**GST 301**

**LECTURE 3**

**IDENTIFICATION OF IDEAS AND VENTURE CAPITAL OPPORTUNITIES**

Every business comes out of an idea. These businesses are started by men & women who see that people want to buy a particular product or service (give examples - water).

Good business ideas do not just occur to an entrepreneur, but they are the result of hard work and effort on the part of the entrepreneurs in generating, and identifying opportunities.

**What is Business Idea?**

A business idea is the response of a person or persons, or an organization to solve an identified problem or to meeting perceived needs in the environment (markets, community e.g. packaging nylons).

The ability to come up with creative solutions to needs/problems and to market them often marks the difference between success and failure in business. Please note that:

1. Although business idea is vital but it is only a tool.

2. An idea on its own, however good is not sufficient for success.

Therefore, an idea is only a tool that needs to be developed and transformed into a viable business opportunity.

**The Characteristics of a business idea**

* What product or service will sell
* Who your business will sell to
* How your business in going to sell its products/services.
* Which need your business will satisfy for the customers-find out what they want, you must offer something special and attract customers.

**Sources of Business ideas**

**1. Hobbies/Interests**Your hobbies/interests can form a business idea e.g. playing with computers, cooking, music, acting, travelling, drawing, hospitality; for example: If you enjoy travelling, performing and/or hospitality you may consider going into tourism.

**2.** **Personal Skills/ Experience:** Experiences in the work place eg. an engineer who supervises mechanical work in a large garage, this experience in working for a large garage, can eventually set up his own car repair, your background can play a crucial role in the type of venture to be created. Your skills and experience are your most important resources not only in generating ideas but also in capitalizing on them.

**3.** **Mass media**: The mass media is a great source of information, ideas and opportunities newspaper, magazines, television, and in the modern day internet are examples of mass media. There are so many advertisements inviting people to acquire skills in one area or the other, responding to these invitations can generate business ideas for you.

**4.** **Exhibitions:** Another way to find the ideas for a business is to attend  
exhibitions and trade fairs. These are usually advertised on radios &  
televisions, by visiting such events regularly you will not only discover new procedures and services but you will also meet sales representatives, manufacturers with information on how to start the business.

**5. Surveys:** The customer becomes the focal point when it comes to new  
business ideas. His needs/ wants are considered because they can orchestrate the start-up of new businesses. It can be formally or informally (with a questionnaire.

**6. Complaints:**  
Complaints & frustration on the part of customers have led to many new products/services, when customers complain bitterly about a product/service.

**7. Distribution Channels:** Members of the distribution channels are familiar with market needs, hence, are sources of new ideas.

- They can also market the entrepreneurs newly developed new  
products e.g. Colour of products, packaging.

**8. Federal Government**:- This can happen in two ways:

**i**. **Patent Office**: The patents may not be feasible but other ideas can be generated from them. (NOTAP-National Office for Technology Acquisition and Promotion).

ii. **Government regulations**: New product ideas can come in response to government regulations e.g. regulation on Occupational Safety & Health mandate that first-aid kits be provided in business establishments with more than 3 employees. Hence, this act can start/orchestrate the production of such kits especially where the kits for construction company is different  
from the one provided by company manufacturing facial cream.

**9. Research & Development efforts:**

i. By the entrepreneur

ii. By Government Research Institutions

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**LECTURE 4**

**BUSINESS OPPORTUNITIES**

Entrepreneurial opportunities are not equally obvious to everyone but interestingly, they are equally available to everyone with the experiences and knowledge of discovering them.

Opportunities are themselves raw/ unstructured materials, and their advantages and disadvantages are dependent on the individual differences in personal experience and training.

**WHAT IS BUSINESS OPPORTUNITY**

This can be defined as an attractive (plan/proposal intension, offers, Suggestion) proposition that provides the possibility of a return to the investor or the person taking the risk, such opportunities are represented by customer requirements leading to the provision of a product or service which creates or adds value for its buyer or end-user. At times the idea may sound great but the level of competition and the resources required may be such that it is not worth pursuing Therefore what turns an idea to business opportunity is when income exceeds costs i.e. there is profit.

**Characteristics of a good business opportunity:**

1. **Real Demand:** There is response to unsatisfied needs or requirements of customers who have the ability to purchase the product willingly.

2. **Return on Investment**: There are durable, timely and acceptable returns or rewards for the risk and effort required.

3. **Competitiveness:** The opportunity will be equal to or better from the  
view point of the customers than other available products or services.

4. **Meet Objectives:** Meet the goals and aspirations of the persons or organization taking the risk.

5. **Availability of resources and skills:** Be within the reach of the entrepreneur in terms of resources, competency, Legal requirements, e.t.c.

**Evaluating Business Opportunities**

ldeas and opportunities need to be screened and assessed for viability when the ideas are identified. This is very tasking/involving but important because it can determine the success or failure of the business.

To evaluate business opportunities the following must be considered:

1. **Industry and market;**

- Is there a market for the idea

* Are there customers (people with money who can buy the product/service)
* Can your product provide what they need or want, what is there population?

**2. Length of the opportunity**- can you create and seize the opportunity for as long as possible.

3. **Personal goals and competence of the entrepreneur**

- Do you want to venture into the business or (copy cat syndrome?).

- Do you have what it takes?

- Are you motivated enough?

4. **Management** **team**

- Who will you need in the business?

- Do you have the experience, know-how, contacts or other desirable  
attributes required.

5. **Competition**  
- Who are your competitors?

- Do you have an edge over your competitors?

e.g. Can you produce or market at lower costs?

6. **Capital, technology and other resource requirements**

- How much capital; technology and other resources required?

- Do you already have them or could you get them?

7. **Environment:** Are the political, economic, geographical (location) legal requirements favourable.

- How is the Political situation?

- Economic status, is it favourable?

- Geographical (location favourable)

- Legal & regulatory aspects?

- will the by- product do any damage to the physical environment?

Finally, in evaluating business ideas and opportunities use **SWOT.**

**S=Strength**

These are the internal factors that actively support the entrepreneur goals achievements and so on. He can control them

- Cheap raw materials

- Adequate working capital

- Technical expertise

- Availability of equipment & spare parts

- Entrepreneurs' personal ability

- Own properties

- Good location etc.

**W =Weakness**

Internal factors that stand against the entrepreneur's goals, achievements etc..  
He can control these factors.

- High production cost

- No expertise

- No initial capital

Overcome them

[**O -**](tel:0%20-%200) **Opportunities**

The external factors which the entrepreneur can use to achieve his set goals.

He has no control over these factors

- Non or low competition

- favourable government policy

- Affluent friends

- Banks ready for loan

Take advantage of them

**T=Threats**These are external factors that limit the entrepreneurs goals, achievement and so on .They are outside his control.

- Rising costs

- Competitors  
- Raw materials, shortage & seasonality

- Political instability

- Civil unrest

Hedge them

**Capital Requirements**

After concluding the screening of ideas and a business idea selected the following capitals are required.

**1. Pre-production expenses e.g.**

- Registration of business

- Payment for consultancy

- Payment for running around

- Communication expenses

- Technology Acquisition/ Training

**2. Initial working capital**

This is the amount needed to run the projects profitable for some time e-g  
- Raw materials, supplies, utilities etc..

**3. Fixed Assets:** Land, Land development, furniture & fittings, machinery and equipment, etc.