

OPPORTUNITY IDENTIFICATION



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- ✓ 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.
- ✓ 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 2nd hand cars

2 types of risks:

1) *Business Risks:*

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

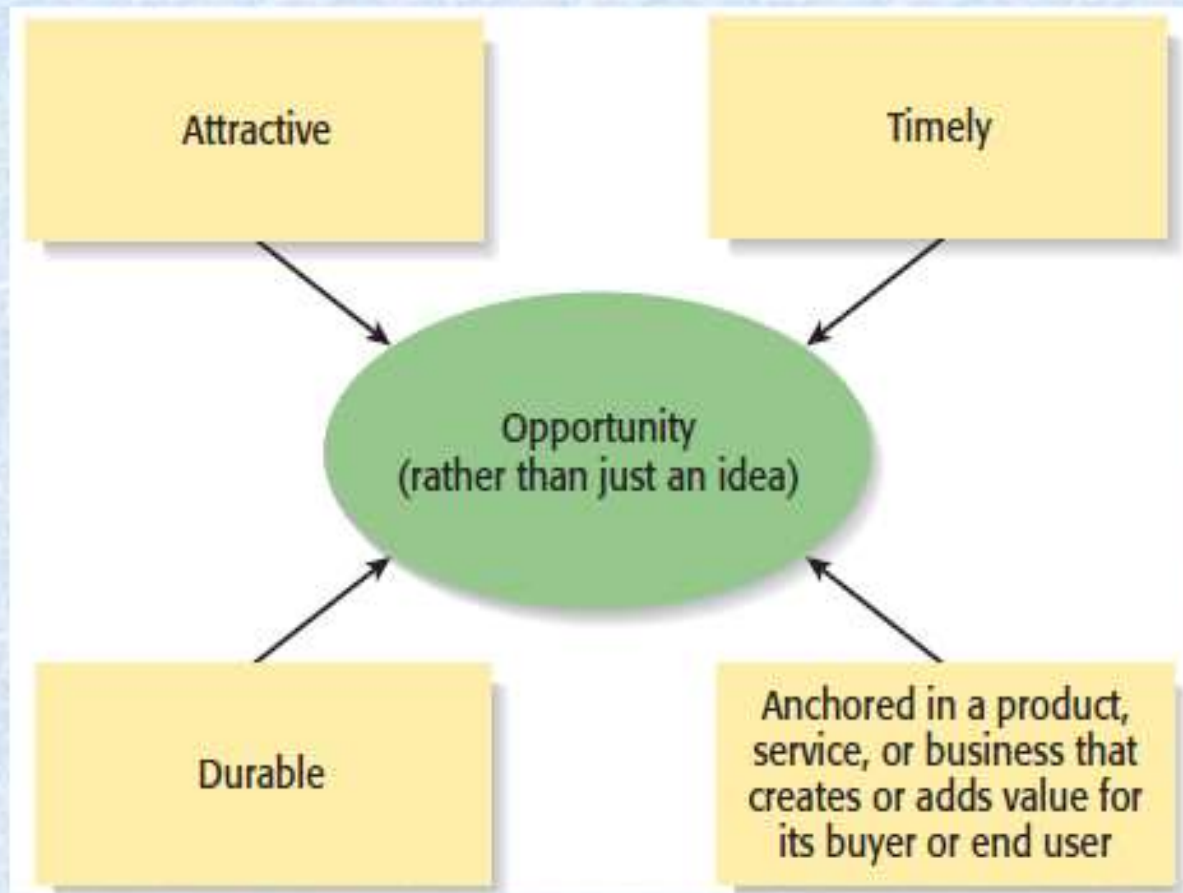
Here, a herder makes a call on his cell phone

