Chapter 2
Literature Review

2.1. Entrepreneurship

The word *entrepreneur* is derived from French *entreprendre*, meaning "to undertake". The entrepreneur is one who undertakes to organize, manage, and assume the risk of a business. In recent years entrepreneurs have been doing so many things that it is necessary to broaden this definition. Today, an entrepreneur is an innovator or developer who recognizes and seizes opportunities; convert those opportunities into workable/ marketable ideas; adds value through time, effort, money, or skills; assumes the risk of competitive marketplace to implement these ideas; and realizes the rewards from these efforts.

Entrepreneurship is the process by which individual pursue opportunities without regard to resources they currently control. The essence of entrepreneur is identifying opportunities and putting useful ideas into practices. The three primary reasons that people decide to become entrepreneur and start their own firms are as follow:

a. To be their own boss
b. To pursue their own ideas.
c. To realize financial rewards.

Entrepreneur also must face a number of different types of risk. These can be grouped into four basic areas.

a. Financial risk
b. Career risk
c. Family and social risk
d. Psychic risk

Delmar and Shane offer three board reasons for why entrepreneurs should engage in planning during the process of venture creation. They suggest that planning helps individuals develop a framework and context for taking action so that individuals can:

a. Quickly identify what they don't know

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b. Understand what resources they need and when these resources might be utilized
c. Identify specific actions that can help solve

There are number of other factors that influence whether entrepreneurs will be successful in the venture creation process. For example, Delmar and Shane suggest that the nature of the opportunity pursued by entrepreneurs has a more significant impact on success than the act of planning itself; however, in terms of actions that an entrepreneur can take, planning is the most important activity to engage in. Liao and Garner found that entrepreneurs who were more uncertain about their businesses and understanding the competitive dynamics of their industries were more likely to be successful if they planned early in the start up process, rather than later. Shane and Delmar found that entrepreneurs who completed business plans before engaging in efforts to talk to customers and engage in marketing and promotional efforts were more likely to be successful in continuing in their start-up efforts. Contributions of entrepreneurs:

a. Develop new markets.

   Under the modern concept of marketing, markets are people who are willing and able to satisfy their needs. In Economics, this is called effective demand. Entrepreneurs are resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organization, and coordination.

b. Discover new sources of materials.

   Entrepreneurs are never satisfied with traditional or existing sources of materials. Due to their innovative nature, they persist on discovering new sources of materials to improve their enterprises. In business, those who can develop new sources of materials enjoy a comparative advantage in terms of supply, cost and quality.

c. Mobilize capital resources.

   Entrepreneurs are the organizers and coordinators of the major factors of production, such as land, labor and capital. They properly mix

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these factors of production to create goods and service. Capital resources, from a layman's view, refer to money. However, in economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.

d. Introduce new technologies, new industries and new products.

Aside from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities, and transform these into profits. So, they introduce something new or something different. Such entrepreneurial spirit has greatly contributed to the modernization of economies. Every year, there are new technologies and new products. All of these are intended to satisfy human needs in a more convenient and pleasant way.

e. Create employment.

The biggest employer is the private business sector. Millions of jobs are provided by the factories, service industries, agricultural enterprises, and the numerous small-scale businesses.

2.2. Business Plan

The business plan is the entrepreneur's road map for successful enterprise. The business plan is valuable not only to the entrepreneur, but also for potential investors, or even for the review of the new personnel, who are trying to familiarize themselves with the venture, its goals, and objectives. To getting started in an agri-business plan, we will require the following:

a. General knowledge of the agriculture industry.
b. Recognition of your business opportunity or advantage.
c. A market for your product and a thorough understanding of that market.
d. Technical knowledge of crop production practices and/or livestock production.
e. Financial resources to develop your operation.
f. The necessary business management skills.

