

Entrepreneurs Must Realize All Business Types Have Challenges

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Entrepreneurs must understand the trends, competition, organizational challenges and skills needed to excel in a business.

Three major types of business are manufacturing, retail and service. Each has unique opportunities and challenges, but they also can overlap.

Manufacturing is the mass production of components and finished products. It's driven by the economies of scale concept: more goods are produced with the same machinery and overhead, lowering per unit costs and increasing profitability. Manufacturing isn't limited to large-scale operations. Small bakeries, specialty textile mills and microbreweries also manufacture goods for market.

Increased international competition, technological advances and rising labor costs have revolutionized the way the world builds things. Today's manufacturing trends include increased operation speed and flexibility, hiring and training multi-skilled employees with more responsibility, environmental issues and regulations and use of the Internet as a business tool.

Time is important to customer satisfaction. In the last five to seven years, manufacturing cycle times have compressed by more than 50 percent. To retain their market share and satisfy customer demand, manufacturers must redesign products and create new models more frequently. Like all business people, manufacturers must create a business strategy to decide when, where and how to produce their goods. Some of these planning issues include which geographic markets to serve, how to use technology, identifying target customer segments, deciding which channels of distribution to use and how to provide after-sales service and technical support.

Service businesses, which are the fastest-growing sector of the economy, provide expertise and convenience to customers. Hospitals, telecommunications providers and shipping companies are examples of service businesses. The most important trends facing the service industry are the downsizing of companies, higher expectations for service, targeting niche markets and obtaining and processing information.

More so than other businesses, the service business's strategy revolves around the customer. Service businesses need to make sure their customers understand the intangible benefits of their service. For example, employee trainers might focus on the higher work productivity and long-term savings their seminars provide. Service businesses are unique in that they can involve their customers in the design and delivery of their services. Doing

so allows customers to make valuable contributions to the organization's structure, policies and performance.

The retail business may be the most familiar to Americans. Today, nearly 30 percent of all new businesses are retail stores that buy merchandise from wholesalers or manufacturers and resell these goods directly to consumers. During the past 15 years more large-scale retailers and shopping malls have emerged.

Perhaps the single most important element that determines success in retailing is location. Large national retailers such as Home Depot or Wal-Mart pay market research experts millions of dollars to identify the spot where their business will have the best chances of succeeding. To choose a location, retailers must know where their target customers live, work and shop. They also must consider the type of merchandise they sell. Retailers who carry convenience goods locate themselves in convenient spots, while retailers who offer specialty products might not be as choosy about a central location because customers will be willing to travel further to find their product.

Customers demand quality service and merchandise from retailers. Careful selection of suppliers and manufacturers is the first step in ensuring quality in a retail venture. Excellent retail service is dependent on knowledge of the product, after-sale service and assistance, a fair return policy, home delivery, customized products or services and gift certificates, credit and check policies.

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SOURCE: Marilyn Schlake, program coordinator, Center For Applied Rural Innovation, Nebraska EDGE program, NU/IANR; NX Level Guide, 2000