

# OPPORTUNITY IDENTIFICATION



## OPPORTUNITY IDENTIFICATION

- ✓ **Process that involve the search for and discover business opportunities. A business idea starts with an opportunity.**
- ✓ **Approaches:-**
  - ✓ **Observe changes in the environment**
  - ✓ **Recognize a need that customers have that is not being satisfied**
  - ✓ **Recognize problems and find ways to solve it.**  
Click to add text
- ✓ **A business **opportunity** exists when there is **demand** for goods and services to meet the **needs and wants** of community.**
- ✓ **Changes in the environment create opportunities; cultural, social, legal, economy, political,& technology (C-SLEPT).**

# **Illustrations - Environment changes**

- **Good economic condition**
  - **↑ demand luxury cars, homes**
- **Increase number of working couples**
  - **↑ demand maids, babysitter**
- **Introduction of ICT**
  - **↑ demand computers, repairs, knowledge, spare parts**

# Process of Identifying, Evaluating and Selecting Business Opportunity

**Step 1**

**Identifying  
the needs  
& wants of  
customers**

**Step 2**

**Scanning  
the  
environme  
nt  
&  
evaluating  
of self the  
community**

**Step 3**

**Screening  
of business  
opportuniti  
es**

**Step 4**

**Selecting a  
business  
opportunit  
y  
&  
preparing  
a business  
plan**

# Step 1: Identification of NEEDS & WANTS of consumers

- **Need** – is something basic in life such as food, drink, clothing and shelter.
- **Want** – is extension of need; craving for better than the basic need.
  - *Need for food*: Rice
  - *Want for food*: Chicken Rice (Chicken Rice Shop)
  - *Need for shelter*: Renting a flat with 10 housemates
  - *Want for shelter*: Renting a condo
- The better the economy of people, the more business opportunities available for the entrepreneurs.

- Human **NEEDS** and **WANTS** are unlimited.
- Next, translate the **NEEDS** and **WANTS** into **PRODUCTS** or **SERVICES**.
- **PRODUCTS** - are physical forms e.g. car, handphone, books.
- **SERVICES** - non-physical form, intangible product e.g. cab service, telco network, training.

# **Step 2: Environmental Scanning, Self Analysis & Community Values**

***3 factors to be considered:***

## ***1) Environmental Scanning***

***- help identify business opportunities.***

***- 2 approaches:***

***i) Macro scanning***

***e.g. population, ethnics, average income,***

***ii) Micro scanning***

***e.g. family size, eating habits, individual income.***

# **Step 2: Environmental Scanning, Self Analysis & Community Values**

## ***2) Self Evaluation***

***- to see what is available in oneself:***

### ***i) Experience***

***- match business with experience  
e.g. engineer work with Public Work  
Dept (JKR) will become a Civil Engineer.***

### ***ii) Knowledge & Skill***

***- do business on what he really  
knows what to do e.g. Contractor must  
not only knows how to manage his  
business but also how to construct the  
buildings.***



# **Step 2: Environmental Scanning, Self Analysis & Community Values**

## ***2) Self Evaluation (cont.)***

- to see what is available in oneself:***

- iii) Financial situation***

- business that is planned to be implemented must match with financial ability. E.g. Land owner can do housing business.***

- iv) Interest***

- select business based on his interest e.g. a person with gardening hobby can open nursery.***

- v) Networking***

- good networking generate business opportunity e.g. trading***

# **Step 2: Environmental Scanning, Self Analysis & Community Values**

## ***3) Values/Norms of the Community***

- business opportunities need to be coordinated with the religious' and society's values or norms.**
- Values and Norms = what is perceived as useful and beneficial to the community.**
- E.g. Incinerator in Kuala Langat, Nuclear-powered electricity generator, poultry farm nearby residential areas.**

# Step 3: Screening of Business Opportunities



- ***Legality:***
  - ensuring the business opportunity is a legal one.
  - E.g. selling pirate DVD, imitate product e.g. Crocs.
- ***Degree of competition;***
  - choose business that is not monopolized.
  - E.g. supplying Sugar
- ***Capital requirements:***
  - to identify sufficient funds to finance the business.
  - E.g. own money, debt financing, FDI.
- ***Risks involved:***
  - expecting the potential uncertainties & considering the percentage of success & failure.
  - E.g. sell 2<sup>nd</sup> hand cars

