

---

## **UNIT 5 BUSINESS OPPORTUNITY: IDENTIFICATION AND SELECTION**

---

### **Structure**

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Business Opportunity Identification
- 5.3 Trends
- 5.4 A Good Business Idea
- 5.5 Sources of Business Ideas
  - 5.5.1 Internal Sources
  - 5.5.2 External Sources
- 5.6 Techniques of Idea Generation
- 5.7 Scanning and Screening of Business Ideas
- 5.8 Selection of Workable Business Ideas
- 5.9 New Product Development Process
- 5.10 Critical Factors of New Venture Development
- 5.11 Let Us Sum Up
- 5.12 Key Words
- 5.13 Answers to Check Your Progress
- 5.14 Terminal Questions

---

### **5.0 OBJECTIVES**

---

After studying this unit, you should be able to:

- explain the meaning of business opportunity;
- explore new emerging trends which may pave way for a business idea or opportunity;
- discuss the elements of a good business idea;
- analyse and evaluate the ideas;
- identify the internal and external sources of generating new ideas ;
- describe the techniques of generating new business ideas;
- do screening and scanning of business ideas;
- describe the process of selection and evaluation of viable business idea;
- discuss new product development process; and
- describe the critical factors of new venture development.

---

## 5.1 INTRODUCTION

---

In the previous units, you have been acquainted with the theoretical foundation of entrepreneur and entrepreneurship. Now you will be given a tour of the practical insights of what do the entrepreneurs do and how they do that. ‘*Well begun is half done*’- *Aristotle*, a very appropriate saying relevant in the entrepreneurship world. Identification of a business opportunity is the very first step and the most crucial part of an entrepreneur’s journey. Specifically, a new entrant in the entrepreneurship world has to search for a right business opportunity at the right point of time in the uncertain environment. Most of the business opportunities arise from the unmet needs or the deprivation of the market. The success of the new business venture depends on the cracking of the right business opportunity at the right time. Not only the success of new venture, for an entrepreneur to be successful, he needs to be continuously innovating and looking for opportunities to survive and grow in the uncertain market conditions. Essentially, entrepreneurs need ideas to start and grow their entrepreneurial ventures. Generating ideas is an innovative and creative process. Sometimes, the most difficult aspect of starting a business may be facilitated with a business idea. Even if you have a general business idea in mind, it usually needs to go through fine-tuning processes. Fruitful ideas often occur at points where your skill set, your hobbies and interests, and your social networks intersect. In this unit, you will learn the identification of business opportunity, trends of business ideas. You will be further acquainted with the techniques of idea generation, scanning and screening of ideas or selection of workable ideas. You will be further familiarised with the critical factors of new venture development.

---

## 5.2 BUSINESS OPPURTUNITY IDENTIFICATION

---

Business opportunity, in general sense implies a good chance or a favourable situation to do the business. Business opportunity identification is central to the domain of entrepreneurship. Entrepreneurship revolves around answering various questions with regard to why, where, when and how business opportunities arise. Recognizing an opportunity often results from the knowledge and expertise of the individual entrepreneur. The entrepreneur must always be ready to use his knowledge and experience and turn his ideas into a powerful business opportunity and create a successful venture. Opportunity identification and selection are like corner stones of a business enterprise. Better the former, better is the latter. However, all the identified opportunities and the business ideas must be carefully screened and analysed by the entrepreneur. The first step for every entrepreneur is the identification of a business opportunity and generate a new business idea. The generation of new business idea is not an easy task. Thus, let us now examine various sources and techniques of idea generation for new products and services. You need to understand that business opportunity, identification and selection involves a thorough research of the dynamic market.

---

## 5.3 TRENDS

---

Trends mean something which is trending in your target market. Trends often provide great opportunities for starting a new venture, particularly when the entrepreneur can be at the start of a trend that lasts for a considerable period of time. Seven trends that provide business opportunities are discussed below:

- 1) **Wearable Trend:** As the cost and size of microprocessors continue to shrink; the ability to carry the computers with monitors to display relevant information is now a reality. The wearable tech industry includes categories such as body monitoring (Fitbit) which has brought smart watches into the market. Consumer's interest in smart watches is expected to boost the industry further as new companies come forward to service the industry with applications and accessories.
- 2) **Green Trend:** The green sector continues to brimming opportunities around the world. The Green sector is filled with opportunities for entrepreneurs around the world. Today consumers are willing to pay more for green products. Going green is not going away, but the various trends within the green business movement will change direction, creating opportunities for new products and new businesses. For example: a movement towards hybrid cars, eco-friendly products and packaging etc.
- 3) **Payments:** The dynamic payments industry continues to expand and evolve, with digital payment vehicles and transaction volumes growing across the globe. This industry includes services for lending money (lendingtree.com) to products that allow anyone to accept credit/debit cards (billdesk) as well as billing and accounting services (Paytm).
- 4) **Maker Trend:** The maker movement is a trend in which individuals or groups of individuals create and market products that are recreated and assembled. The recreation and assembly are done by using unused, discarded or broken electronic, plastic, silicon or virtually any raw material and/or products from a computer-related device. The maker movement has led to the creation of a number of technology products and solutions by typical individuals working without supportive infrastructure. For example, MintyBoost, a popular DIY USB charger kit built uses an Altoids tin, batteries and a few connectors which can easily be created using instructions online, or purchased from other makers who sell their devices.
- 5) **Mobile Trend:** The mobile phones continue to revolutionise the way of purchases and interaction with consumers. The consumers are short of time so the activities once done on desktops are now done on mobile phones or tablets. There is no point in drawing a distinction between future of technology and future of mobile. Both have been moving towards consumers friendly operations.

- 6) **Health Trend:** Health maintenance concern about health care, are one of the biggest trends that will continue in the next decade as the population ages. This provides many opportunities for entrepreneurs including: Cosmetic procedures, Fitness centres (also refers as gym), Fitness toys (e.g. punch balloon, bi-cycle, etc.), Fit food, Care clinics, And wellness coaches. Green Mountain Digital is developing a social network platform for nature lovers.
- 7) **The Internet of Things:** With each passing day, the population connecting to internet has been increasing. The potential for nearly everything we interact with to be connected to the internet has given rise to new products. They can access internet through an embedded WIFI transmitter. It has been assumed that internet will disappear soon, meaning that you would not even sense that you are interacting with it.



