

Tutorial 5 Topic 5

Starting Your Own Business

Evan, better known as EvanTubeHD, started making toy unboxing videos on YouTube when he was a little kid. Now a teenager with more than 6 million subscribers, Evan creates viral content with his whole family and earns more than \$1 million per year from ads and sponsorships.

Do you have a passion you would like to pursue as a business?



Partners

Chuck and La Tanya Eiland took their love of travel and wine from their marriage and turned it into a business with Pop the Cork, a company that organizes tours of Georgia's wine country.

What are the potential advantages and disadvantages of becoming business partners with a spouse or family member?





Good Business, Bad Karma?

Imagine that you and your partner own a construction company. You receive a bid from a subcontractor that you know is 20 percent too low. Such a loss to the subcontractor could put him out of business. Accepting the bid will certainly improve your chances of winning the contract for a big shopping center project. Your partner wants to take the bid and let the subcontractor suffer the consequences of his bad estimate.

What do you think you should do? What will be the consequences of your decision?

Corporate Expansion: Mergers and Acquisitions ²

Types of Mergers

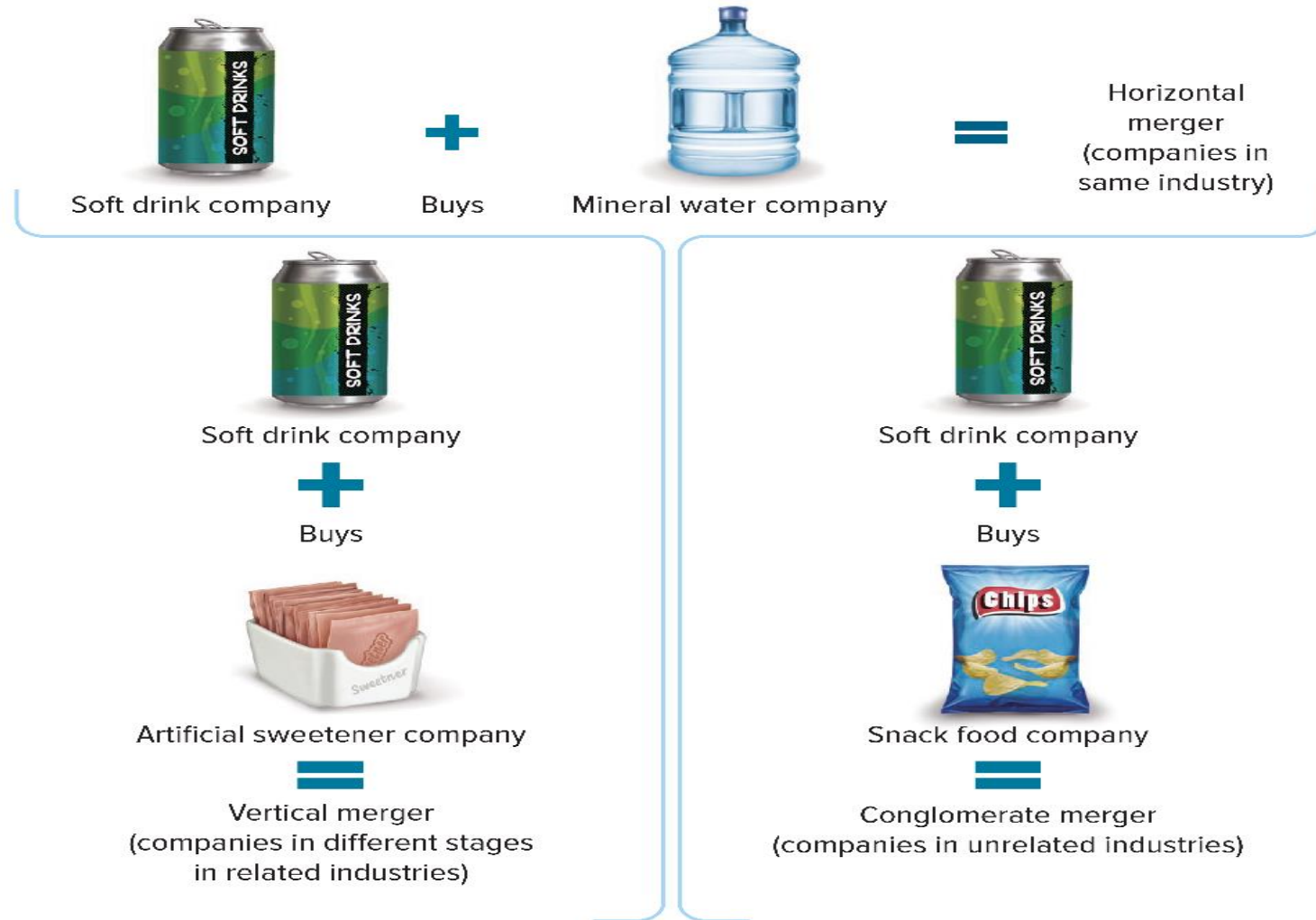
Vertical merger — The joining of two companies in different stages of related businesses.