# 2 types of risks:

## 1) *Business Risks:*

Types of Business Risks	Description	Examples
<b>Transferable Risks</b>	Risk that can be transferred to another party.	Insurance scheme that cover fire, stolen stocks and accident at work.
<b>Controllable Risks</b>	Risk that can be somewhat controlled by an entrepreneur.	Cannot fully control the situation involving market expectations, labor turnover, product quality & machine breakdown.
<b>Uncontrollable Risks</b>	Risk that cannot be controlled by an entrepreneur.	Economic downturn, natural disaster e.g tsunami.

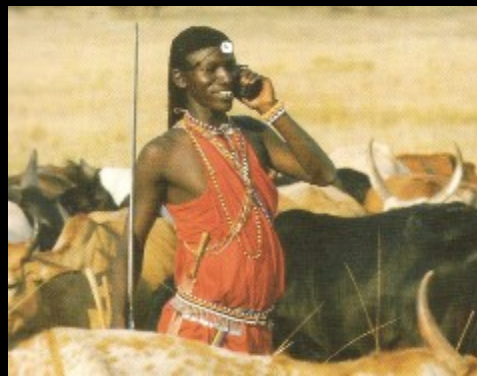
# 2 types of risks:

## 2) *Financial Risks:*

Types of Business Risks	Description	Examples
Liquidity level	Low liquidity – problem of setting short term debt; Too high liquidity – overspending.	Lack of stocks, too much cash in hand
Loan	Risk due to non-servicing of financial loan.	Finance business through bank's loan – still have to pay bank monthly despite no profit.
Credit	Risk when company give credit facility to customers.	Buy on installment - potential to be bad debt if not able to recover from customer for a long period of time.
Foreign exchange	Risk due to increase or decrease of foreign currency rate.	Import/Export business – RM↓ foreign product expensive; RM↓ our product becomes cheap =increase Profit Margin

# Seeing Opportunities

- Simply understand that there is little difference between obstacle & opportunity
  - able to turn both to their advantage
- The opportunities for potential entrepreneurs are unlimited.



*Technology is perhaps the most dramatic force shaping the marketing environment.*

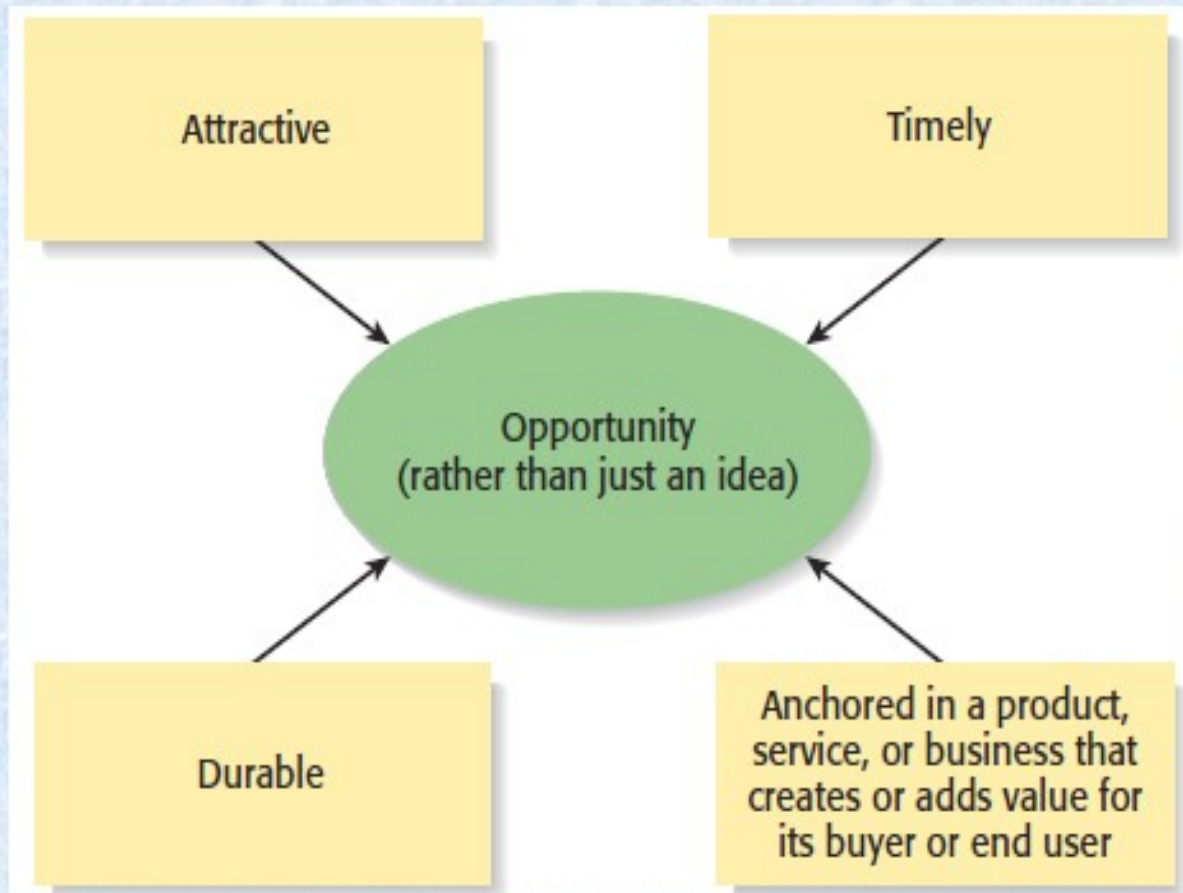
*Here, a herder makes a call on his cell phone*