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

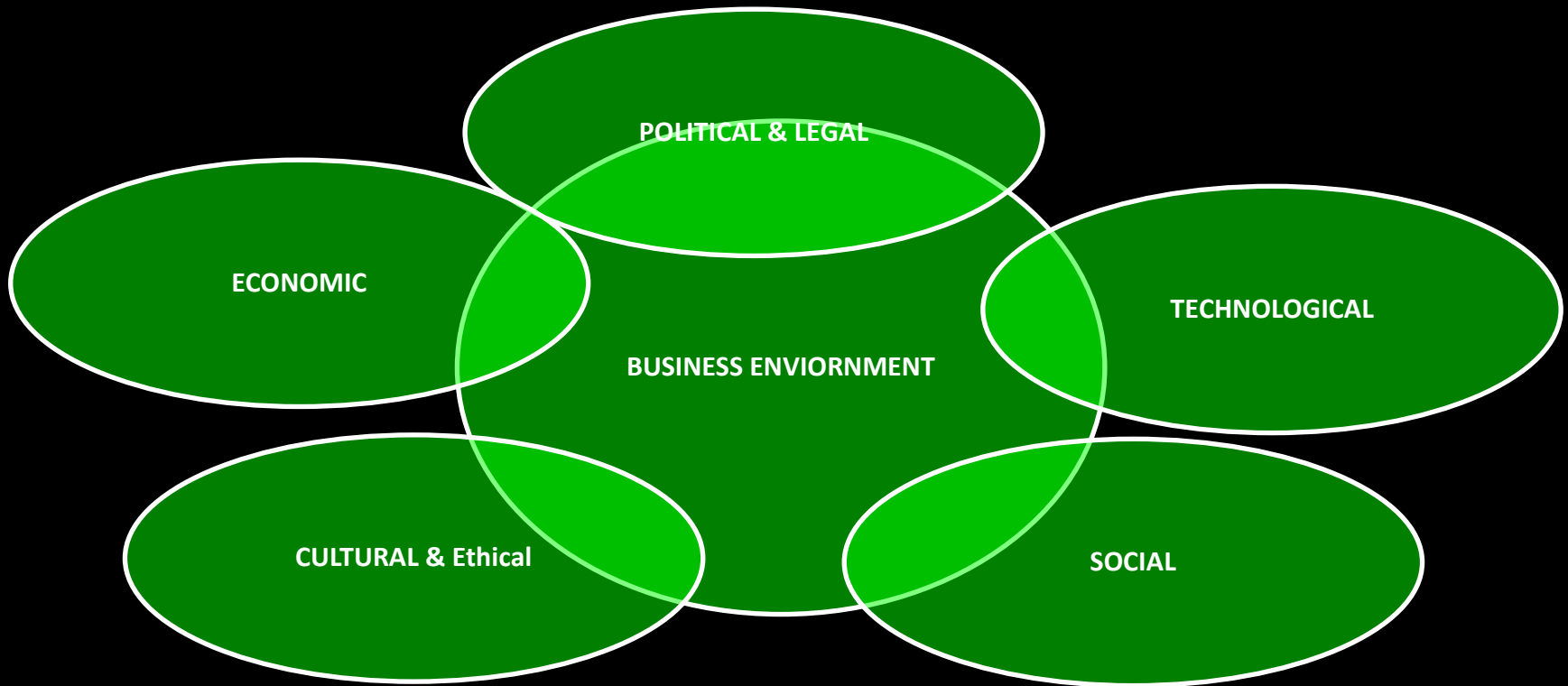