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The entire business planning process forces the entrepreneur to analyze all aspects of the venture and to prepare an effective strategy to deal with the uncertainties that arise. Thus a business plan may help an entrepreneur avoid a project doomed to failure. Other benefits of business plan for entrepreneur are:

a. The time, effort, research, and discipline needed to put together a formal business plan force the entrepreneur to view the venture critically and objectively.
b. The competitive, economic, and financial analyses included in the business plan subject the entrepreneur to close scrutiny of his or her assumptions about the venture's success.
c. Since all aspects of the business venture must be addresses in the plan, the entrepreneur develops and examines operating strategies and expected results for outside evaluators
d. The business plan quantifies objectives, providing measurable benchmarks for comparing forecasts with actual results.
e. The completed business plan provides the entrepreneur with a communication tools for outside financial source as well as an operational tool for guiding the venture toward success.

2.2.1 Production Plan

A production plan is that portion of your intermediate-range business plan that your manufacturing / operations department is responsible for developing. The plan states in general terms the total amount of output that the manufacturing department is responsible to produce for each period in the planning horizon.

The output is usually expressed in terms of pesos or other units of measurement (e.g. tons, liter, and kg.) or units of the aggregate product (this refers to the weighted average of all the products in your company). The production plan is the authorization of your manufacturing department to produce the items at a rate consistent with your company's overall corporate plan.

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This production plan needs to be translated into a master production schedule so as to schedule the items for completion promptly, according to promised delivery dates; to avoid the overloading or under loading of the production facility; and so that production capacity is efficiently utilized and low production costs result.

Production planning is one of the planning functions that a firm needs to perform to meet the needs of its customers. It is a medium-range planning activity that follows long-range planning in P/OM such as process planning and strategic capacity planning. Firms need to have an aggregate planning or production planning strategy to ensure that there is sufficient capacity to meet the demand forecast and to determine the best plan to meet this demand.

A carefully developed production plan will allow your company to meet the following objectives:

a. Minimize costs / maximize profits
b. Maximize customer service
c. Minimize inventory investment
d. Minimize changes in production rates
e. Minimize changes in work-force levels
f. Maximize the utilization of plant and equipment

2.2.2 Marketing Plan

The marketing plan is an important part of the business plan since it describes how the product or services will be distributed, priced, and promoted. Specific forecasts for product or service are indicated in order to project profitability of the venture. Use of marketing plans is provides an unambiguous reference point for activities throughout the planning period. However, perhaps the most important benefit of these plans is the planning process itself. This typically offers a unique opportunity, a forum, for `information-rich' and productively focused discussions between the various managers involved. The plan, together with the associated discussions, then provides an agreed context for their

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subsequent management activities, even for those not described in the plan itself. In order to succeed, a new firm must address this important question: Who are our customers, and how will we appeal to them? A well-managed start-up uses a three-step approach to answer these questions: segmenting the market, selecting or developing a niche within a target market, and establishing a unique position in the target market.

Marketing research involves the gathering of information about a particular market, followed by analysis of that information. A knowledge and understanding of the procedures involved in marketing research can be very helpful to the entrepreneur in gathering, processing, and interpreting market information. The marketing research process has five steps:

a. Define purpose and objective of the research
b. Gather secondary data
c. Gather primary data
d. Develop an information gathering instrument
e. Interpret and report the information

A marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. A marketing strategy should be centre on the key concept that customer satisfaction is the main goal. A marketing strategy is most effective when it is an integral component of corporate strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement. A marketing strategy can serve as the foundation of a marketing plan. A marketing plan contains a set of specific actions required to successfully implement a marketing strategy. For example: "Use a low cost product to attract consumers. Once our organization, via our low cost product, has

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established a relationship with consumers, our organization will sell additional, higher-margin products and services that enhance the consumer's interaction with the low-cost product or service. A strategy consists of a well thought out series of tactics to make a marketing plan more effective. Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results.

A marketing strategy often integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Similarly, the various strands of the strategy , which might include advertising, channel marketing, internet marketing, promotion and public relations can be orchestrated. Many companies cascade a strategy throughout an organization, by creating strategy tactics that then become strategy goals for the next level or group. Each one group is expected to take that strategy goal and develop a set of tactics to achieve that goal. This is why it is important to make each strategy goal measurable. Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned.