Figure 5.1 Trends

---

## 5.4 A GOOD BUSINESS IDEA

---

A business idea is a starting point for any current or future entrepreneurs. It is essential because it is the beginning of a new life for a business and an entrepreneur. An idea is important in the initial stage of a start-ups as well as their development. The results from good business ideas will feel in all phases of the development of a firm, but will also depend on other entrepreneurial activities. Any good business ideas could be an invention, a new product or service, or an original idea or solution to an everyday problem. A good business idea does not necessarily have to be an unique product or service. Majority of the entrepreneurs becomes successful with the accomplishment as a result of the exceptional execution of ordinary ideas. The chances of success therefore will be far greater if you can market a product that is similar to existing offerings, while providing greater value to customers. In entrepreneurship 'ideas' is used as an acronym.

*IDEAS* stand for:

- I- Identification of opportunities
- D- Designing into prototype to show to segment of society
- E- Exclusive or Unique that is different from competitors
- A- Acceptable to segment of society
- S- Satisfying to the segment of the society for which made.

In other words, ideas are referred to as problems expressed by the people in the society. Any problem stated by the consumers becomes a business opportunity to be fulfilled by providing necessary goods or services as a solution to their problems. For example, if a person is looking for keeping his/her body fit then this problem can be solved by offering gym facility to him/her.

---

## 5.5 SOURCES OF BUSINESS IDEAS

---

Business ideas are thoughts that when implemented can lead to income generation. Coming up with new and feasible business ideas is a crucial initial step to become a great entrepreneur. Business ideas are all around us in the environment. Some of these business ideas emerge from market analysis and consumer needs, while others emerge from a long research process.

**Sources of new product ideas include: company employees, customers, competitors, outside inventors, acquisitions, and channel members.** However, there is no conventional technique for sensing and selecting a right business opportunity, these are some of the fruitful sources of business ideas adopted by successful entrepreneurs which can be classified as internal and external sources of idea generation. Let us learn them in detail.

### 5.5.1 Internal sources

Internal sources facilitate the generation of business idea from within the organization. When people think about creativity in a business, they are often referring to ideas for new products and services that come from the employees. Using internal sources, the company can find new ideas through formal Research and Development (R&D) or through formal and informal employee's suggestions. Rewards and recognition can be provided in order to obtain maximum participation from the employees.

- 1) **Research and Development:** R&D can be carried out in-house or outside the organization. R&D activity suggests what and how a new or modified product can be produced to meet the customers' requirements. R&D involves researching the market and the customer needs and developing new and improved products and services to fit these needs. Businesses that have an R&D strategy have a greater chance of success than businesses that not have R&D strategy can lead to innovation and increased productivity and can boost competitive advantage of the business. However, research and development can be expensive and time-consuming process but its benefits outweigh its costs.

- 2) **Intrapreneurship:** An intrapreneur is a person who takes on the responsibility to innovate new ideas, products and processes or any new invention within the organization. Beyond its internal R&D process, companies can use the brains of its employees—from executives to scientists, engineers, and manufacturing staff to sales people. Many companies have developed successful “intrapreneurial” programs that encourage employees to envision and develop new-product ideas.
- 3) **Hobbies and Interests:** Hobbies are the activities that one enjoys doing during leisure time and can prove to be a major source of business ideas which is generated from within an entrepreneur. In fact, many successful entrepreneurs have established great successful business ventures while pursuing their interests or hobbies. Virat Kohli, one of the greatest sportsmen of the 21st century has started its own fitness centre chain named ‘Chisel’ and turned his interests into a successful business venture.

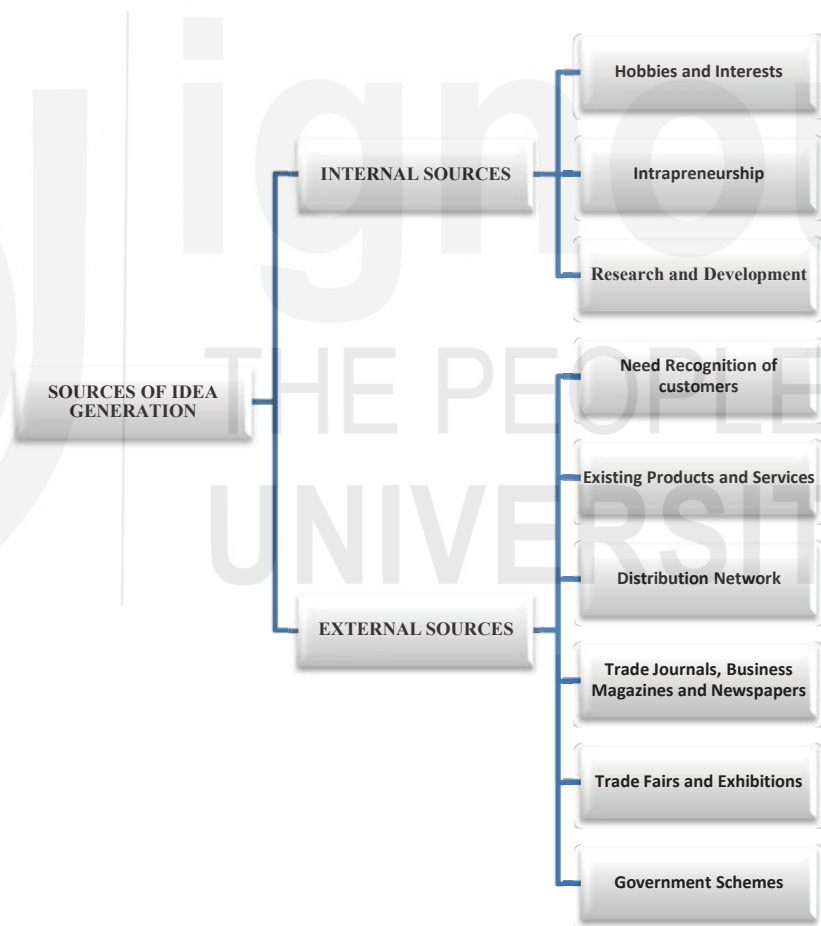


Figure 5.2 Sources of Idea Generation

### 5.5.2 External Sources

Business can also obtain brilliant new-product ideas from any of a number of external sources. These external sources are numerous, such as customers, competitors, channel members, but the firms differ greatly as to where they concentrate their efforts for outside assistance and the extent to which external ideas are sought after and used.