## **Step 4: Selecting a business opportunity and preparing a business plan**

- After fulfill step 1 to 3, it is time for the entrepreneur to select a business opportunity.
- Then to prepare the business plan.




# Essential Part of Opportunity





# Ways to find out opportunity

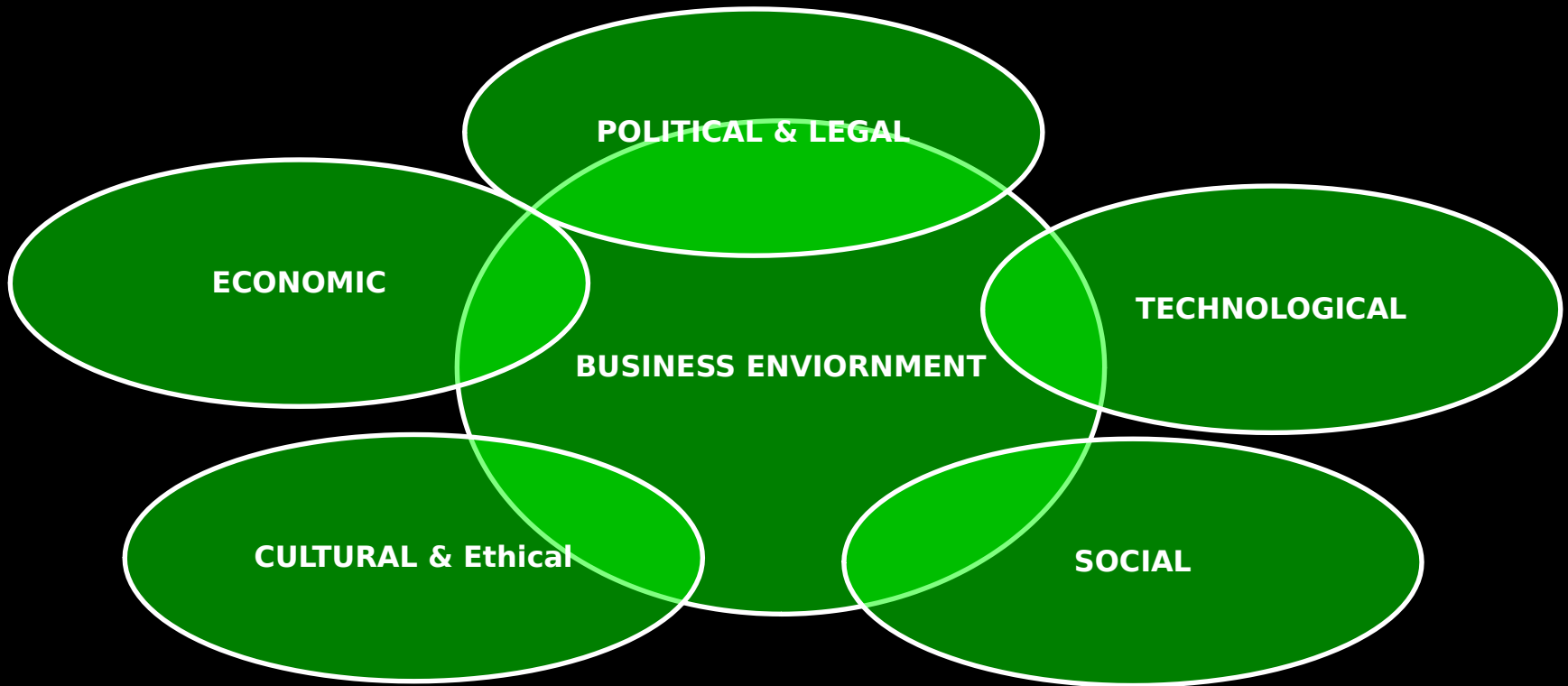


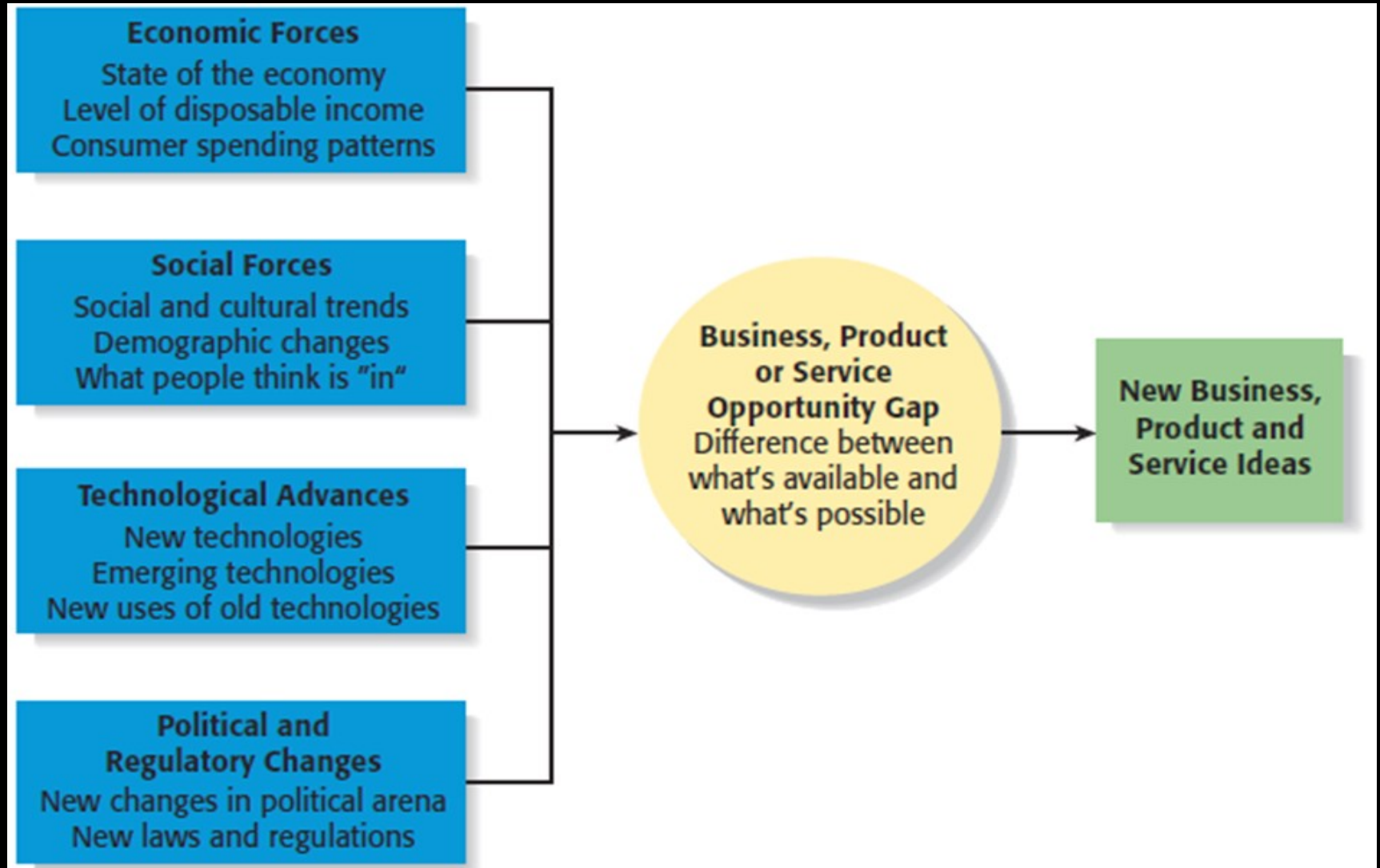
Observing Trends

Solving a Problem

Finding Gaps in the  
Marketplace

# FIRST APPROACH-OBSERVING TRENDS





# Examples

- **Pizza Hut(U.S)- Saudi Arabia- separate cabins for single men and families**
- **McDonald's(U.S)-India- does not use beef**
- **USA- Men & women are equal-Middle East- Women are subordinate of men**
- **USA- Bribery is unethical- Saudi Arabia- generally accepted**
- **USA- present exact profit to tax. dept.- Italy- people understate profits as tax authorities overstate the profit and impose greater amount of tax**

# Customs

- Silence means acceptance in USA but not in Japan
- In Mexico Campbell sells large cans of soup but not in Britain
- Spicy food in China & Japan but light food in European and many of American countries

# SECOND APPROACH SOLVING PROBLEM

- A problem faced in the rural India is finding alternatives to wood stove
- A large number of entrepreneurial firms, like this wind farm, are being launched to solve this problem.