2.2.3. Financial Plan

In general usage, a financial plan can be a budget, a plan for spending and saving future income. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan can also be an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate. In business, a financial plan can refer to the three primary financial statements (balance sheet, income statement, and cash flow statement) created within a business plan. Financial forecast or financial plan can also refer to an annual projection of income and expenses for a company, division or

department. A financial plan can also be an estimation of cash needs and a decision on how to raise the cash, such as through borrowing or issuing additional shares in a company. While a financial plan refers to estimating future income, expenses and assets, a financing plan or finance plan usually refers to the means by which cash will be acquired to cover future expenses, for instance through earning, borrowing or using saved cash.

Financial information pulls together all the information presented in the other segments of the business: marketing, distribution, and management. It quantifies all the assumptions and historical information concerning business operations. It should be remembered that entrepreneurs make assumptions to explain how numbers are derived and correlate these assumptions with information presented in other parts of the business operations.

To increase the effectiveness and efficiency in the financial sector is by using the available funds efficiently and as efficiently as possible so that the basic price of natural rubber produced can be low. Thus, rubber products can compete on every level of the selling price that occurred in the international market.

If the quality factor is one of the shortcomings to compete in the snatch buyer interest, the factors that lower the selling price can be a mainstay for the company can still compete with competitors. To create the low selling price that can compete in the international market, the effectiveness and efficiency of using money, capital items, materials and equipment, labor and services of third parties. To be achieving the following steps:

a. Held separation between expenditures that can be entered as a cost and not.
b. Avoid the expenditures not related to the company's activities.
c. The use of foreign capital, credit, and the like are based on appropriate consideration. The use of capital too big in situations that

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are not appropriate will be burdensome costs, because interest rates will rise.

d. Procurement of materials and equipment must consider the good quality and cheap price.
e. Inventories of materials and equipment are provided in the ideal number. The amount will be enough to ensure smooth production process, but not too big so not increase costs.
f. The workers must be dexterous, healthy, and higher productivity.
g. Price and tariff services, such as third-party contractor must cheap and reasonable.
h. Comparative advantages such as natural conditions that support, labour is relatively cheap, and the location of which must be utilized as possible.
i. All production facilities and other support must be utilized optimally.

By implementing these steps, there are costs that are expected to be the real cost and can be viewed in terms of economic enterprise. If this can be implemented, that means the cost of control is implemented properly. The company's ability to control costs is reflected in the ability to compete among the commodities that are marketed on any condition of market economy.

2.3. Strategic Management & Planning

2.3.1. Strategic Management

Strategic management is the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives. It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives and then allocating resources to implement the policies, and plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the

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various functional areas of a business in order to achieve long-term organizational objectives. Strategic management is the highest level of managerial activity. Strategies are typically planned, crafted or guided by the Chief Executive Officer, approved or authorized by the Board of directors, and then implemented under the supervision of the organization's top management team or senior executives. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about "strategic alignment" between the organization and its environment or "strategic consistency". Strategic management is a combination of three main processes which are as follows:

a. Strategy formulation

1. Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.
2. Concurrent with this assessment, objectives are set. These objectives should be parallel to a timeline; some are in the short-term and others on the long-term. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives.
3. These objectives should, in the light of the situation analysis, suggest a strategic plan. The plan provides the details of how to achieve these objectives.

This three-step strategy formulation process is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning.

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b. Strategy implementation

1. Allocation and management of sufficient resources (financial, personnel, time, technology support)
2. Establishing a chain of command or some alternative structure (such as cross functional teams)
3. Assigning responsibility of specific tasks or processes to specific individuals or groups
4. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary.
5. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes.

Thus this type of problem can occur in strategy. In order for a policy to work, there must be a level of consistency from every person in an organization, including from the management. This is what needs to occur on the tactical level of management as well as strategic.

c. Strategy evaluation

Strategy evaluation is to measuring the effectiveness of the organization strategy. It's extremely important to conduct a SWOT analysis to figure out the strengths, weaknesses, opportunities and threats (both internal and external) of the entity in question. This may require to take certain precautionary measures or even to change the entire strategy.

