

IDENTIFYING OPPORTUNITY



INTERNAL IDEAS FOR ENTREPRENEURS

1. Hobbies and interests (Sport, Music)
2. Skills and knowledge (Computers, Tours)
3. Customer Feedback - Market Research,
4. Staff Suggestions - many firms offer rewards and incentives to staff for ideas
5. R&D - Refers to firms investing in the development of new and improved products.
6. Supply substitution - Producing raw material themselves and supply them to Irish firms

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EXTERNAL IDEAS FOR ENTREPRENEURS

1. Copying - Very common sometime the copycat improve the original.
2. State agencies - Enterprise Ireland and county enterprise boards provide market research
3. Franchising - renting a complete business
4. Management buy outs - When managers in a business buy it from the owners and earn
5. International business trends - International trade shows

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MARKET RESEARCH

Definition

This is the process of gathering and analysing information about the potential market for a product. Proper market research = better chances of success

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BENEFITS OF MARKET RESEARCH

1. It indicates the size of the market - If it will shrink or grow and information on its customers
2. Identifies competitors - how well they are doing, strengths and weakness
3. Tests consumer reaction - to product price and packaging. What customer think
4. Predicts Sales - estimate the likely level of sale thus the optimum level to produce
5. Reduce risk and saves money - fa

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DESK RESEARCH

Definition

1. Is also known as secondary research.
2. It means accessing information that has already been gather by others. Most can be obtained by sitting at a desk using books, reports, statistics.

For example - Reports & Statistics, Internet, Newspapers & Magazines

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FIELD RESEARCH

Definition

1. This involves going into the market and gathering the business information directly from customers and competitors.
2. It can be more expensive than desk research but can very detailed

For example - Observations, Surveys

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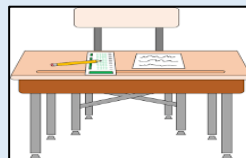


THE TYPE OF RESEARCH CHOSEN WILL DEPEND ON

1. Information required
2. Detail and accuracy needed
3. The cost involved
4. Tie and money available to do the research

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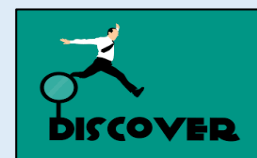


SOURCES OF DESK RESEARCH

1. Internal reports
2. The internet
3. Newspapers
4. Trade associations
5. Experts
6. Stats from state agencies

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SOURCES OF FIELD RESEARCH

1. Observation
2. Customer Surveys
3. Talking to people already in the market
4. Relevant work experience

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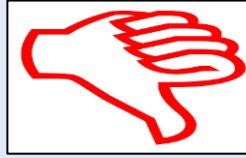


BENEFITS OF DESK RESEARCH

1. Large quantities of useful information are available quickly and at a low cost

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DISADVANTAGES OF DESK RESEARCH

1. The data may be too general or out of date

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OBSERVATIONS (Field Research)

1. This involves watching the behaviour of consumers
2. How do shoppers choose between different brands?
3. It only reveals what people do and not why
4. It can also be used to study competitors and how they run their business which can be useful when planning a new business

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CUSTOMER SURVEYS (Field Research)

1. Involves using a questionnaire and asking customers about their attitudes towards new product ideas or existing goods or services
2. They can be done
Face to face Over the Phone
Over the Internet By Post
3. It is not possible to survey everyone in the target market so a sample of the target market should be taken

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SAMPLING

Definition

Sampling refers to interviewing a small group of people who are representative of the larger target market

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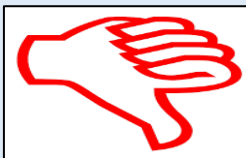


BENEFITS OF FIELD RESEARCH

1. More accurate and detailed information obtained

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DISADVANTAGES OF FIELD RESEARCH

1. Face-to-face interviews can be timely and costly

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STAGES IN DEVELOPING A NEW PRODUCT/SERVICE

There are 7 stages in the development of a new product or service

1. Idea Generation
2. Product Screening
3. Concept Development
4. Feasibility Study
5. Prototype Development
6. Test Marketing
7. Production and Launch

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IDEA GENERATION (Stage 1)

1. This stage can come from internal / external sources of new ideas.
2. Companies use brainstorming and networking to look for new business ideas

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Screening

PRODUCT SCREENING (Stage 2)

1. This means sorting the promising product/services ideas from the weak ones.
2. This is done by classifying the brainstorming ideas as
 - a) Unrealistic
 - b) Some potential
 - c) Worth investigation
3. By selecting the most promising ideas you reduce the risk of wasting time and money on unrealistic ideas.