- 1) **Need Recognition of Customers:** Potential entrepreneurs should always pay close attention to the needs of the people in the society. A business opportunity arises from the need which is strongly felt by a vast majority of people. When a need is strongly felt and people are unable to satisfy it themselves, they tend to find its solution from the outside world. Entrepreneurs should try to recognise this need as and make sincere efforts to turn this need into a successful business venture. Needs can be recognized by conducting surveys, whether formally or informally, through questionnaires, interviews or observation.
- 2) **Existing Products and Services:** Improving upon the already existing goods and services is yet another successful source of business idea generation. This improvement might result into a completely new product or service having more market appeal and sales potential. Thus, an entrepreneur should carefully analyse and evaluate existing products and services of itself and competitors and should bring out ways to improve these offerings. That is why it is said that entrepreneurs need to be creative and innovative. To understand it clearly let us take an example. Data storage was never as easy as it is now via cloud storages which were once a floppy disk. This got improved to a completely new product as CD, and then turned into a pen drive and various other small chip sized memory cards. Now data is stored on the virtual clouds like iCloud, google drive etc.
- 3) **Distribution Network:** Members of distribution partner like dealers, wholesalers, retailers and agents have proved to be one of the brilliant sources of new idea generation. The distribution networks have proximity with the customers and they can recognise the unsatisfied needs of the customers. No one knows more than them, what do the consumer wants and what are they getting at the moment. These channel partners can provide with a wide variety of suggestions regarding improvements in the existing products and services as well as new product ideas according to the needs of the market as they deal in number of products and services and thus might be having a maximum experience across industry.
- 4) **Trade Journals, Business Magazines and Newspapers:** Statistical information and other reports are being published by various trade journals, business magazines and newspapers which can be used in generating new business ideas. They write on current trends in industry, best practices, legal issues, and general business environment which can provide gainful insights while generating new business ideas for a successful new venture and its growth. For example: **Laghu** Udyog Samachar Magazine is a magazine published by MSME in India for identification of business ideas.
- 5) **Trade Fairs and Exhibitions:** Trade fairs and exhibitions have proved to be one of the excellent sources of idea generation since decades as they are usually advertised on the Internet, radio, and newspapers. People from all around the world come and participate in these fairs and exhibition displaying their new products and services. One can meet a

number of manufacturers, sales representatives, distributors, wholesalers, and franchisers who can provide gainful insights in generating new business ideas and launching a new venture.

- 6) **Government Schemes:** In order to eliminate unemployment and to motivate youth to become entrepreneurs rather than craving for employment, government of India has initiated various schemes to provide training and assistance to the people having a desire to start their own enterprises. These schemes by themselves, is a great source of idea generation. For instance, Khadi and Village Industries Development Board in India has led Indian handicrafts across borders by providing a variety of incentives. These incentives are provided to village craftsmen and artisans in the form of training, subsidized loans and raw materials, export promotions etc. Support to Training and Employment Programme for Women (STEP) aims to impart training to women above 16 years of age in several sectors such as horticulture, agriculture, food processing, handlooms etc. so that they can become independent and start their own business. Various other schemes like Jan-Dhan Aadhar Mobile (JAM), Biotechnology Industry Research Assistance Council (BIRAC), Trade Related Entrepreneurship Assistance and Development (TREAD), etc. have helped many individuals in generating new business ideas and become entrepreneurs.

Thus, there can be many sources through which entrepreneurs can generate new business ideas and grab an opportunity. The entrepreneurs must keep on exploring new ways and means for the identification of the new business ideas. Business visionaries and potential entrepreneurs must evaluate these ideas and select those that can lead them to a well-organized and successful business that meets the needs of the customers and promote the economy in the society. Business idea generation, therefore, helps to identify the opportunities than can be converted into successful business ventures.

#### Check Your Progress A

- 1) What do you mean by entrepreneurship?
- 2) Distinguish between entrepreneurship and intrapreneurship.
- 3) List out five trends.
- 4) List out four external sources of idea generation.

---

## 5.6 TECHNIQUES OF IDEA GENERATION

---

Idea generation is described as the process of creating, developing an abstract concrete or visual ideas and anyone can participate in generating new ideas. Let us learn the techniques of idea generation.

- 1) **Brainstorming:** Brainstorming is a creative problem-solving technique and also an informal approach to business ideas generation. It encourages people to come up with thoughts and ideas that can, at first, seem a bit



crazy. The sustainable sincere effort is required for the conversion of crazy idea into real business opportunities. Some of these ideas can be crafted into original, creative solutions to a problem, while others can spark even more ideas. The objective of brainstorming is to come up with as many ideas as possible and therefore, during brainstorming sessions, there is no criticism, rewards or judgements. For more successful results, brainstorming should be conducted with the help of experts.

- 2) **Brain Writing:** Brain writing is an idea-generating method that involves everyone in a group activity. It is a kind of written brainstorming. Unlike brainstorming, which is verbal and where the ideas are being generated spontaneously, brain writing tends to give more time to the participants to generate ideas. Brain writing is silent technique where the group of people (usually six) are required to write minimum three ideas on special forms or cards which are circulated to each participant for a pre-specified duration.
- 3) **Focus Groups:** Focus groups have been used for a variety of purposes and have been widely used for idea generation. The group is lead by a moderator to conduct an in-depth discussion. The group usually consists of 8-14 recruited participants. In focus group, the role of moderator is very much important for providing direction and leading the group towards the generation of fresh ideas for new product development. For example, a focus group created by a car manufacturer to discuss about the possible improvements in the existing model of its cars. Focus groups are helpful not only in idea generation but also in idea screening.