2.3.2. Strategic planning

Strategic planning is the formulation of long range plans for the effective management of environmental opportunities and threats on

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light of a venture's strengths and weakness. It includes defining the venture's mission, specifying achievable objectives, developing strategies, and setting policy guidelines.

A company's strategy is management's game plan for growing the business, staking out of market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives. Four of the most frequently used strategic approaches to setting a company apart from rivals and achieving a sustainable competitive advantage are:

a. Striving to be the industry's low cost provider, thereby aiming for a cost-based competitive advantage over rivals
b. Out competing rivals on the basis of such differentiating features as higher quality, wider product selection, added performance, better service, more attractive styling, technological superiority, or unusually good value for the money
c. Focusing on a narrow market niche and winning a competitive edge by a doing a better job than rivals of serving the special needs and tastes of buyers constituting the niche.
d. Developing expertise and resource strengths that give the company competitive capabilities that rivals can't easily imitate or trump with capabilities of their own.

2.4. Analysis of Industry

The economic structure of an industry is not an accident. Its complexities are the result of long-term social trends and economic forces. But its effects on you as a business manager are immediate because it determines the competitive rules and strategies you are likely to use. Learning about that structure will provide essential insight for your business strategy.

Michael Porter has identified five forces that are widely used to assess the structure of any industry. Porter's five forces are the:

1. Bargaining power of suppliers
2. Bargaining power of buyers

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3. Threat of new entrants
4. Threat of substitutes
5. Rivalry among competitors

Together, the strength of the five forces determines the profit potential in an industry by influencing the prices, costs, and required investments of businesses—the elements of return on investment. Stronger forces are associated with a more challenging business environment. To identify the important structural features of your industry via the five forces, you conduct an industry analysis that answers the question, "What are the key factors for competitive success?"

2.4.1. Bargaining Power of Suppliers

Any business requires inputs—labor, parts, raw materials, and services. The cost of your inputs can have a significant effect on your company's profitability. Whether the strength of suppliers represents a weak or a strong force hinges on the amount of bargaining power they can exert and, ultimately, on how they can influence the terms and conditions of transactions in their favor. Suppliers would prefer to sell to you at the highest price possible or provide you with no more services than necessary. If the force is weak, then you may be able to negotiate a favorable business deal for yourself. Conversely, if the force is strong, then you are in a weak position and may have to pay a higher price or accept a lower level of quality or service. Factors affecting the bargaining power of suppliers supplier have the most power when:

a. The input(s) you require are available only from a small number of suppliers.
b. The inputs you require are unique, making it costly to switch suppliers. If you use a certain enzyme in a food manufacturing process, changing to another supplier may require you to change your entire manufacturing process. This may be very costly to you, thus you will have less bargaining power with your supplier.

c. Your input purchases don't represent a significant portion of the supplier's business. If the supplier does not depend on your business, you will have less power to negotiate. Of course the opposite is true as well.
d. Suppliers can sell directly to your customers, bypassing the need for your business.
e. It is difficult for you to switch to another supplier.
f. You do not have a full understanding of your supplier's market. You are less able to negotiate if you have little information about market demand, prices, and supplier's costs.

Most businesses don't have the resources to produce their own inputs. If you are in this position, then you might consider forming a partnership with your supplier. This can result in a more even distribution of power. This can be mutually beneficial for both supplier and buyer if they can:

a. Reduce inventory costs by providing just-in-time deliveries
b. Enhance the value of goods and services supplied by making effective use of information about customer needs and preferences
c. Speed the adoption of new technologies.

Another option may be to increase your power by forming a buying group of small producers to buy as one large-volume customer. If you have the resources, you may choose to integrate back and produce your own inputs by purchasing one of your key suppliers or doing the production yourself.

2.4.2. Bargaining Power of Buyers

The power of buyers describes the effect that your customers have on the profitability of your business. The transaction between the seller and the buyer creates value for both parties. But if buyers (who may be distributors, consumers, or other manufacturers) have more economic power, your ability to capture a high proportion of the value created will decrease, and you will earn lower profits.

