, allowing the use of new technology in more things
 - Tremendous opportunity in general-purpose technologies => more products & more customers
 - The laser originally used in medical devices is now common in checkout counters and printers.
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Commercialization potential is a key influencer for profitability

- Commercial viability of change
 - Some new technologies have a large magnitude effect, but do not directly result in much commercial benefit
 - Effect of the technological change on industry dynamics
 - Alters how firms compete with one another
 - Capital intensive firm vs. low capital firm
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2. Social & Demographic Change

- Opens up opportunities for new technology businesses by altering people's preferences and creating demand for things where demand had not existed before.
 - Social trend
 - Production of deodorant was a result of public ideal that body odor was offensive.
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Demographic trends and perceptions

- Examples in U.S.: Aging population, increasing ethnic diversity, unhealthier society, etc.
 - Each trend offers new opportunities for products and services to serve these customers
 - Sample solutions: Assisted living centers, Spanish language radio, organic food stores
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3. Changes in Industry Structure

- Refers to the nature of barriers to entry & competitive dynamics in the industry
 - Four characteristics of industry structure
 - Capital intensity
 - Advertising intensity
 - Concentration
 - Firm size
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Sources of industry structure change

- Shifts can result from firms that supply other firms
 - Major customers may fade away
 - Firms can merge or acquire others
 - Shifts change the competitive dynamics in an industry and open up or close down niches that may provide opportunities for entrepreneurs
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4. Political & Regulatory Change

- Type of change creates opportunities because it is productivity enhancing.
 - Deregulation of the Bell telephone system, led to the creation of Nextel, T-Mobile, and Alltel.
 - In other cases, changes generated are not productive, but merely shifts value from one set of economic factors to another.
 - The subway increases the rate of its fares to cover for the loss of patrons riding the bus service.
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Summary

- Direct relationships exist between change and the creation of entrepreneurial opportunities
 - Identifying the *change or gap* that makes the opportunity possible is a first step to acting on the opportunity
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