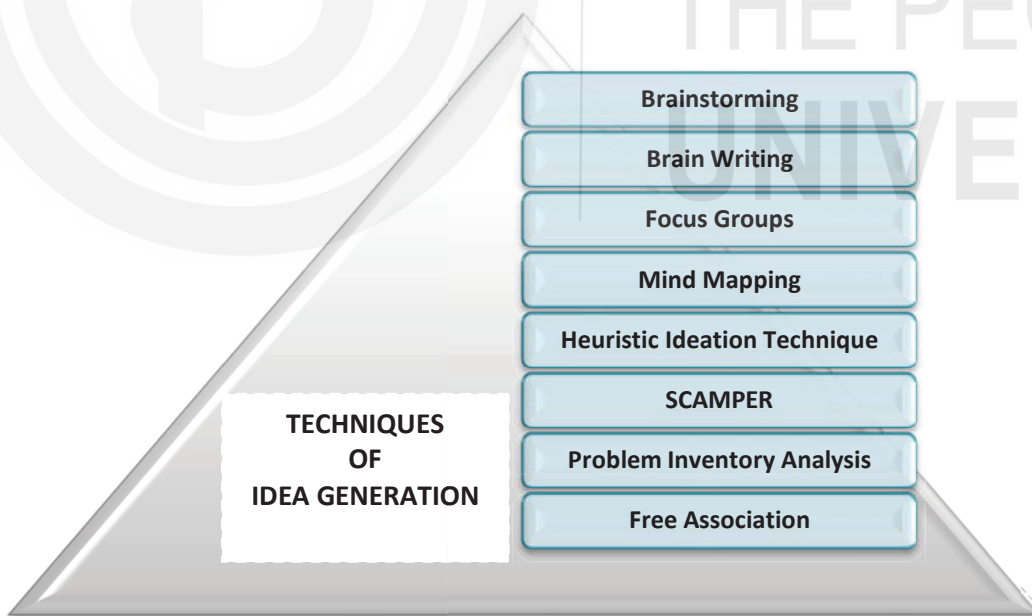


Figure 5.3 Techniques of Idea generation

- 4) **Mind mapping:** Mind maps are an idea generation strategy to produce ideas effectively by association. It is a powerful graphical technique which is used to translate whatever is running into the minds into a visual picture. The process of mind-mapping involves penning down a central theme and coming out with new and associated ideas that branch out

from the central idea. These branches form a connected nodal structure. With respect to creative problem solving, mind maps help to show how are different pieces of information or different ideas connected. It helps to unlock potential of the brain.

- 5) **Heuristic Ideation Technique:** HIT is an idea generation technique that facilitates generation of new product ideas by exploring different products' features and making different combinations in order to search for a new product idea. Under this technique, new product ideas are developed using the combination of the elements of already existing products.
- 6) **SCAMPER:** SCAMPER is an activity-based thinking process that helps to generate diverse ideas. SCAMPER is an acronym which stands for: S-Substitute; C-Combine; A-Adapt; M-Modify; P-Put to another use; E-Eliminate; R-Rearrange. Substitute means thinking about substituting different parts of the product or its processing for something else. Combine means thinking about combining different products' features or processes in order to develop completely new product. Adapt signifies adapting different measures according to the situation. Modify signifies modifying features, physical qualities, size or price of existing product. Put to another use means using the existing product for some another problem or as a by product. Eliminate signifies eliminating non-essential components and reducing time/efforts and cost. Rearrange means rearranging the components or using different order.
- 7) **Problem Inventory Analysis:** Problem Inventory analysis though seems similar to focus group method, yet it is somewhat different from the latter in the sense that it not only generates the ideas, but also identifies the problems the product faces. The procedure involves two steps: One, providing consumers a list of specific problems in a general product category. Two identifying and discussing the products in the category that suffers from the specific problems. This method is found relatively more effective for the reason that it is easier to relate known products to a set of suggested problems and then arrive at a new product idea.
- 8) **Free Association:** Free association is a method of developing new idea through a chain or a cycle of word association. The process involves a word relating to the problem being written down, then another and another. Free association contains elements of several other idea-generating techniques and depends on a mental 'stream of consciousness' and network of associations that are of two types:
  - First is **Serial association** which starts with a trigger, you record the flow of ideas that come to mind, each idea triggering the next, ultimately reaching a potentially useful one.
  - The second is **Centred association**, (which is close to classical brainstorming) prompts you to generate multiple associations to the original trigger so that you 'delve' into a particular area of associations.

## Check Your Progress B

- 1) What do you mean by brainstorming?
- 2) What is Focus Group?
- 3) What do you mean by Free association?
- 4) State whether the following statements are **True** or **False**:
  - i) Idea generation is the first step towards starting a new venture.
  - ii) Members of distribution channel are usually good sources of idea generation.
  - iii) In brainstorming technique, rewards and criticisms are necessary to encourage participation.
  - iv) Mind mapping is the process where branches are stemmed out of the central theme.
  - v) Modifying in SCAMPER refers to adapting measures according to the situation.
- 5) Fill in the blanks:
  - i) ..... is the powerful graphical technique which is used to translate whatever is running into the minds into a visual picture.
  - ii) ..... idea generation technique allows for in-depth discussions.
  - iii) Government of India has initiated various schemes to provide ..... to the people having a desire to start their own enterprises.
  - iv) Brain writing is a kind of written .....
  - v) ..... is the idea generation technique that aims to develop new product ideas by combination of features of existing products.

---

## 5.7 SCANNING AND SCREENING OF BUSINESS IDEAS

---

So far you have seen different sources of business ideas and techniques for generating business ideas. Ideas may be many but as an individual you may not want to make use of all the possible business ideas and to convert them into business venture. Therefore, you need to screen the ideas, evaluate each of them and select one or few that is viable. **Idea screening is a process used to evaluate innovative product ideas, strategies and marketing trends.** Screening is essentially an elimination technique. The purpose of idea generation is to generate large number of ideas whereas the purpose of idea screening is to reduce these numbers to some profitable business ideas. Idea screening criteria are used to determine compatibility with overall business objectives and evaluate whether the idea would offer a viable return on investment. Whatever does not meet these criteria is typically discarded. In simple words, idea screening refers to evaluating the business ideas on the

basis of their profitability and discarding those which are not fruitful ones. Out of hundreds of ideas, there may be only one or two real opportunities. With the list of potential new product ideas, the need is to decide which ideas to pursue and which to discard. Due to scarcity of available resources, it is difficult to develop several products at the same time. Thus, a careful idea screening process helps in focusing the whole product development process with a higher possibility of achieving success. The purpose is to eliminate the number of ideas without screening away the potential ones. The ideas can be screened based on eight criteria's and the entrepreneur must aim to answer following questions while screening ideas:

- 1) **Attractiveness of Idea:** Would you enjoy doing it? For an idea to become a successful business venture, it should be attractive to the entrepreneur as well the market. No enterprise can become successful if the idea is not attractive enough to be translated into a business.
- 2) **Ability to undertake:** Do you have the skills needed to do it? One can generate any number of ideas but the ideas for which the entrepreneurs have skills and abilities are considered to be the best ones. Even if the skills are not sufficient, then the entrepreneur must consider whether these skills can be developed by undertaking some training and development programmes or not.
- 3) **Practicality:** Is it something that really can be done? A workable idea is one which is feasible and practical. Before committing funding to a proposed venture, one must decide whether it is viable or not.
- 4) **Potential Market Demand:** Will the customers be willing to buy it? Before selecting an idea, its market demand must be carefully analysed. There is no point investing in something that cannot stimulate its demand,
- 5) **Ability to Combat Competition:** Is there competition in the market and can you combat it in some way? A careful analysis of competition present in the market is necessary before resorting to an idea. One must ensure the intensity of available competition in the market. They should enter only that market where they can manage the competition and differentiate their product.
- 6) **Ability to Differentiate:** Can you differentiate it in some way that can be sustained over a long period? The good idea is the one which has the ability to be sustained for over a long period of time. It has to be differentiated from those of competitors.
- 7) **Price Potential:** Can you avoid competing simply on price? The competition should not be based only on price as that can lead to a price war. The price war is not appropriate for long term survival of the business.
- 8) **Resource Availability:** Do you think you have, or can get the resources you need to start up the business? For conducting any business, sufficient amount of resources is required. One must ensure that they have or can gather sufficient amount of resources required for business.