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Buyers have the most power when they are large and purchase much of your output. If your business sells to a few large buyers, they will have significant leverage to negotiate lower prices and other favorable terms because the threat of losing an important buyer puts you in a weak position. Buyers also have power if they can play suppliers against each other. In the automotive supply industry, the large car manufacturers have significant power. There are only a few large buyers, and they buy in large quantities. But, when there are many smaller buyers, you will have greater control because each buyer is a small portion of your sales. Buyers have more power when:

a. Your industry has many small companies supplying the product and buyers are few and large.
b. The products represent a relatively large expense for your customers.
c. Customers have access to and are able to evaluate market information. You have less room for negotiation if buyers know market demand, prices, and your costs.
d. Your product is not unique and can be purchased from other suppliers. If your brand is homogenous or similar to all of the others, buyers will base their decision mainly on price.
e. Customers could possibly make your product themselves.
f. Customers can easily, and with little cost, switch to another product.

You can reduce the bargaining power of your customers by increasing their loyalty to your business through partnerships or loyalty programs, selling directly to consumers, or increasing the inherent or perceived value of a product by adding features or branding. In addition, if you can select the customers who have little knowledge of the market and have less power, you can enhance your profitability.

2.4.3. Threat of New Entrants

You may have the market cornered with your product, but your success may inspire others to enter the business and challenge your position. The threat of new entrants is the possibility that new firms will

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enter the industry. New entrants bring a desire to gain market share and often have significant resources. Their presence may force prices down and put pressure on profits. Analyzing the threat of new entrants involves examining the barriers to entry and the expected reactions of existing firms to a new competitor. Barriers to entry are the costs and/or legal requirements needed to enter a market. These barriers protect the companies already in business by being a hurdle to those trying to enter the market. In addition to up-front barriers, a new competitor may inspire established companies to react with tactics to deter entry, such as lowering prices or forming partnerships. The chance of reaction is high in markets where firms have a history of retaliation, excess cash, are committed to the industry or the industry has slow growth.

Entry barriers are unique for each industry and situation, and can change over time. Most barriers stem from irreversible resource commitments you must make in order to enter a market. For example, if the existing businesses have well-established brand names and fully differentiated products, as a potential market entrant you will need to undertake an expensive marketing campaign to introduce your products. Barriers to entry are usually higher for companies involved in manufacturing than for companies that provide a service because there is often a significant expense in setting up a production facility. Another type of entry barrier is regulatory. To produce organic food there is a three-year wait before land may be certified. During the waiting period, producers must raise the crop as organic, but may not market it as organic until the three-year "cleansing process" of the land is completed. Overcoming barriers to entry may involve expending significant resources over an extended period of time. Industries based on patentable technology may require an especially long-term commitment, with years of research and testing, before products can be introduced and compete. The threat of new entrants is greatest when:

a. Processes are not protected by regulations or patents. In contrast, when licenses and permits are required to do business, such as with

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the liquor industry, existing firms enjoy some protection from new entrants.

b. Customers have little brand loyalty. Without strong brand loyalty, a potential competitor has to spend little to overcome the advertising and service programs of existing firms and is more likely to enter the industry.
c. Start-up costs are low for new businesses entering the industry. The less commitment needed in advertising, research and development, and capital assets, the greater the chance of new entrants to the industry.
d. The products provided are not unique. When the products are commodities and the assets used to produce them are common, firms are more willing to enter an industry because they know they can easily liquidate their inventory and assets if the venture fails.
e. Switching costs are low. In situations where customers do not face significant one-time costs from switching suppliers, it is more attractive for new firms to enter the industry and lure the customers away from their previous suppliers.
f. The production process is easily learned. Just as competitors may be scared away when the learning curve is steep, competitors will be attracted to an industry where the production process is easily learned.
g. Access to inputs is easy. Entry by new firms is easier when established firms do not have favorable access to raw materials, locations, or government subsidies.
h. Access to customers is easy.
i. Economies of scale are minimal. If there is little improvement in efficiency as scale (or size) increases, a firm entering a market won't be at a disadvantage if it doesn't produce the large volume that an existing firm produces.

