

2. The Idea, Opportunities

The detonator of the entrepreneurial explosion is the opportunity. Entrepreneurs, inventors and innovators are full of new ideas, but there are far more ideas than good business opportunities. An idea is not necessarily an opportunity, although an opportunity always originates from a idea.

It is therefore very important to undertake an *Assessment of the Business Idea* to see if the idea could turn into a business opportunity.

Therefore, each idea needs to be examined as followed:

1. What market does the idea cover?
2. How far is the entrepreneur committed with the business?
3. What are the competitive advantages that the idea will bring to the business?
4. What team will be needed to transform this idea into a business?
5. What is the possible economic return on the idea?

To complement this analysis and to find the most useful/interesting ideas, the **3Ms Method** (Dornelas, 2003) should be followed.

This method involves studying the 3 Ms – Market Demand, Market Size and Structure and Margin Analysis.

Market Demand

Characterise the target market, namely the target buyer of the product/service, answering the following questions:

- What is my target?
- What is the market durability of my product/service? (Life Cycle)
- Are the customers accessible? (Channels)
- How do customers see relationship with the company?
- Is there a high growth potential (>10, 15, 20% a year)?
- Can the cost of attracting customers be recovered in the short term (1 year)?

Market Size and Structure

Define market size and structure answering the following questions:

- Is the market growing, emerging, fragmented?
- Are there property barriers, high leaving costs? Do I have a strategy for overcoming these barriers?
- How many key players are in the market? Do they control the intellectual property?
- What is the present stage of the market's life cycle? (risk also depends on the market's life cycle and maturity)
- How big is the market in Euros? Is there a potential to gain a good market share?
- What is the structure of the business sector?

The 5 strengths analysis, according to Michael Porter (1980):

- Supplier bargaining power
 - Buyer bargaining power
 - Competitor bargaining power
 - Replacement goods
 - Competitor rivalry
- How is the industry segmented? What are the trends? Which kind of events do influence scenarios?

Margin Analysis

Analysis of the Company's room for manoeuvre in the market, answering the following questions:

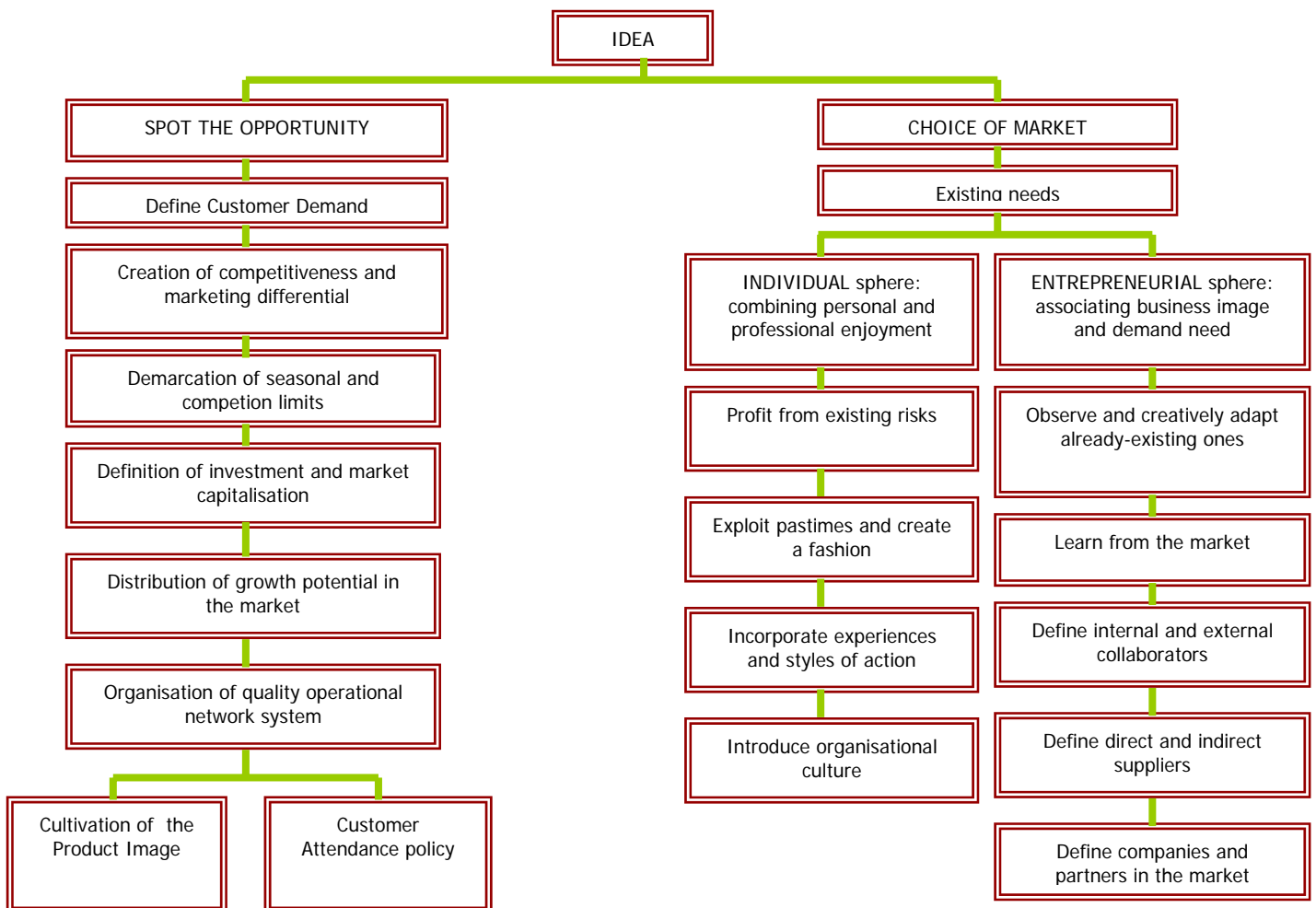
- Determine the strengths of the business
- Identify profit chances (gross margin > 20, 30, 40% ?!)
- Cost analysis (capital required), breakeven, return
- Make a value chain chart of the business, knowing if the product/service reaches the final customer
- This helps to understand the company's value chain and competitors, enabling the entrepreneur to make decisions and implement such as: costs cutting; re-designing internal processes, achieving better margins.

Although this is a comprehensive approach, this analysis will allow the entrepreneur to choose the idea/opportunity, which is more likely to be developed and capitalised.

Therefore, before and after the analyses proposed, the entrepreneur is advised to go through a final check-list for assessing ideas/opportunities, by answering the following questions:

- Is there a problem that needs to be solved?
- Is there a product/service or process able to solve the problem?
- Can potential customers be clearly identified?
- Can a feasible marketing/sales strategy be effectively implemented? (cost/benefit)
- Is the window of opportunity open?

The process of the choice of an idea for a business plan is shown below:



Adapted from Montenegro and Dalledonne, 1998