

# Selecting business opportunities

Identifying a **business opportunity** is not just about having an idea. An opportunity is something that a person can see as an avenue to success, such as a 'gap' in the market that is not already being satisfied by existing businesses. Entrepreneur Gordon Merchant, for example, turned his ideas for selling surfboards and swimming gear from an operation run out of the back of his station wagon in 1973 into a worldwide operation. Today, the Billabong business venture sells its products in more than 8000 outlets in over 100 countries, and is a publicly-listed company on the Australian Stock Exchange.



*Entrepreneur, Gordon Merchant*

To turn a business opportunity into reality, an entrepreneur should undertake some market research, choose a suitable location, estimate the number of potential customers, examine the competition and select a suitable group of people to sell to.

## Market research

**Market research** involves collecting and analysing information about customers and the business opportunities available. Surveys, questionnaires

and interviews are used to reveal the facts and the attitudes of customers. Market research helps the entrepreneur to make better decisions by understanding consumer behaviour.

Market research asks questions such as:

- Who are our customers?
- What are they like?
- Why do they buy our product?

## Location

A good location can make the difference between success and failure. It is an asset and will lead to high levels of sales and profits. A bad location is a liability, affecting sales adversely.

Therefore, the choice of location is important. This is particularly true for retail and service-oriented businesses which need a constant flow of people walking past the store — the passing trade — and for this reason will need to be located in a shopping centre, mall or main street.



*Location must be considered carefully when establishing a business.*

## Demographics

It is important for an entrepreneur to understand the changes that are taking place in the make-up of the population. **Demographic factors** are population characteristics that affect customer spending and include age, ethnicity, gender, marital status, family size and income.

An examination of a region's demographic pattern will provide a clearer picture of a business's possible customers.

## Competition

When identifying a business opportunity, the entrepreneur must decide on the type of market in which their good or service will compete. This means deciding whether to target the goods or services at a broad market (mass market) or a more specialised market (niche market). Once this decision is made, the entrepreneur is able to identify the level of competition and the main competitors. An entrepreneur should aim to achieve a sustainable **competitive advantage** over his or her competitors so as to capture a larger share of the market.

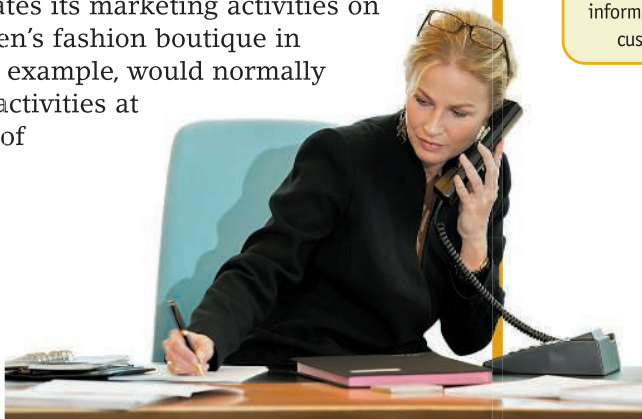
## Target market

Many entrepreneurs are so enthusiastic about starting, they often overlook one crucial question: who will buy my good or service? Sales are the lifeblood of the business, so it is necessary to have a good understanding of one's target market.

**Target market** refers to the group of customers to which the business intends to sell its products. Once the target market has been identified, the business concentrates its marketing activities on that group. A women's fashion boutique in central Sydney, for example, would normally aim its marketing activities at the following type of customer:

- female
- 25–45
- city-based
- high income.

*Target market for an exclusive women's fashion boutique*



## Success and failure of small businesses

In the real world, success can be hard to achieve. Unfortunately, many small businesses end in failure. Within the first year of trading, about one-third of small businesses fail. This rises to approximately three-quarters within the first five years. Such figures tell a sobering story for anyone thinking of starting a small business: the chances of failure are high. Therefore, it is absolutely essential to undertake thorough planning to minimise the risk of failure.

### Comfact

Small businesses don't plan to fail, they fail to plan.

## Activities

### Understand

- 1 What is meant by a 'business opportunity'?
- 2 Why is it important for an entrepreneur to:
  - (a) undertake market research
  - (b) identify their target market?

### Think

- 3 Maintaining a competitive advantage is essential for long-term business success. What do you think a business can do to keep ahead of its competitors?
- 4 Why do you think so many small businesses fail in the first few years of operation?
- 5 Reflect on what you have read and learned so far. How would this information influence you if you were intending to start a small business? Would you still go ahead? Give reasons for your answer.

### Communicate

- 6 Complete the mind map, started below, to show the planning needed to successfully operate a small business.

Collect and analyse information about customers.

Planning needed to successfully operate a small business

- 7 In small groups, brainstorm the possible business opportunities available to your school canteen. Choose a spokesperson to share the group's comments with the rest of the class.

## Glossary

**business opportunity** something an entrepreneur can see as an avenue to success

**competitive advantage** the ability of a business to develop strategies that ensure it has an 'edge' over its competitors

**demographic factors** population characteristics that affect customer spending and include: age, ethnicity, gender, marital status, family size and income

**market research** collecting and analysing information about customers and the business opportunities available

**target market** the group of customers to whom the business intends to sell its products