Enhancing your marketing/brand image, utilizing patents, and creating alliances with associated products can minimize the threat of

new entrants. Important tactics you can follow include demonstrating your ability and desire to retaliate to potential entrants and setting a product price that deters entry. Because competitors may enter the industry if there are excess profits, setting a price that earns positive but not excessive profits could lessen the threat of new entry in your industry

2.4.4. Threat of Substitutes

Products from one business can be replaced by products from another. If you produce a commodity product that is undifferentiated, customers can easily switch away from your product to a competitor's product with few consequences. In contrast, there may be a distinct penalty for switching if your product is unique or essential for your customer's business. Substitute products are those that can fulfill a similar need to the one your product fills.

When developing a business plan, it is critical to assess the other options your customers have to satisfy their needs. To do this, look for products that serve the same function as yours. A threat exists if there are alternative products with lower prices or better performance or both.

Substitutes essentially place a price ceiling on products. Market analysts often talk about "wheat capping corn." This occurs because wheat and corn are substitutes in animal feed. If wheat prices are low, corn prices will also be low, because, as corn prices rise, livestock feeders will quickly shift to wheat to keep ration costs low. This reduces the demand and ultimately the price of corn. It's more difficult for a firm to try to raise prices and make greater profits if there are close substitutes and switching costs are low. But, in some cases, customers may be reluctant to switch to another product even if it offers an advantage. Customers may consider it inconvenient or even risky to change if they are accustomed to using a certain product in a certain way, or they are used to the way certain services are delivered. Substitutes are a greater threat when:

a. Your product doesn't offer any real benefit compared to other products.
b. It is easy for customers to switch.
c. Customers have little loyalty. When price is the customer's primary motivator, the threat of substitutes is greater.

You can reduce the threat of substitutes by using tactics such as staying closely in tune with customer preferences and differentiating your product by branding. In some cases, the advertising required to differentiate is more than one firm can bear. In that case, collective advertising for an industry may be more effective.

2.4.5. Rivalry Among Competitors

Competition is the foundation of the free enterprise system, yet with small businesses even a little competition goes a long way. Because companies in an industry are mutually dependent, actions by one company usually invite competitive retaliation. An analysis of rivalry looks at the extent to which the value created in an industry will be dissipated through head-to-head competition.

Rivalry among competitors is often the strongest of the five competitive forces, but can vary widely among industries. If the competitive force is weak, companies may be able to raise prices, provide fewer products for the price, and earn more profits. If competition is intense, it may be necessary to enhance product offerings to keep customers, and prices may fall below break-even levels. Rivalries can occur on various "playing fields." In other industries, competition may be about offering customers the most attractive combination of performance features, introducing new products, offering more after-sale services or warranties, or creating a stronger brand image than competitors. In some cases the presence of more rivals can actually be a positive—for instance in a shopping area, where attracting customers may hinge on having enough stores and attractions to make it a worthwhile stop. The most intense rivalries occur when:

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a. One firm or a small number of firms have incentive to try and become the market leader. In some cases, an industry with two or three dominant firms may experience intense rivalry when these firms are battling to achieve market leader status. In other situations, when competitors with diverse strategies and relationships have different goals and the "rules of the game" are not well established, rivalry will be more intense.
b. The market is growing slowly or shrinking. When the potential to sell products is stagnant or declining, existing firms are unable to grow their market without taking market away from competitors. In this situation rivalry is more likely.
c. There are high fixed costs of production. When a large percentage of the cost to produce products is independent of the number of units produced, businesses are pressured to produce larger volumes. This may tempt companies to drastically cut prices when there is excess capacity in the industry in order to sell greater volumes of product.
d. Products are perishable and need to be sold quickly. Sellers are more likely to price aggressively if they risk losing inventory due to spoilage or if storage costs are high.
e. Products are not unique or homogenous. Undifferentiated products (commodities) compete mainly on price, because consumers receive the same value from the products of different firms. Because firms do not experience any insulation from price competition, there is more likely to be active rivalry.
f. Customers can easily switch between products. Intense rivalry is likely when customers in a given industry can easily switch to other suppliers. In these situations, the businesses in the industry will be vying for market share.
g. There are high costs for exiting the business. If liquidation would result in a loss, businesses that invested heavily in their facilities will try hard to pay for them and may resort to extreme methods of competition.

