

eBizplan Business Plan Guide

Part 2. How viable is my business idea or opportunity?



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eBizplan's Business Plan Guide Two: How viable is my business idea or opportunity?

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Welcome

Welcome to Part Two of eBizplan's Business Plan Guide. In this guide you're going to explore the viability of your business idea

In other words, will my business work, and will I make money from it?

You may waste a lot of time and money if you want to sell something to people who doesn't want or need. Or, your business idea is done by many other and because of that there is an 'oversupply' of your products or services.

So, best is to identify a unique product and selling it to unique customers (a niche).

Good Luck and Best Regards,

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Introduction

A feasibility study answers the question, “Should we proceed with this business idea or opportunity?”

You should do a feasibility study before your business plan. It involves the collecting of data to find out whether your business idea will survive. A feasibility study will also help you to assess if the opportunity that you have previously recognised, still exists.

The answers you write down about the internal (your business) and external (the market) later in this text will help you to think about you, the business and the business’s environment. The GLOSSARY at the end of this text explains and defines some concepts, marked in **bold**. If the idea or opportunity passes the feasibility analysis, your next step is to build a solid business plan for capitalizing on the idea.

When you do the feasibility study, you will:

- Assess the market in which you will do your business.
- How you will market your product.
- Estimate the basic financial feasibility of your business.
- Determine what you need to manage.
- Make an informed choice about whether your idea or business opportunity is still attractive and practical.

Part two of this Guide will help entrepreneurs or prospect business owners to research their business idea or opportunity.

You’re welcome to send the completed questionnaire to me via the personal messaging portal in your eBizplan Account...

Questionnaire

Describe your **business idea** or **opportunity**.

Where, when and how did you learn of the opportunity?

Explain exactly why this opportunity exists now?

Explain what **window of opportunity** has opened and how long do you expect it to stay open?

Discuss what **environmental factors** have contributed toward the opportunity that now exists.

Describe exactly what **product** or **service** do you want to sell.

Should your product or service already exist, explain then what will **differentiate** it.

Give reasons why you have chosen the **niche market** that you want to enter?

Why would your clients buy your product or service? What advantage do they enjoy for it?

Are there better alternatives for your product or service (**substitutes**)? Write them down.

Are your customers approachable? Are they loyal towards the **brands** of their suppliers?

How will you **reach you clients** – directly, through retail outlets, through discount stores, through representatives of manufactures, catalogues, brokers or the Internet?

What is the expected **lifecycle** of your product or service? Can you add additional products or services, which may be sold with the **core product**?

A market for your product or service



A market is where a group of consumers or organisations that is interested in a product or service, has the money to buy the product or service lawfully. In other words, it's the place where you going to earn profit or make a loss. Each market has its own characteristics, trends and developments. A market can be local, national, or global. It can be physical (shops, offices, workshops) or virtual (via the Internet). A market can be growing, stable or declining, or it may be large or small. Some markets are easy to enter an exit, while other markets are controlled by a few businesses making entry difficult. Some markets are more profitable than others. Most markets have competitors or substitute products. And each market has a set of key success factors that new entrants must know in order to compete successfully.

Markets can be identified by their names - for example:

- The retail market (shops, wholesalers, importers, distributors).
- The construction industry.
- Hospitality industry.
- The food industry.
- The clothing and textile industry.

You should identify in which market sector your business will compete. The information that you collect from that market sector will relate to your business.

Analysing your market

The questions answered will help you start your market research:

What are the characteristics of the market? Is it a **growing industry**? Is the competition **fragmented**?

Give an estimate of the **size** of the market and the rate that you expect it to grow?

Do an estimate of your competitor's **manufacturing capacity** should you plan to manufacture a product.

Estimate the **market share** that you expect to achieve over the next five years of business. What will be the market share of your competitors?

Describe the **cost structure** of your product or service and also how it will change over time.

Give a realistic estimate of your **capital requirements** for the next five years.

Notes

Bonds, J.S. 2002. *Business Blueprints: Is Your Business Idea Feasible?* Arkansas Small Business Development Center. ASBDC.

Cronje, G.J. de J. *et al.* 1998. *Introduction to Entrepreneurship and Small Business Management*. Only study guide for MNE202-V. Department of Business Management. University of South Africa.

Glossary

Brand – can be a logo, a company or product name that consumers are familiar with. Consumers can be perceived a brand as positive or negative. Businesses want consumers to perceive their brands positively to increase brand loyalty.

Business idea - A business idea is something that someone (including you) has developed to solve a problem or fill a need.

Business opportunity - it is usually something that can be capitalized to make money and the return on your capital.

Capital requirements - the amount of money a business needs for its normal operations.

Core product - it is the essential benefit or need satisfaction that the consumer expects to obtain from the product.

Cost structure - the expenses that a firm must take into account when manufacturing a product or providing a service.

Differentiate - a differentiation strategy is one which a product offering is different from that of one or more competitors in a way that is valued by the consumers.

Environmental factors - identifiable elements in the physical, cultural, demographic, economic, political, regulatory, or technological environment.

External business environment - is composed of various organizations institutions and other forces which operate beyond the control of the organization. It is further classified into external micro and external macro environment.

Feasibility study - involves the collecting of data to find out whether your business idea will survive.

Fragmented competition - a fragmented market is one where there are lots of small to medium-size companies and where even the big players have stiff competition. There should be no dominant company.

Growing industry - is that sector of an economy which experiences a higher-than-average growth rate as compared to other sectors.

Internal business environment (of your business) - includes physical assets, human, financial and marketing resources, technological supports, the management etc.

Lifecycle - product life cycle is the stages through which a product or its category bypasses. From its introduction to the marketing, growth, maturity to its decline or reduce in demand in the market. Not all products reach this final stage, some continues to grow and some rise and fall.

Manufacturing capacity - is the number, ability, and limitation of a business enterprise or a manufacturing plant, to produce a volume of product. This involves using currently available resources, to produce goods in a given period of time.

Market share - The portion of a market controlled by a particular company or product.

Market size - the number of individuals in a certain market who are potential buyers and/or sellers of a product or service.

Niche market - a small segment of a market that is particularly suitable as a target audience for a specific product.

Product - is the item offered for sale.

Reach you clients - to tell them about your product or service.

Service - the non-physical, intangible parts of our economy, as opposed to goods, which we can touch or handle. E.g. if you are an accountant...

Substitutes – a substitute product or service is one that may offer the same or similar benefits than what you are offering...

Window of opportunity – is a favourable opportunity for doing something that must be seized immediately.

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fill in a quotation form for
your Business Plan!

[Business Plan Form](#)