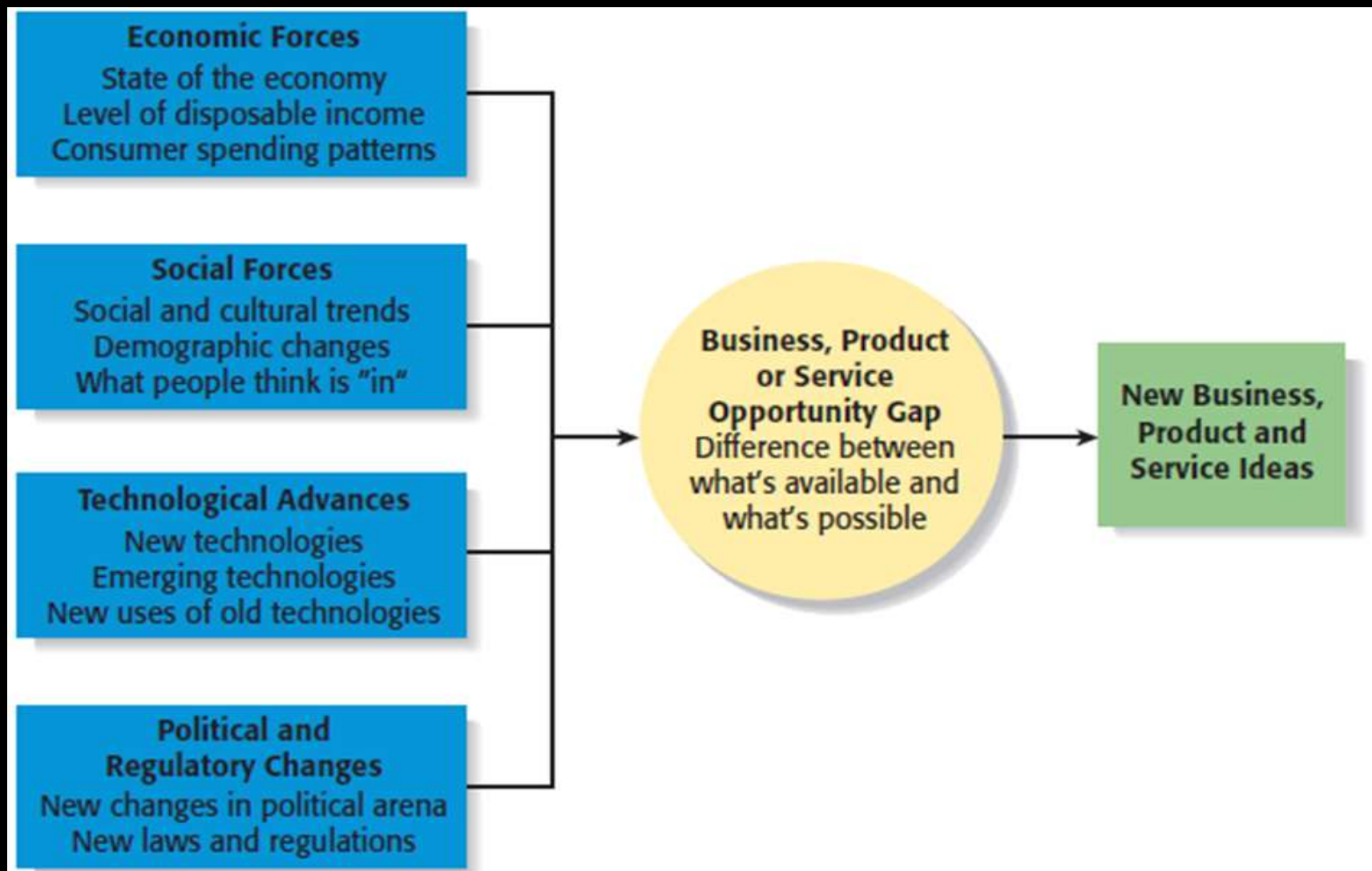
Observing Trends

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.