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Threats of rivals can be reduced by employing a variety of tactics. To minimize price competition, distinguish your product from your competitors' by innovating or improving features. Other tactics include focusing on a unique segment of the market, distributing your product in a novel channel, or trying to form stronger relationships and build customer loyalty.

2.4.6. Market Analysis

A market analysis is a documented investigation of a market that is used to inform a firm's planning activities particularly around decision of: inventory, purchase, work force expansion/contraction, facility expansion, purchases of capital equipment, promotional activities, and many other aspects of a company. Not all managers are asked to conduct a market analysis, but all managers must make decisions using market analysis data and understand how the data was derived. So all managers need a reasonable understanding of the tools most used for making sales forecasts and analyzing markets. A large number of market analysis techniques are related to sales forecasting, others are more general techniques for analyzing markets. The literature defines several areas in which market analysis is important. These include: sales forecasting, market research, and marketing strategy. Sales forecasting and market analysis are complementary skills that any marketing manager should possess.

Market research is the process of systematically gathering, recording and analyzing data and information about customers, competitors and the market. Its uses include helping create a business plan, launch a new product or service, fine tune existing products and services, and expand into new markets. Market research can be used to determine which portion of the population will purchase a product/service, based on variables like age, gender, location and income level. For starting up a business there are a few things that are important:

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a. Market information

Market information is making known the prices of the different commodities in the market, the supply and the demand. Information about the markets can be obtained in several different varieties and formats.

b. Market segmentation

Market segmentation is the division of the market or population into subgroups with similar motivations. Widely used bases for segmenting include geographic differences, personality differences, demographic differences, use of product differences, and psychographic differences.

c. Market trends

The upward or downward movements of a market, during a period of time. The market size is more difficult to estimate if you are starting with something completely new. In this case, you will have to derive the figures from the number of potential customers or customer segments.

Industry analysis is business research that focuses on an industry's potential. The knowledge gleaned from an industry analysis help a firm decide whether to enter an industry and if it can carve out a position in the industry that will provide it a competitive advantage. A competitor analysis is a detailed analysis of a firm's competition. It helps a firm understand the positions of its major competitors and opportunities that are available to obtain a competitive advantage in one or more areas.

2.5. Agribusiness

The concept of agribusiness has evolved over the years. Two Harvard economists, John Davis and Ray Goldberg, first defined the term "agribusiness" in 1957. They viewed it as "the sum total of all operations involved in the manufacture and distribution of farm supplies; production operations on the farm; and the storage, processing and distribution of farm

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commodities and the items made from them." This definition established agriculture as an industry that goes far beyond simply growing crops and rising animals. Today, there are many definitions, but what endures is the recognition of the breadth and depth of agribusiness industry.

In agriculture, agribusiness is a generic term that refers to the various businesses involved in food production, including farming, seed supply, agrichemicals, farm machinery, wholesale and distribution, processing, marketing, and retail sales. The term has two distinctly different connotations depending on context. Farming engaged in as a large-scale business operation embracing the production, processing, and distribution of agricultural products and the manufacture of farm machinery, equipment, and supplies.

Within the agriculture industry, agribusiness is widely used simply as a convenient portmanteau of agriculture and business, referring to the range of activities and disciplines encompassed by modern food production. There are academic degrees in and departments of agribusiness, agribusiness trade associations, agribusiness publications, and so forth, worldwide. Here, the term is only descriptive, and is synonymous in the broadest sense with food industry. Among critics of large-scale, industrialized, vertically integrated food production, the term agribusiness is used as a negative, synonymous with corporate farming. As such, it is often contrasted with family farm. Some negative connotation is also derived from the negative associations of "business" and "corporation" from critics of capitalism or corporate excess.