Horizontal merger — The joining of two firms in the same industry.

- Mergers between competitors must prove to the Federal Trade Commission (FTC) that the new combined company does not limit competition unfairly.

Conglomerate merger — The joining of firms in completely unrelated industries.

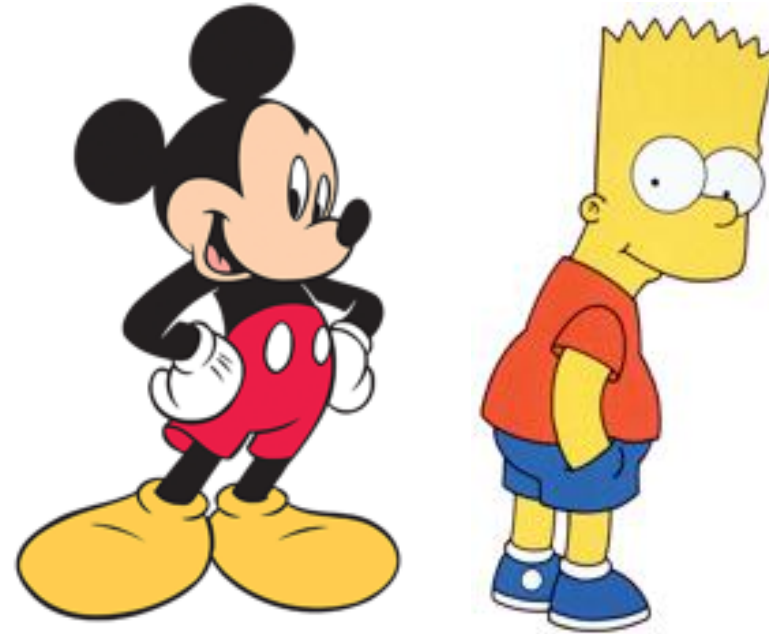
Figure 5.8 Types of Mergers



Mergers

In 2019, Disney purchased the film and TV assets held by 21st Century Fox for more than \$71 billion, giving the entertainment giant the rights to valuable properties like The Simpsons.

What type of merger is this: vertical, horizontal, or conglomerate?



Mergers and acquisitions

- **Can you find any examples of poor mergers or acquisitions?**
- **What went wrong?**
- **Why did it go wrong?**
- **What can be learned?**

Franchising a Different Form of Fun

Stumpy's Hatchet House was born on the New Jersey coast by four friends.

- The company started franchising soon after opening in 2016, with a relatively simple setup and modest franchise fee of \$35,000.
- Customers rent rooms by the hour and take turns tossing axes individually while the rest of the party stands away in a safe zone.



Service Franchises

Dan Remus and Jef Strauss founded the canine-cleaning company Wag 'N Wash when they were concerned about leaving their Dalmation Geni at home all day. They began franchising a few years later and now have locations in nine states, with more on the way. While launching a single store costs an average of \$340,000, franchisees can eventually earn more than \$1.3 million annually.

What type of service franchise might appeal to you as a business owner?



Quick questions

4



- What are some of the factors to consider before buying a franchise?
- What opportunities are available for starting a global franchise?
- What is a cooperative?