Out of these eight criteria that can be used for screening business ideas, the personal interest and experience in a particular trait of the entrepreneur is of paramount importance in selecting the business idea. All the criteria mentioned above has a question which needs to be rated on five-point scale read as 1 = poor, 2 = average, 3= neutral, 4= good and 5= very good. All these criteria on the questions concerned when rated on a five-point scale will give a score to business idea. The minimum score that an idea can get is 8 and maximum score is 40. Therefore, the business idea that gets a score more than 20 and anything greater than 20 may be considered to be a better idea for its implementation. For example, when an idea A is rated on eight criteria using five-point scale and score comes out to be 25 whereas an idea B when rated gets a score of 35, therefore, it is very clear that idea B is better than idea A. Therefore, the perception of the entrepreneur is converted into quantitative score which helps the entrepreneur to pick up idea which is having the highest score from amongst all other business ideas. In other words, for selection of business idea, a two-stage process may be followed. In stage one, from all the business ideas that are identified and listed, initial screening can be done based on entrepreneur's interest and investment it requires. In stage 2, out of the shortlisted business ideas which should not be more than 5 to 7, they can be rated on five-point scale as mentioned above and the idea that get the highest score based on the perception of the entrepreneur can be considered to be best amongst the shortlisted. However, this process needs to be followed with lots of objectivity and due diligence on the part of the entrepreneur. Besides, SWOT (Strengths, Weakness, Opportunity and Threats, where SW are internal and OP are external factors) analysis is also undertaken. A little more discussion on SWOT will be done in the forthcoming units of this course.

---

## 5.8 SELECTION OF WORKABLE BUSINESS IDEAS

---

The final decision is “what to produce?” in case of manufacturing or “what to market?” in case of trading business. It is the most crucial decision in entrepreneurship development as all the entrepreneurial activities reflect around the production and sales of that product. Product selection is a decision process, in which the design team selects one or few product concepts for further development. The factors influencing the decision of product selection are known as criteria of the product selection. An entrepreneur has to critically apply these criteria at the stage of finalizing the product.

- 1) Market Survey and Assessment of Market Potential:** The majority of small businesses fail within five years of starting up as the experience goes in the market place if things are not planned properly. While there are many reasons that businesses fail, including some that have nothing to do with an owner's skills. It may also be possible that many of those same businesses collapsed simply because they could not get enough customers to buy their product or service. Thus, before selecting a product, a market survey is required to be conducted. Every entrepreneur

must understand that unless there is a market potential for his product, all his entrepreneurial efforts may be futile.

- 2) **Availability of Factors of Production:** Selection of a product depends heavily on the availability of factors of production like raw material, labour supply, skilled workers, machines and equipment, spare parts, transportation and communication facilities, water and electricity supply etc. The selection of the business has to be done considering the types of resources required by it and the availability of resources required to run the business not for a short period of time rather for a longer period of time. For example: - many industries in Mumbai had to shift themselves to other neighbouring cities because of frequent power cuts, i.e., the shortage of industry, and in those industries, electricity was the major factor of production like steel mills. Similarly, because of pollution emission by the select industry, the government of that state may take a harsh decision to relocate those industries to the neighbouring areas. In the view of non-availability of factors of production may lead to failure of industries. So, all these should be covered as a part of market survey before actually launching the product/business.
- 3) **Cost of Production:** Cost of production forms part of the criteria for selecting a product in entrepreneurship. Entrepreneurs need to produce goods that allow for appreciable profit margins, thereby limiting the cost of production while increasing the possible gains. Therefore, cost of production plays an important role in product selection for entrepreneurs. Only products that give the highest profit margins are selected. The selected products are tailored to fit into, or be accepted by the consumer. If the entrepreneur is thinking of a completely new product the cost will be very high as it includes the cost of research and product development other than initial investment into new machinery training to employees & the cost of raw material. If it is just a modification of an existing product than the cost will be less hence depending upon the cost or the capacity to spend the type of new product can be determined.
- 4) **Availability and Access to Raw Materials:** Different products require different raw materials. The source, quality and quantity of the raw materials needed are factors to be seriously considered, Are the raw materials available in sufficient quantities? Are the suppliers ready to supply raw material at desired prices? The sources of raw material, their accessibility and policies of the government. If it is to be imported are to be considered critically before selecting the product or service for production. Satisfactory answers should be provided to these and many other relevant questions regarding availability and accessibility of raw materials.
- 5) **Availability of Funds:** Whether the required amount of funds is available for production of the product or delivering the service are available to the entrepreneur either by his/her own resources or through outside investments and loans is a critical factor in selection of a product. An entrepreneur may decide to produce high cost product like cars, jewellery etc., but it would be selected based on the availability of funds

to the investor. The investor can raise funds through shares, debentures, secured loans etc. The entrepreneur can also select middle or lower ranged products like- electronic items, FMCG products etc. where less investment is required. Hence, depending upon the financial strength the type of product can be selected.

- 6) **Differentiation:** The extent to which an entrepreneur can establish a brand image, service, product innovation or reputation describes its differentiation. An entrepreneur should select such product which differentiates it from competitors. There is no point competing on price basis. A product or service should be selected only when it has a competitive advantage and can be differentiated from the competitors. Differentiation can be on the basis of technology, quality, ease of use, packaging etc. which provides an edge over competitors.
- 7) **Product Acceptance:** This criterion used in selecting products in entrepreneurship is very important. The level of acceptance a product gains in the market place is tied to how successful such product will be. Therefore, careful thought should be given to how a product is accepted. However, the only way to know how well a product is accepted in the marketplace is by first conducting a research. This can involve a considerable amount of financial resources. Product testing in the open market place can go a long way in identifying the underlying challenges that accompany certain products.
- 8) **Technical Implications:** The production process for the product needs to be considered. There is a need to know the technical implications of the production, sales and distribution of selected product on the existing production line, available technology, and even the labour force. The choice of a particular product may require either acquisition of the machinery or refurbishing of the old ones. The product itself must be technically satisfactory and acceptable to the user.
- 9) **The Future of the Product:** This forms an important aspect of the process of product selection in entrepreneurship. The future of the product contributes significantly to how well the product fares. Hence, important answers need to be given to questions on the level of demand for the product, the acceptance of the product at the price fixed for it, how feasible is the product and if there are any margins for meaningful profits. All these form important criteria for selecting and developing a product/service in entrepreneurship. A product that has wide demand and at the same time offers impressive margins for profits will most certainly be selected over those with lesser prospects.
- 10) **Government Objectives and Schemes:** The government policies can significantly impact the decision to select a new product or service. Various government schemes for entrepreneurs may help them in selection of a particular product or sector in order to take advantage of those schemes. For example, the government provides subsidies for exporting goods encouraging entrepreneurs to develop the goods that are popular outside India and can be exported.



