**Opportunity Assessment Exercises TEACHER GUIDE**

(Updated: May 9, 2017)

**Discussion Questions**

Please be prepared to provide written responses and/or discuss the following questions:

1. What is the value proposition of a local restaurant? Why do people *ever* eat at a restaurant, when it is theoretically less expensive to buy food at the market and prepare meals yourself?

The restaurant's cook makes delicious food, sometimes dishes that you've never had before (or can't prepare capably yourself). The server makes the meal fun and convenient. And in return, you pay more than the costs of the ingredients. It's a great value proposition, one that's stood the test of time for centuries.

1. Pick your favorite local business - or the company makes your favorite product. What is their value proposition?
2. What is required to become a McDonald's franchisee?

McDonald's only works with franchisees that have over a million dollars in funding - but beyond just having funding, McDonald's franchisees must have experience in the restaurant business and a commitment to meet aggressive growth targets. McDonald's can be very demanding when selecting franchisees because their business concept is proven. McDonald's has made many entrepreneurs into millionaires.

1. What is the value proposition that a franchisor offers to prospective franchisees?

The franchisors gives the franchisee all the tools, processes and knowledge they need to be successful. It's a "start-up business kit" that the franchisee has confidence is proven-effective. In return for this "start-up business kit," the franchisee gives the franchisor an upfront payment (called the franchise fee), as well as various other fees (royalties on revenues and marketing fees are the most common).

For individuals who want to be entrepreneurs - but who don't have a driving vision of what they might accomplish - franchises represent a way to learn from the success of others . . . at a price.

**Short Essays**

1. Review the four different types of business opportunities described in Resource 23-13. Which of these do you feel would be the most attractive business opportunity for you. Why?
2. Why might a younger entrepreneur find a franchise opportunity more attractive than a start-up? At the same time, what might be factors that would prevent a young entrepreneur from working with a franchisor?

Key points for more attractive: a) enables the young entrepreneur to "buy experience" by using the franchisor's materials; b) a proven business concept makes it easier for the young entrepreneur without a track record to secure financing; c) the young entrepreneur an learn important business skills and gain important business knowledge from the franchisor.

Key points that prevent a young entrepreneur: a) lack of financial resources make it impossible young entrepreneurs to raise the required upfront franchise fee; b) lack of a positive credit history make it difficult for the young entrepreneur to secure debt funding at a reasonable cost.

1. What risks does a JV partner bear when starting up a new venture with a JV partner in another country?

Entering into a JV risks your intellectual capital. You risk your business reputation. You risk the capital you're investing in the JV. You risk having to go to court in a foreign country if you get in a legal disagreement with you JV partner. You take the risk that the country may be a corrupt business environment. Expanding internationally via a JV opens up new markets, but now without risks.

**Match Concepts**

Please match the concepts below with the appropriate explanation.

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| --- | --- |
| **Concept** | **Explanation** |
| 1 | Start-up | a | Joe's U.S.A. Pizza - French sensibility, American pizza  |
| 2 | Acquisition | b | Joe's Pizza Restaurant - gourmet pizza unlike any you've ever tasted |
| 3 | Franchise | c | Pizza Hut |
| 4 | Joint Venture  | d | Joe's Pizza Restaurant - formerly Liza's Pizza Restaurant, now under new management |

**1 - b; 2 - d; 3 - c; 4 - a**

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| **Concept** | **Explanation** |
| 1 | Start-up | a | "I had the trucks, the local merchants had the large items they needed delivered. Everybody wins." |
| 2 | Acquisition | b | "No one thought it was possible, but I was driven. Once I got some angel funding, I was off and running." |
| 3 | Franchise | c | "I was able to expand across the state with one check, rather than having to open many different stores." |
| 4 | Joint Venture  | d | "I always wanted to be my own boss, but I didn't have a vision of a new business I wanted to create." |

**1 - b; 2 - c; 3 - d; 4 - a**

**Role Play 1**

Conduct one or more interviews with franchisees, either local franchisees or a Nepris franchisee.

Step 1: develop a questionnaire for this interview. Include questions that ask about the expectations the franchisee had for the franchisor. Ask how many different franchise opportunities the franchisee examined, and why they chose the franchisor they did.

 Ask questions about their success, and how hard they had to work to launch their franchise business. Ask if they believe the franchise has been a good investment for them.

Step 2: conduct the interview. After the interview, determine what you think were the key insights you learned during the interview.

Step 3: write a Thank You note to the person(s) you interviewed, indicating in your note what you believe were your key lessons learned