

How to Identify Business Opportunities?

Identify Market Inefficiencies

When looking at a market, consider what inefficiencies are present in the market. Do you have an idea on how to correct these inefficiencies? Consider the example of FedEx or Agency FAQs. FedEx identified inefficiencies in the package delivery market and strived to correct this inefficiency by providing fast and reliable delivery of packages. This spawned the creation of the courier industry as we know it today. Similarly, Agency FAQs saw that there was an unmet need in the market. There was no information portal for professionals working in the advertising sector. They aimed to fill that gap and now they are one of the largest websites in that segment.

Remove Key Hassles

Take a look at some of the key hassles customers face when buying or using a product or a service.

You don't necessarily have to have a new product or service. You can be innovative and improve a product, a service or a business process.. Purchasing processes in some products categories are still a major source of irritation for customers. Think how you can improve and provide a superior alternative.

For example, look at how the search engine market developed. There were millions of websites on the Internet and it was often very hard for customers to find what they were looking for. Searching an index of webpages (on Google, or Yahoo) made it much easier for customers to find information they were seeking.

Customers Desire to Experience Something New

You may or may not have a new business idea or business process to serve a market. And perhaps there are no market inefficiencies for you to exploit. But sometimes, gaging the customers' desire to experience something new can be a successful strategy. Can you innovate on customers' experience in existing business models?

Pick a Growing Sector/Industry

When considering a new business, it is important to look at whether or not your idea is in a growing sector or industry. For example, a lot of start-ups in the IT sector in India did very well because there was huge demand in that industry and the growth was outpacing other industries. Investing in a stagnant sector/industry may not best serve your interests, unless you identify a market inefficiency that you can exploit.

Product Differentiation

Creating superior products or services vs. alternatives is important for winning in the market place. What factors will set your product apart from the existing ones? If there is no such differentiating factor, your potential customers may just stick to the existing product rather than adopt yours.

Cash Flow Considerations

At the start-up stage, cash flow considerations are just as important as any other business function. If you run out of cash, despite holding inventory or other assets, your business will risk failure.

There are some types of businesses in which cash is typically held up for a long time. If you are in manufacturing for example, your cash flow can be held up for long periods of time, or money may be stuck in receivables. When picking the right business, you should consider one that provides fairly regular cash inflows and with slower outflows (if possible). It is imperative that you understand the need for constant cash flow in your business. Without cash flows, no matter how good your idea or business process is, you might be destined for failure.

Is it a Seasonal Business?

When picking a new business - consider whether it is seasonal or the year round.

If you do decide on a seasonal business, you will need to consider how to operate during off-season months. Managing the cash you make during the season will help you get through off-season. Financial planning will be of utmost importance.