Figure 5.4 Selection Criteria for New Product or Service

---

## 5.9 NEW PRODUCT DEVELOPMENT PROCESS

---

Entrepreneurs need to be concerned with formally evaluating an idea throughout its evolution. Care must be taken to be sure that idea can be the basis for a new venture. This can be done through careful evaluation that results into go or no-go decision at each of the stages of the product planning and development process. The new product development is done through following stages:

### 1) STAGE 1 - Idea generation

The new product development process starts with idea generation. Idea generation refers to the systematic search for new-product ideas. Typically, a company generates hundreds of ideas, maybe even thousands, to find a handful of good ones in the end. Two sources of new ideas can be identified:

**Internal idea sources:** The company finds new ideas internally. That means R&D, but also contributions from employees.

**External idea sources:** The company finds new ideas externally. This refers to all kinds of external sources, e.g. distributors and suppliers, but also competitors. The most important external source are customers, because the new product development process should focus on creating customer value.

Various examples exist in the market place where observations made by the entrepreneur both inside the country and outside the country with the focus on customers have helped them in idea generation. For example, the



entrepreneur Kishore Biyani of Future Group when entered into the business could foresee that consumers of today are looking for casual wears and therefore, started offering denim jeans in the market. And the time when he was deciding about the brand name under which the fashion wear can be launched in the market, he found out that Indian consumer is fascinated by foreign slangs. The denim jeans which was a trouser and in Hindi, it was called as *patloon*, added French slang to it and came out with a brand name which was “*Pantaloons*”. The Pantaloons which became the brand name for fashion wear under which all categories of fashion wears were introduced in the market. Many such stories are already available in the literature where the entrepreneur’s observation has helped them in generation of new ideas. In all such cases, all the ideas implemented as business opportunities were solutions to the problems of the consumers.

## 2) STAGE 2 - Idea Screening

The next step in the new product development process is idea screening. Idea screening means nothing else than filtering the ideas to pick out good ones. In other words, all ideas generated are screened to spot good ones and drop poor ones as soon as possible. While the purpose of idea generation was to create a large number of ideas, the purpose of the succeeding stages is to reduce that number. The reason is that product development costs may increase substantially in the later stages. Therefore, the company would like to go ahead with only those product ideas that will turn into profitable products. Dropping the poor ideas as soon as possible is, consequently, of crucial importance.



**Figure: 5.5 New Product Development Stages**

### 3) STAGE 3 - Concept Development and Testing

Today, it is increasingly common for companies to run some small concept test in a real marketing setting. The *product concept* is a synthesis or a description of a product idea that reflects the core element of the proposed product. Marketing tries to have the most accurate and detailed product concept possible in order to get accurate reactions from target buyers. Those reactions can then be used to inform the final product, the marketing mix, and the business analysis. New tools leveraging technology for product development are available that support the rapid development of prototypes which can be tested with potential buyers. When concept testing can include an actual product prototype, the early test results are much more reliable. Concept testing helps companies avoid investing in bad ideas and at the same time helps them catch and keep outstanding product ideas.

There are various types of marketing tools that can help in concept development and testing. One such tool is conjoint analysis and it can help the marketer to arrive at a concept proved statistically and therefore truly justified. For example, manufacturer wants to introduce a coffee making machine and this machine can come in different variations based on its attributes. The three important attributes that can be considered by the consumers at the time of buying a coffee making machine can be as follows:

Price	Coffee_Brew_Time	Capacity
Rs. 600	4 minutes	400 ml
Rs. 1000	6 minutes	600 ml
Rs. 1500	8 minutes	800 ml
	10 minutes	1000 ml

When these options are before the manufacturer, he/she has to come out with that combination in case of coffee making machine that can provide the optimal solution to the customer. It can be a coffee making machine with 600 ml capacity with a brew time of 4 minutes and with the price range of Rs 1000 which can be concept 1. Similarly, concept 2 can be machine with the capacity of 800 ml with a brew time of 4 minutes and in the price range of Rs. 1000. And such concepts, once they are developed have to be tested on consumers so that the consumers opinion may become the final verdict to be launched in the market.

### 4) STAGE 4 - Marketing strategy

At this stage, a marketing strategy will be created for the selected concept. Marketing strategy is created in three steps. These steps are:

- Identify in which market will the new product concept can be sold, how much profit is targeted from new product concept and what are its planned value proposition, sales and market share for the first few years.
- Identify the price at which new product concept will be sold, how will it be distributed in the market and what will be the marketing budget for the first year and so on.

- Identify how much new product concept will be sold in the long term, how much profit is targeted from long-term sale and what will be long-term marketing mix strategy.

This stage is very crucial because as Napoleon said that “Wars are not won in the battle field rather on the piece of paper. Similarly, the entrepreneur is required to craft marketing strategy for the business concept finalised and then go for its implementation so that more or less the success is guaranteed.” To learn more about marketing you may read our course BCOE-141 “Principles of Marketing”.

### **5) STAGE 5 - Technical and Marketing Development**

A product that has passed the screening and business analysis stages is ready for technical and marketing development. Technical development processes vary greatly according to the type of product. For a product with a complex manufacturing process, there is a lab phase to create specifications and an equally complex phase to develop the manufacturing process. For a service offering, there may be new processes requiring new employee skills or the delivery of new equipment. These are only two of many possible examples, but in every case the company must define both what the product is and how will it be delivered to many buyers.

While the technical development is under way, the marketing department is testing the early product with target customers to find the best possible marketing mix. Ideally, marketing uses product prototypes or early production models to understand and capture customer responses and to identify how best to present the product to the market. Through this process, product marketing must prepare a complete marketing plan—one that starts with a statement of objectives and ends with a coherent picture of product distribution, promotion, and pricing integrated into a plan of marketing action.

