

Identifying Business Opportunities

Continued

Finding a Product for the Market

Successful products and services meet customers' needs in a unique way which is better than the competitors' offering. It seems logical, therefore, to simply ask customers what needs they have which are not fulfilled and build a business on these needs.

Unfortunately, there are two problems that make this simple approach very difficult to implement: Customers normally only react to what is available. They are rarely interested or expert enough to identify gaps or shortcomings in the range of products and services available to them. They may, however, be able to remember problems they have encountered and these can be a good source of opportunity. Every customer's needs are unique and enormous numbers of customers would need to be interviewed to spot any common factors in their answers.

Because of this, it is up to the prospective entrepreneur to innovate and propose a new product or service to the market. Potential customers can then react to the proposal and judge whether they would buy it or not.

So where and how can you find a market opportunity which will form the basis of a successful business and how do you recognise a good idea when you have it?

How to Search

Perhaps the best strategy is to take the second question first. There are a number of general criteria that any new business should meet:

- It should preferably meet a real need that people are already paying to have satisfied.
- It should preferably use the existing skills and knowledge of the promoter
- It should preferably have some innovative or unique aspect.
- It should preferably be feasible within the budget which the promoter has access to
- It should preferably be based on a growing market with a bright future.

Incidentally, the word "preferably" is used in each of the above criteria to indicate that the lack of any of these factors can be overcome.

You can expand on these points to suit your own unique skills, budget and interests. When you have finished, you will know precisely what kind of business opportunity you are looking for. It is a good idea to write this specification up as a simple questionnaire or 'screening test' that you fill out for each idea you want to consider. It is up to you to decide what the pass mark is. You will get a feel for this when you have screened the first few ideas.

The idea of the screening test is to make sure that ideas that are not suitable are eliminated as quickly and cheaply as possible. If you design the questionnaire carefully, it will help you to reduce both "stop errors" (where a good business opportunity is mistakenly dropped), and "go-errors" (where business ideas are passed on to the next phase of investigation and turn out to be worthless only after time and money are wasted on them).

Ideas that pass the screening test are investigated in more detail, starting with the ideas that score highest in the screening process. This further investigation is referred to as a "Feasibility Study".

Where to Search

Ideas come from knowledge and the best way for an entrepreneur to find a new business opportunity is to concentrate the search on a sector of business that he or she has a reasonable knowledge of. It is true that an outsider can sometimes see things which an insider can not because of the 'blinkers' imposed by over-familiarity. However, it is also true that an insider's knowledge and experience provide a more fruitful source of inspiration as well as a practical knowledge of how to solve problems. The best small innovative businesses in Ireland today are started by people who see their opportunity from within the market they are already familiar with.

In examining a particular business sector for opportunities, there are a number of factors that we should look out for:

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- Problems which customers experience and to which a solution is available
- Missing products or product features
- Opportunities for satisfying the need
- Cheaper
- Faster
- More reliably
- Opportunities for specialisation in part of the process or subcontracting or sub/supply to existing operators

Frequently, new technology is the basis of a business idea and inventors and scientists often develop new techniques or products that have commercial possibilities. By taking out a patent, they disclose their technology so that others can learn from it, but retain an exclusive right to make the product commercially for a set number of years. Entrepreneurs willing to make the product and sell it for a profit, on payment of a license fee to the patent holder can often acquire manufacturing rights to these inventions.

When a license is negotiated it is based on trust between both sides for the good of both with co-operation over the sharing of technology and experience. The license fee is often based on the sales achieved, which is a great benefit to the entrepreneur starting up.

A well-known Irish patent agent compares buying this kind of license to buying hindsight, but to get a license an operation must inspire confidence in the seller. Licensing is a very suitable option for a distribution company that wants to get into manufacturing. Enterprise Ireland has special grants to help with the acquisition of technology and a Technology Transfer Programme to help find suitable technology.

Enterprise Ireland also operates the Irish "Innovation Relay Centre", one of a network of over 200 such EU centres throughout Europe. These centres search out technical innovations in their area and make them available through the network. Consequently, each centre has a database of innovations from across the EU, which are available for licensing.

Technology Ireland, the monthly science and technology magazine, has a section on "Business Opportunities" which lists the technologies available to companies in Ireland.

Another way to find a business opportunity, if you know you have the necessary business skills, is to buy a franchise. You are essentially buying the right to sell someone else's product or service and share the profits. A number of the large banks have franchise advisory departments that can help you evaluate the terms of the franchise agreement.

Local and international trade publications are a good source of current information on new developments and market trends. The South Dublin County Library main branch at Tallaght is one place where current and back issues of most Irish trade magazines can be read. There is a larger collection at the Dublin Central Library at the Ilac Centre.

Trade fairs and general travel abroad can introduce many new product ideas. Sometimes these can be copied very effectively to supply a local niche.

More and more new businesses include export markets in their long-term plans from the very beginning; it makes sense to examine the needs of foreign markets when looking for new manufacturing ideas. The Enterprise Ireland Market Information Centre in East Point Business Park is the best source of export market information. Its extensive library and data bank are primarily created to assess the potential of products and markets, but just browsing through the relevant product sector can open new areas for exploration. You should make an appointment before going in to use the Centre so they can help you to use your time there more effectively.

It would be a mistake to assume that new product ideas for small companies can only be found in the markets for consumer goods and services. There is an increasing trend toward out-sourcing components and services by industry. Consequently more and more opportunities are arising for the supply of components and sub-assemblies or for a range of non-core services relating to both manufacturing and administration. Here again, the trade journals are an excellent source of trend information, ideas and leads in the rapidly growing manufacturing outsourcing sector.