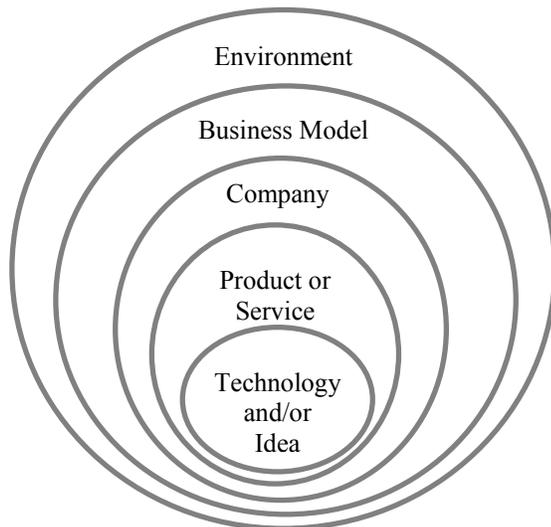


# ASSESSING A BUSINESS OPPORTUNITY

Before investing time and money into a business it is important to have as clear as possible of a picture of what you're getting into. This brief gives the twenty questions I think are most important to make an assessment. These questions can be used:

- By an entrepreneur to see if it's worth his time and money to pursue an idea;
- By an entrepreneur to help in making a presentation to a potential investor; or
- By a potential investor to review and compare investment opportunities.

The following model is useful when looking at a business opportunity:



The rest of this paper describes this model and identifies the questions that should be answered in each category.

## **Technology and/or Idea**

At the core of any business sits a technology and/or idea. If the technology is proprietary, all the better. If other companies have the same technology or idea, what makes this company better? Even if you are running a restaurant, you may have proprietary content that is worth protecting just like Coca-Cola has its secret formula. To make an assessment, one should answer the following questions:

1. What is the technology and/or idea?
2. What technologies and/or ideas serve the same market today and will be competitors in the future?

3. Is the technology unique? If so, what are the unique benefits to customers and users?
4. Does the company have any way to protect this technology (trade secrets, patents, etc)?

## **Product or Service**

Generally it is products and services, not ideas that are sold to customers. If what you're doing is visionary, it may be a big step to go from an idea or technology to a product or service. The following are some questions to be asked:

5. Does a sample of the product or service exist?
6. If a sample exists, what testing has been done to make sure it works as advertised?
7. If a sample exists, what market testing has been done to see if customers will pay for it?
8. Given the current status of the product or service, what investment and time will be required to put it into production?

## **Company**

Even if you have a clever idea or technology and have implemented this into a product or service that works and is liked by customers, there must be an organization that will supply this. The key questions are:

9. Who in the company has run a business similar to this in the past?
10. Who will do the marketing for this product and what experience do they have?
11. Who will do the product development and manufacturing of this product or provide the service and what skills do they have?
12. Do the company's financial and development plans look realistic?

## **Business Model**

The business model describes how the company will generate revenues from customers and compete with competitors. It is important to know:

13. What is the pricing for the product or service and how was this pricing determined?

14. What data do you have that substantiates that customers will pay this much for the product or service?
15. What is your cost for producing this product or service?
16. What are your marketing costs for selling this product?

### **Environment**

The environment for a business consists of customers, competitors and potential safety, regulatory, product liability and pollution concerns. Thus, one should understand:

17. Who are the competitors and what products/services are they currently offer?
18. How big is the market for this product?
19. Who are the customers for this product and what are the characteristics of the purchase decision process?
20. What safety, product liability, environmental, or regulatory issues that may affect this business?

### **How to Gather This Information**

It is much easier to ask the above questions than to answer them. I also don't have answers to all of these because many are specific to your idea. However, here is a guide to some resources that I'm producing that may help you:

- Competitive Analysis (Questions 2, 3, 17, and 19) are addressed in my business brief on *Industry Structure Analysis*.
- Protecting your technology (Question 4) is addressed in my business briefs relating to patents, trademarks and intellectual property management. These briefs also provide further references.
- Market testing for customer acceptance and price (Questions 7, 13, and 14) is addressed in my business brief entitled *Simple Market Testing*.
- Question 18 is covered in my business brief entitled *Market Size Assessment*.
- Regarding the other questions (1, 5, 6, 8, 9, 10, 11, 12, 15, 16, and 20), I don't have any specific tools currently. However, the references at the end of this paper may help. If you are stuck in one of these areas, you may

want to get some advice from your network as I discuss in my business brief on *Advisory Boards and Advisors*. The references I've listed at the end of this brief may also be useful.

### **How to Document and Present this Information**

The formal way to present the answers to the above questions is in a business plan. There are many books written about business planning. The references at the end of this paper give you a couple of examples.

If you are an entrepreneur pursuing your idea, it is not necessary to prepare a formal business plan. However, it is quite beneficial to write down your answers to all of the above questions before you go too far in the venture. This then becomes a useful thing to refer back to as the business develops and you start questioning why you did what you did.

### **Conclusion**

I hope that you have found this brief helpful. Please let me know if you have any questions or suggestions for areas that should be covered in more depth. The following are some references if you like to explore this topic in greater depth:

- The website run by Rich Mironov (mironov.com) contains many useful marketing tools.
- Abrams, Rhonda. *The Successful Business Plan: Secrets and Strategies*. (c) 1991-2003 Rhonda Abrams.
- Henricks, Mark and John Riddle. *Business Plans Made Easy*. (c) 2002 Entrepreneur Media, Inc.