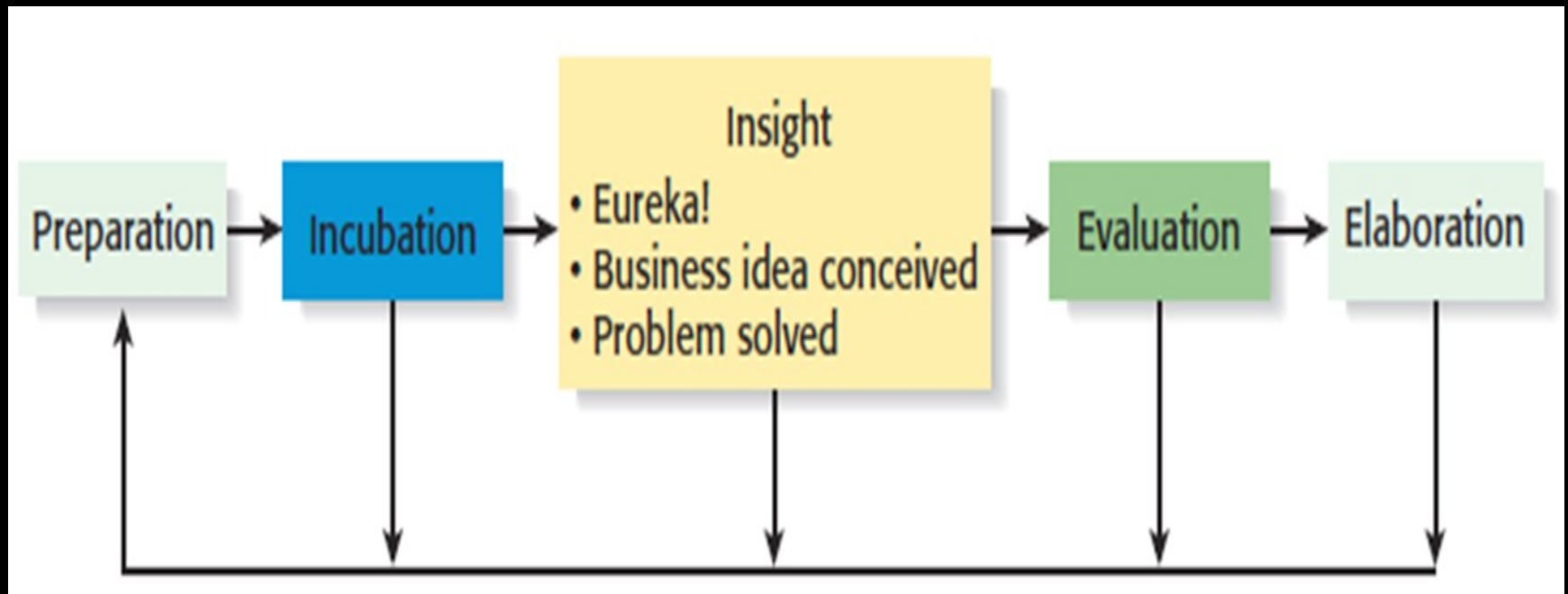


# Third Approach: Finding Gaps in the Marketplace

- A gap in the marketplace is often created **when a product or service is needed by a specific group of people but doesn't represent a large enough market** to be of interest to mainstream retailers or manufacturers.



# Steps to generate creative ideas





# Prior Analysis of Customers Identification



- Can you identify any customers?
  - what customer pain will your business idea resolve
  - evidence that your idea is superior (better, faster, cheaper) enough to get customers to change what they are doing now
  - evidence that customers will buy
  - list of initial customers
- Defining a targeted market segment
  - who, in terms of demographics or psycho-graphics
  - where, in terms of geography
  - benefit expected