### **6) STAGE 6 - Test Marketing and Validation**

Test marketing is the final stage before commercialization. The objective is to test all the variables in the marketing plan including elements of the product. Test marketing represents an actual launching of the total marketing program, done on a limited basis. Initial product testing and test marketing are not the same. Product testing is totally initiated by the producer. He or She selects the sample of people, provides the consumer with the test product, and offers the consumer some sort of incentive to participate. In product testing, there are two types of tests which are conducted called alpha and beta testing. In alpha testing, the product is subject to checking of the product’s standards/ specifications and is done in the laboratory. In Beta testing, the product is put to test in a simulated situation. If the product passes through all the tests when the product is made available for actual use that shows that product is free from all technical problems because of which the product may fail in the market place. For example, in case of car the car is subject to alpha testing, by checking the controls on the apparatuses in the laboratory and once the whole car is ready then the speed of the car, RPM of the engine, breaking power, etc. is all an outcome of simulation test called

beta testing and a sticker is placed on the car titled “PDI done” i.e. pre delivery inspection completed.

**Test marketing** on the other hand, is distinguished by the fact that the test group represents the full market, the consumer must make a purchase decision and pay for the product, and the test product must compete with the existing products in the actual marketing environment. For these and other reasons, a market test is an accurate simulation of the broader market and serves as a method for reducing risk. It should enhance the new product’s probability of success and allow for final adjustment in the marketing mix before the product is introduced on a large scale. In case of test marketing, once the product is finalised, a small geographical area is identified for the target market and in that area the product is sampled to the consumers to use the product. After a week or so their feedback is obtained to find out the shortcomings in the product reported by the consumers. These shortcomings are then removed in the laboratory and once no further problems are expressed by the consumers at the time of using the product, it is assumed that now the product is fit for final launching and commercialization.

#### 7) STAGE 7 – Commercialization

The first thing to be done at this stage is determining the time when new product concept will be commercialized or introduced to the market. Then, at which scale or capacity, new product concept will be introduced to the market formally i.e., at a small scale such as a city, medium scale such as a region, or at a big scale such as the national market, or the international market. Usually, most businesses prefer to introduce new products into the market at small or medium scales and expand the market in the process as introduction of new product at a big scale requires more capital, confidence and capacity which only few businesses have. This stage requires patience on the part of the entrepreneur and is the beginning of the recovery of the investment made by the entrepreneur in the form of return from the sale of the product.

---

### 5.10 CRITICAL FACTORS OF THE NEW VENTURE DEVELOPMENT

---

A new venture undergoes several stages: pre start-up stage, start-up stage and post start up stage. Pre start-up stage starts with generation of idea for the new venture and ends when the business opportunity is cracked. The start-up phase starts when the production, sales and delivery activity commence and the venture starts to function and ends when the business is established and business has learnt to survive beyond short term threats and challenges. The post start-up phase ends with the termination of venture or when the surviving entity is no longer controlled by the entrepreneur. A number of critical factors are important to consider for the assessment of new venture. The five critical factors are explained below for the assessment of new venture:

- 1) **Uniqueness:** Uniqueness is something that will make your business to be the only one of its kind of business. The unique business idea is

something that will increase the business potential energy of your business. It can be done by creating a USP. A unique selling proposition (USP) is a well-thought-out statement that helps a company distinguish itself from other businesses in its category. In most instances, companies will focus on a single feature or benefit that solves a problem, satisfies a need, or takes away their customers' pain as their USP. In order to articulate it to their customer base in a memorable way, companies will create taglines or summaries of their USP and insert them into their advertising messages. For example: - 'taaza ho le' by Taaza tea reflecting the freshness of their tea differentiating it from other competitors. 'Hungry, grab a Snickers' tagline by Snickers reflects its tummy-filling capability of chocolate which is unique and not available in competing chocolate brands.

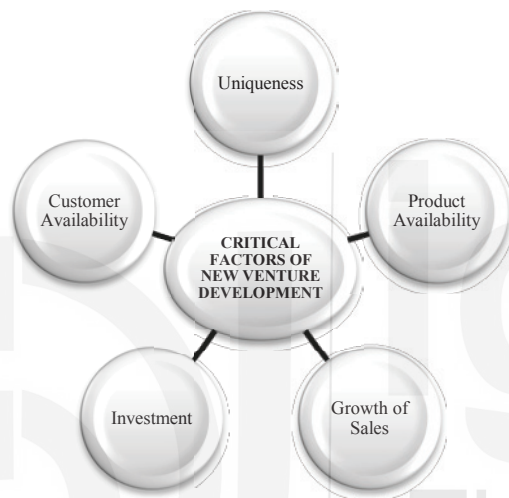


Figure 5.6 Critical Factors of New Venture development

- 2) **Investment:** The capital investment in every business varies considerably. In some industries only large-scale start-ups are feasible whereas in some cases only small-scale start-ups are feasible. For example, an online business requires comparatively small amount of investments as compared to an offline brick and mortar business. An entrepreneur entering publishing industry can start small scale venture initially and grow further. Contrary to it an entrepreneur attempting to manufacture cars may require large capital base and have to enter as a large-scale business unit. It also involves analysing the investment needs that may occur not just at start up but during the initial years of the new venture. Break-even analysis needs to be conducted in order to evaluate the profitability of investment requirements in the new venture.
- 3) **Growth of Sales:** The pattern of growth of sales needs to be analysed in advance. The rate of growth expected also needs to be calculated to know the gestation period of the new venture to breakeven. It involves answering various questions like: Are sales and profits expected to grow slowly or level off shortly after start up? Are large profit expected at some point, with only small and moderate sales growth? Are both sales growth and profit growth likely?