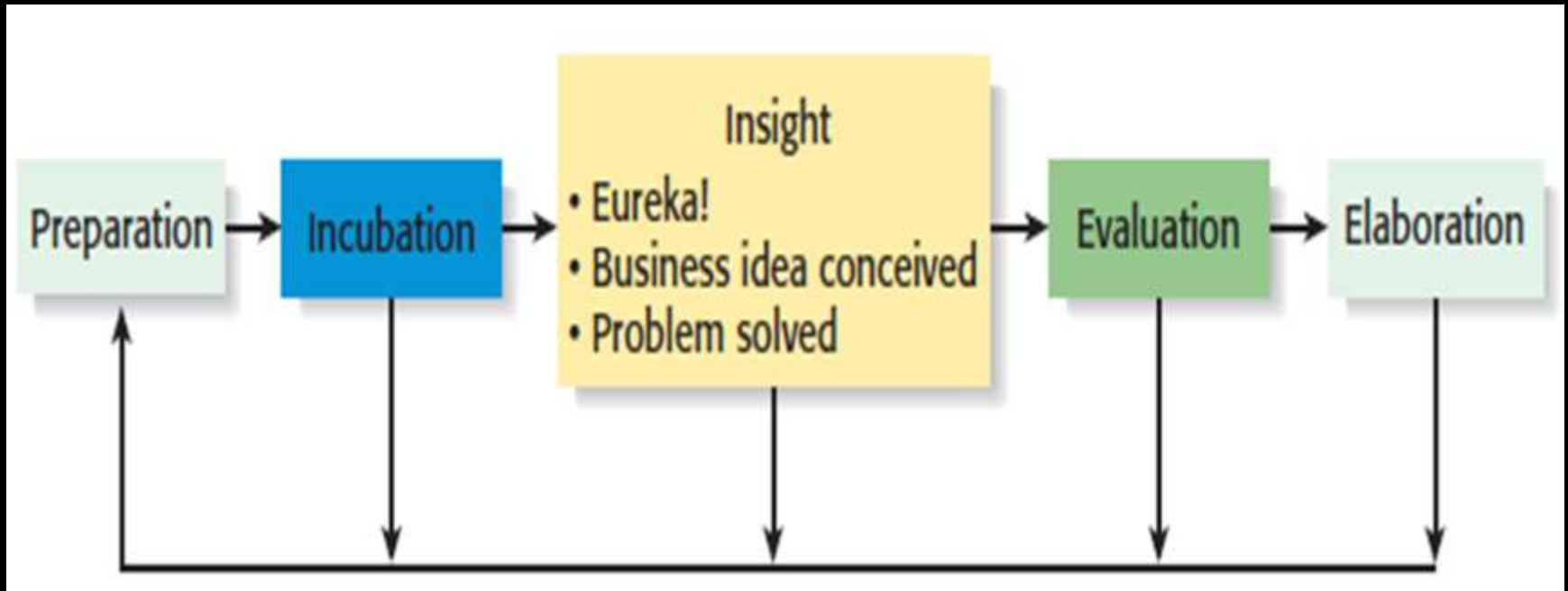


Third Approach: Finding Gaps in the Marketplace

- 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



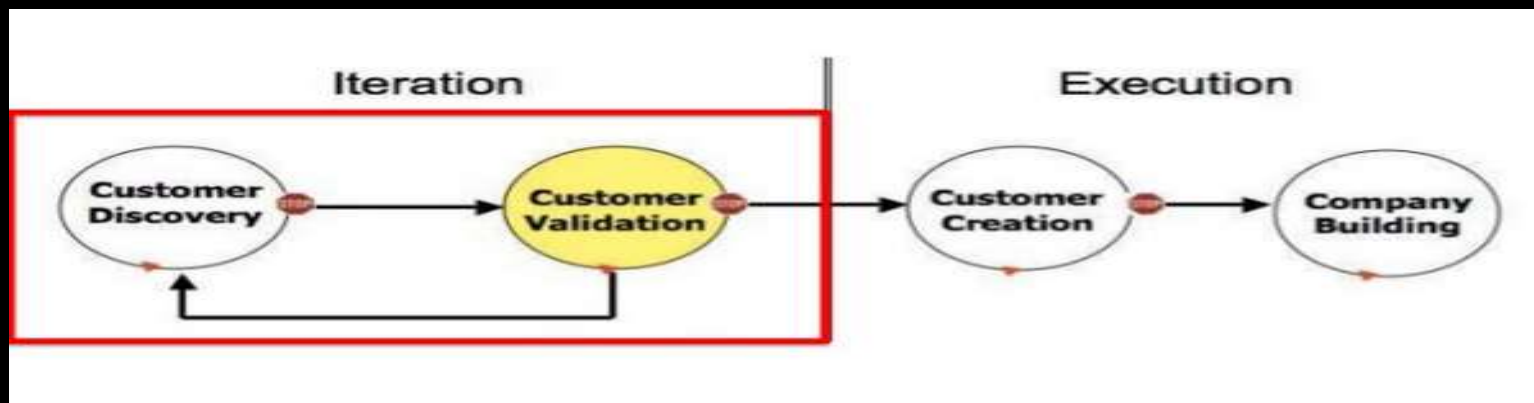
- Can you identify any customers?
 - what customer pain will your business idea resolve
 - evidence that your idea is superior (better, faster, cheaper) enough to get customers to change what they are doing now
 - evidence that customers will buy
 - list of initial customers
- Defining a targeted market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



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 a solution
Change management required

Validate Assumptions

Hypothesize potential
solutions

Start Delivering

Identification the need

Constantly Reevaluate
your solution

CUSTOMER
DISCOVERY