- Will this segment lead to others?

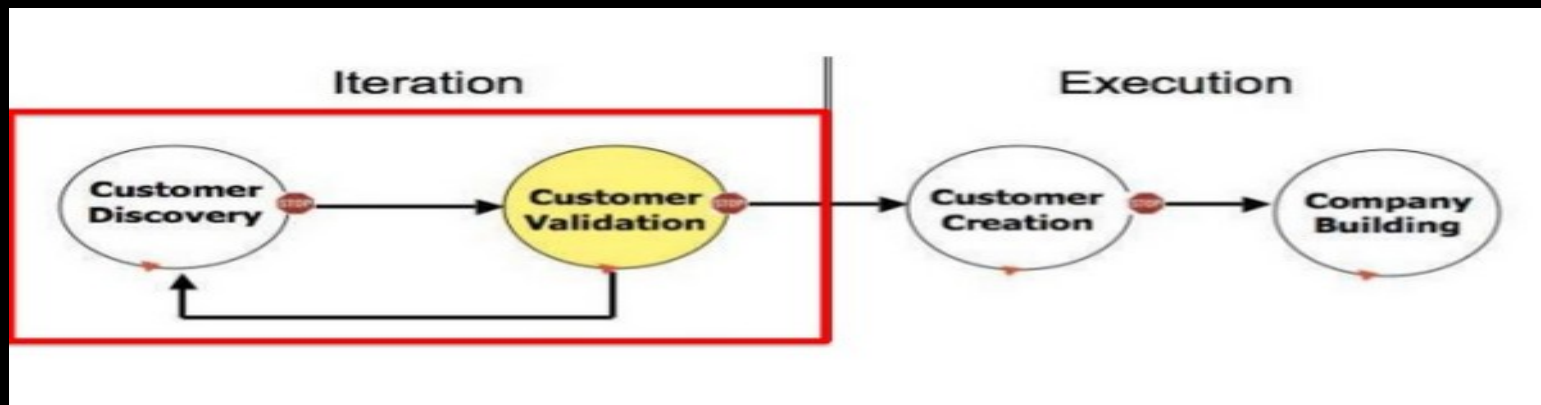
HIMALAYA BABY PRODUCTS



# Customers Development Model

The four steps of the framework are:

- **Customer discovery** – Understand customers and their needs that you may be able to satisfy.
- **Customer validation** – Have a product that will fulfil your customer's needs.
- **Company creation** – You determine whether your product will fulfil all the customers needs
- **Company building** – You can grow your organization in order to support the demand for your product.





## Identify Assumptions

Business Environment, Dependencies, Minimum requirement for a solution Change management required

## Validate Assumptions

Hypothesize potential solutions

Start Delivering

Identification the need

Constantly Reevaluate your solution

CUSTOMER DISCOVERY