- 4) **Product Availability:** Availability of the product after the promotion is an essential factor to be considered. Sometimes, firms make so much hurry in launching new product but unable to make it available at the doorsteps of the target population which may tarnish its image. Sometimes the product launched during its development stage which needs further modifications or testing. For example, a software firm rushing to launch its software and then customers find bugs in the software which needs to be fixed. Lack of a products' availability in finished form, free from all defaults pre-tested may tarnish company's image.
- 5) **Customer Knowledge about their requirements (customer connect):** It is important for the entrepreneur to understand the requirement of the customer before starting the production in the venture. The product available from the venture to be started should understand the needs and wants of the consumer through market survey which will increase the likelihood of venture success. Venture risk is affected by availability of customers for start-ups. Sometimes, venture launches its product without knowing who will buy its products, for whom they are preparing the product. A critical consideration is how long will it take to determine who the customers are, as well as their buying habits. It is also important for the entrepreneur to understand what are new features looked by the consumer of their target market in the product they want to introduce and also check for its affordability from the market where the product is to be introduced. For example, if a new mobile is to be introduced then the entrepreneur has to go to the market to find out the features which the consumers look for in mobile at the time of buying and at what price range, they will be interested to buy it. The knowledge of both these factors can be gathered by carrying out initial market survey by the entrepreneur using focus group interviews. This will ensure the venture success in the long term. It is said in the marketing literature, that produce what consumers want and do not offer anything to the market till the consumers want. So, this calls for proactive approach on the part of entrepreneur.

### Check Your Progress C

- 1) What do mean by market survey?
- 2) What is marketing strategy?
- 3) List out the steps of product development.
- 4) State whether the following statements are **True** or **False**?
  - i) It is not necessary to judge the feasibility of ideas.
  - ii) Test marketing represents an actual launching of the total marketing program, done on a limited basis.
  - iii) Concept testing helps companies to avoid investing in bad ideas and at the same time helps them catch and keep outstanding product ideas.

- iv) It is right to compete just on price basis with the competitors.
  - v) Free association is a method of developing new idea through a chain or a cycle of word association.
- 5) Fill in the blanks:
- i) ..... is the criteria to judge the feasibility of the product.
  - ii) Test marketing is the final stage before .....
  - iii) The ..... is a synthesis or a description of a product idea that reflects the core element of the proposed product.
  - iv) No enterprise can become successful if the idea is not ..... enough to be translated into a business.
  - v) The product needs to be ..... from that of its competitors.

---

## **5.11 LET US SUM UP**

---

Business opportunity identification is central to the domain of entrepreneurship. Entrepreneurship revolves around answering various questions with regard to why, where, when and how business opportunities arise in the economy. The entrepreneur must always be ready to use his knowledge and experience and turn his ideas into a powerful business opportunity and create a successful venture.

Trends often provide great opportunities for starting a new venture. Trends with regard to wearable trend, mobile trend, payments, green trend, health trend and the internet are emerging at a fast pace.

Business ideas can be generated through internal as well as external sources. There are internal various sources with which ideas can be generated like research and development, intrapreneurship, etc. and external sources like distribution channel, trade magazines, journals, government schemes, etc.

Techniques for generating ideas include: HIT, SCAMPER, Free Association, problem inventory analysis, brain storming, brain writing, mind maps etc. each technique has its own advantages and disadvantages.

Idea screening is a process used to evaluate innovative product ideas, strategies and marketing trends. Screening is essentially an elimination technique. The purpose of idea generation is to generate large number of ideas whereas the purpose of idea screening is to reduce these numbers to some profitable business ideas. There are eight criteria for screening business ideas: Attractiveness of idea, practicality, potential of market demand, ability to undertake, price potential, resource availability, ability to combat competition and ability to differentiate.

Product selection is a decision process, in which the design team selects one or few product concepts for further development. The entrepreneur should follow various criteria for selecting a product for production and sales. Some

of those criteria are: (1) Cost of Production, (2) Availability of and Access to Raw Materials, (3) Availability of Funds, (4) Differentiation, (5) Product Acceptance, (6) Technical Implications, (7) The Future of the Product, and (8) Government objectives and schemes.

Entrepreneurs need to be concerned with formally evaluating an idea throughout its evolution. Care must be taken to be sure that idea can be the basis for a new venture. A process for new development starts from idea generation, idea screening, concept development and product testing, marketing strategy, technical and market development, testing and validation and commercialization.

A new venture undergoes several stages: pre start-up stage, start-up stage and post start up stage. A number of critical factors are important to consider for the assessment of new venture. The five critical factors are explained below for the assessment of new venture: Uniqueness, Product availability, customer connect, growth of sales and investments.

---

## 5.12 KEY WORDS

---

**Brainstorming:** Brainstorming is a creative problem-solving technique and also an informal approach to business ideas generation.

**Idea screening:** It is a process used to evaluate innovative product ideas, strategies and marketing trends.

**Intrapreneur:** An intrapreneur is a person who takes on the responsibility to innovate new ideas, products and processes or any new invention within the organization

**Free association:** Developing new ideas through chain of word associations.

**Heuristic Ideation Technique:** New product ideas are developed using the combination of the elements of already existing products.

**Mind maps:** Idea generation strategy to effectively produce ideas by association.

**Product testing:** It means testing the product in the laboratory to ensure that the product is technically safe and free from all product risks and liabilities.

**Problem inventory analysis:** A method for obtaining new ideas and solutions by focusing on problems.

**Test marketing:** Final stage before commercialization in product development stage.

---

## 5.13 ANSWERS TO CHECK YOUR PROGRESS

---

B) 4. i. true, ii. true, iii. false, iv. true, v. false

5. i. Mind Maps, ii) Focus Group, iii. Training and Assistance, iv. Brainstorming, v.Heuristic Ideation Technique

C) 4. i. false, ii. true, iii. true, iv. false, v. true



---

## 5.14 TERMINAL QUESTIONS

---

- 1) Define business opportunity. What are the emerging trends for analysing business opportunity?
- 2) What are the sources of generating business ideas? Explain with examples.
- 3) What are the methods of generating successful business ideas? Explain with the help of examples.
- 4) Explain the stages of the process of New Product Development.
- 5) What are the criteria for screening business ideas? Discuss with examples.
- 6) What are the critical factors required to consider before launching new venture? Explain with examples.
- 7) Write short notes on:
  - a) Brainstorming
  - b) SCAMPER
  - c) Mind Maps
  - d) Test Marketing

**Note:** These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University for assessment. These are for your practice only.

---

## FURTHER READINGS

---

- Hisrich, R. D., Peters, M. P., and Shepherd, D. A. 2016. Entrepreneurship, Indian Edition, Mc Graw Hill Education; (Part two, Chapter 4).
- Kaplan J. M. and Warren, A. C. 2015. Patterns of Entrepreneurship Management, Wiley; ( Part one, Chapter 4).
- Kaulgud, A. 2003. Entrepreneurship Management, Thomson; (Chapter 3)
- Kuratko, D. F. and Rao, T.V. 2016. Entrepreneurship, A South-Asian Perspective, Cengage Learning; (Part three, Chapter 9).
- Roy R. 2009. Entrepreneurship, Oxford; (Section one, Chapter 2)