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CONCEPT DEVELOPMENT (Stage 3)

1. This stage is to develop the idea into a concept that will appeal to customers and differ from competitors.
2. This is known as Unique Selling Point (USP). It is a feature of a product that makes attractive and distinctively different from its rivals.

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UNIQUE SELLING POINT (USP)

Definition

1. A feature of the product/service which sets it apart from similar products/services and from its competitors.
2. What you have that the competitors don't.
3. The USP is valued by a customer and attracts them to the product.

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Feasibility Study (FS)

FEASIBILITY STUDY (Stage 4)

1. This is an investigation into how realistic it will be to produce a product, how much will it cost and how much profit could be made
2. It is carried out to determine 3 things
 - Production Feasibility (Can we make it)
 - Costs (How much will it cost to make the)
 - Profit - How much profit are we likely to make (Break-Even analysis)

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Build Prototype

PROTOTYPE DEVELOPMENT (Stage 5)

1. This is a working model manufactured on an experimental basis to see if the design idea works in practice and appeals to customers.
2. It helps the entrepreneur to identify 1. What raw material to use, 2. How the product will be manufactured and 3. Calculates production costs and profits

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PROTOTYPE DEVELOPMENT

Definition

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TEST MARKETING (Stage 6)

1. Involves launching the product on a small scale to see consumer reaction to it.
2. Reactions are then used to update the design, price and promotion of the product
3. Test Marketing is very important because launching a product/service can be very expensive and risky due to large production, advertising and opportunity Costs

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PRODUCTION AND LAUNCH (Stage 7)

1. If a product idea is successful and has passed the testing stage then full scale production can begin.
2. The choice of target market will determine
 - The Selling Price
 - Where it should be sold
 - Best promotional strategy to use

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FIXED COSTS

Definition

These are the cost that remain the same regardless of the number of products produced

For example - Rent & Insurance

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VARIABLE COSTS

Definition

These are the costs that vary depending on how many units are produced

For example - Telephone Bill

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THE BREAKEVEN POINT

Definition

1. This shows the amount of sales that must be achieved at a particular price in order to cover costs and break even
2. It is where the Total Revenue intersect Total Costs

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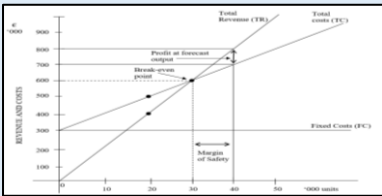


THE MARGIN OF SAFETY

Definition

1. This is the amount by which a firm's sales can drop before reaching the breakeven point
2. It is calculated by taking the breakeven point away for the units sold

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SUCCESS CRITERIA (Breakeven Point)

1. Calculate the FC
2. Calculate TR (Units sold X SP)
3. Calculate the TC (VC (VC per unit X Units Sold) + FC)
4. Draw your graphs - Apply SALT
5. When the TR line and the TC line intersect this is the B/E Point
6. MOS is the difference between the units sold and the breakeven point
7. Forecast profit is the TR less TC

PAST QUESTION



IDENTIFY THE LETTERS

(i) Read the Break-Even chart below and identify the full labels (not abbreviations) for A, B, C and D.

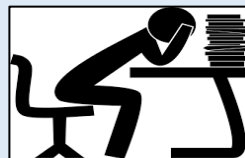
Answer Box	Full Label
A	
B	
C	
D	

(ii) Calculate Profit at Forecast Output of 120 units. Show your workings.

Profit at Forecast Output: _____

(iii) Outline one limitation of break-even analysis.

