Business Opportunity Identification and Selection

Dr. Neeraj Pandey
Assistant Professor
LM Thapar School of Management
Who is an Entrepreneur?

An Entrepreneur is a person who organizes and manages a business undertaking, assuming the risk for the sake of profit. Any person who starts and operates a business is an entrepreneur.
Major Aspects of Entrepreneurship

1. The *identification of market opportunity and the generation of a business idea* (product or service) to address the opportunity.
Major Aspects of Entrepreneurship

2. The gathering and commitment of resources in the face of risk to pursue the opportunity
Major Aspects of Entrepreneurship

3. The *creation of an operating business organization* to implement the opportunity-motivated business idea
Successful Entrepreneurs

- Drive

- Thinking Ability that encompasses creativity, critical thinking, analytical abilities and originality

- Aptitude for Human Relations

- Communication Skills

- Technical Ability
OPPORTUNITY RECOGNITION

- What is an opportunity?

- How do you recognize opportunities?

- How do you screen opportunities?

- What is a business concept?
OPPORTUNITY RECOGNITION

Opportunities are situational
  ■ The Window of Opportunity

Opportunities take form in real world conditions
  ■ Changing conditions
  ■ Leads and lags
  ■ Knowledge gaps
  ■ Chaos and/or confusion
The Entrepreneurial Process

1. Decide to go into business of own self
2. Assess your potential
3. Find an appropriate product or service idea
   - Buy a business
   - Start a new business
   - Acquire a franchise
4. Conduct a feasibility study
   - Technical feasibility
   - Market acceptability
   - Financial viability
5. Organize your business structure and legal requirements
6. Protect your idea
7. Arrange the necessary financing
8. Develop a comprehensive business plan
What is Your Entrepreneurial Potential?

Realistically assess your potential for an Entrepreneurial Career

Understand the personal attributes important for success in a business of your own

Understand the demands the entrepreneurial role will make on you and your family

Evaluate your managerial skills

Conduct a personal financial assessment

Develop a personal balance sheet

Develop a personal budget

Assess your strengths and weaknesses that will affect your ability to achieve your entrepreneurial goals
Searching for Ideas

Search for a product or service idea

From your previous employment

From hobbies

From casual observation

From a deliberate search

Magazines and other publications

Trade shows and conventions

Product licensing information services

Government agencies and departments

Use creative thinking

Evaluate the possible alternatives

Determine your preferences
How to Select the Right Opportunity

Step 1: Identify Your Business and Personal Goals

Step 2: Research Your Favourite Industries

Step 3: Identify Promising Industry Segments

Step 4: Identify Problem Areas and Brainstorm Solutions

Step 5: Compare Possible Solutions with Your Objectives and Opportunities in the Marketplace

Step 6: Focus on the Most Promising Opportunities
Characteristics of the “IDEAL” Business

- Requires no investment
- Has a recognized, measurable market
- A perceived need for the product or service
- A dependable source of supply for the required inputs
- Requires no labour force
- Provides 100% gross margin
- Buyers purchase frequently
Characteristics of the “IDEAL” Business

- Receives favourable tax treatment
- Has a receptive, established distribution system
- Has great publicity value
- Customers pay in advance
- No risk of product liability
- No technical obsolescence
- No physical perishability
- Impervious to weather conditions
- Possesses some proprietary rights
Market Issues

- What products or services are you selling?
- To whom do you sell?
- Does someone represent you or distribute your products or services?
- How do you promote sales?
- How do you price your output?
- What do customers expect?
Focus for Successful Marketing

- 4 P’s of Marketing Mix
- NPD
- USP
- Push Vs Pull Strategy
- STP-Segmentation, Targeting, Positioning
Finance Issues

- Debt-Equity Ratio
- Taking fund from VC, Loan or Equity
- Working Capital Issues- Study on SMEs
- Risk Management/Hedging
Sources of Financing

How will you finance your business?

- Personal savings
- Credit from suppliers
- Loans and mortgages from banks, credit unions and others
- Government assistance programs
- LBO
- Equity capital from private sources
- Leasing
- Prepare loan or grant request package

- Friends and neighbours
- Local professionals and angel investors
- Employees
- Venture capitalists
Advantages of Successful Entrepreneurship

- You are your own boss
- Enjoy the profits from your efforts
- Sense of pride in your business
- Flexibility in your work schedule
Any Questions?
BCG Matrix

- **Stars**
  - Rapid growth and expansion.
- **Question Marks**
  - New ventures. Risky—a few become stars, others divested.
- **Cash Cows**
  - Milk to finance question marks and stars.
- **Dogs**
  - No investment. Keep if some profit. Consider divestment.