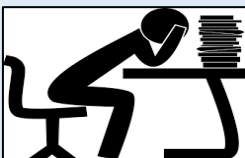
PAST QUESTION



LIMITATIONS OF BREAK-EVEN ANALYSIS

1. The selling price is assumed to be constant regardless of output.
2. Breakeven analysis assumes that all stock is sold.
3. Fixed Costs will only remain constant over a small range of output and assumed constant on chart.
4. Profits are a function of not only output, but also of other factors like technological change, improvement in management

PAST QUESTION

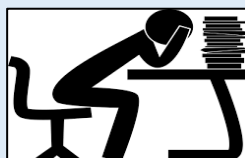


EXPLAIN THE TERM (USP) AND PROVIDE AN EXAMPLE

1. A feature of the product/service which sets it apart from similar products/services and from its competitors.
2. What you have that the competitors don't.
3. The USP is valued by a customer and attracts them to the product.

Example
Camile - Healthy Fast Food

PAST QUESTION



ILLUSTRATE THE PRODUCT DEVELOPMENT STAGES OF FEASIBILITY STUDY

- Feasibility Study**
1. This is an investigation to see if a product is profitable and possible.
 2. It identifies whether the idea should be produced. Feasibility can be assessed as marketing or financial feasibility
- Reference:** made to manufactured in a way that the technology is affordable to sell & It should do the functions promised

PAST QUESTION



ILLUSTRATE THE PRODUCT DEVELOPMENT STAGES OF PROTOTYPE DEVELOPMENT

- Prototype Development**
- 'mock-up' original of a product. It is manufactured to see any flaws in the design and to see if the product can be made. It allows the product to be changed/updated.
- Reference:** working at Prototype stage, also was manufactured to look sleek and professional look

PAST QUESTION



ILLUSTRATE THE PRODUCT DEVELOPMENT STAGES OF TEST MARKETING

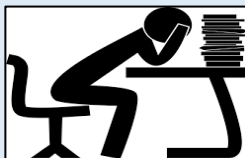
Test Marketing

This involves releasing the product to a small proportion of the market and obtaining their feedback. This allows the product to be improved before full launch.

Reference: released to a section of the market to see their opinion

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PAST QUESTION



DESCRIBE THE STAGES IN THE NEW PRODUCT DEVELOPMENT PROCESS (1)

Idea Generation - Initial ideas for the new product. They can be internal or external. Ideas may be generated by **brain-storming** sessions, market research or staff suggestions

Product Screening - Ideas are **vetted** unworkable ideas are dropped, leaving the most viable ones for further examination and development. Careful screening helps businesses avoid huge expenses

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PAST QUESTION



DESCRIBE THE STAGES IN THE NEW PRODUCT DEVELOPMENT PROCESS (2)

Concept Development - involves turning the idea into product or service that will meet the needs of customers. A **(USP)** is identified which will differentiate it from competitors

Feasibility Study - This is carried out to assess if a product has potential. It looks at whether it can be produced technically (**production feasibility**) and if it will be profitable (**financial feasibility**)

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PAST QUESTION



DESCRIBE THE STAGES IN THE NEW PRODUCT DEVELOPMENT PROCESS (3)

Prototype Development - This stage involves **developing a sample or model of a product**. It is produced to see if it can be made, what materials are required to make it and if it appeals to customers. It can be used to test the product to see if it conforms to certain standards and to determine what improvements can be made before deciding to go into full production

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PAST QUESTION

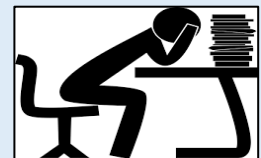


REASONS WHY BUSINESSES ENGAGE IN PROTOTYPE DEVELOPMENT.

1. Identify problems with the product and improvements that could be made/.
2. An opportunity to address engineering/production issues during the production process.
3. Determine if you can source the materials when required
4. To determine the financial cost of producing the prototype.
5. Develop a prototype for test marketing

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PAST QUESTION



EXPLAIN THE TERM MARGIN OF SAFETY

Margin of Safety: How far estimated sales can fall before the firm becomes loss making. It is calculated by taking the breakeven point away from the Units sold

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