



**PURPLEGROWTH**



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# LEARNING UNIT 2

## VIABILITY OF IDEAS

Research the viability of  
the new ideas /  
opportunities –SAQA  
114596



# LEARNING OUTCOMES

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- **By the end of this unit, you will be able to:**
  - Identify and assess own business ideas/opportunities for a new venture.
  - Analyse the viability of a selected idea/opportunity against specific screening variables.
  - Research the potential of a particular idea/opportunity as a new venture.
  - Analyse a range risks associated with a new venture.
  - Evaluate new venture ideas/opportunities based on research findings



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# IDENTIFYING BUSINESS IDEAS OR OPPORTUNITIES

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- **Identify a winning idea:**
- makes money now and in five years time
- sounds attractive to financiers and your bank manager
- is easy to promote
- is something that appeals to a growing number of customers
- encourage repeat purchasing
- is what you want to do
- is easy to put into practice
- legal



# UNCONTROLLABLE FACTORS:

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Discrimination against small businesses

Change in the economic climate

Change in the political environment

Changes in consumer behaviour

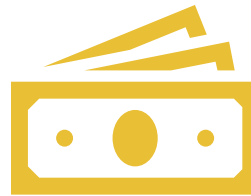


# CONTROLLABLE FACTORS:

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**Technical skills**



**Financial skills.**



**Marketing skills.**

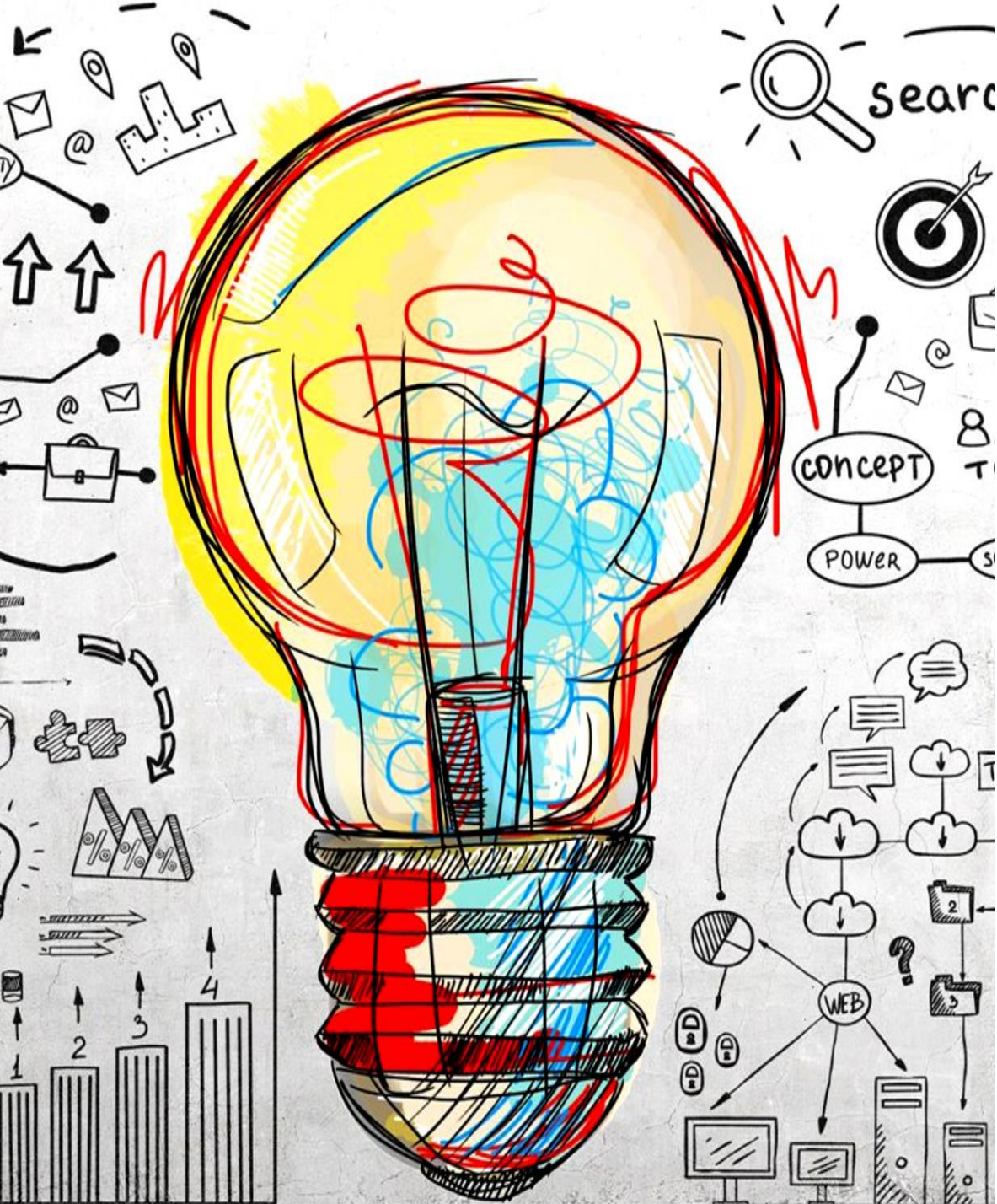




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# THERE ARE THREE PHASES OF ESTABLISHING YOUR OWN SMALL BUSINESS

- **The idea phase.** Here you identify an opportunity in the business environment. This phase challenges you to formulate a business idea that is innovative as well as an opportunity that will change people's values or needs.
- **The planning phase.** Here, the viability of the idea is investigated and a business plan is drawn up.
- **The implementation phase.** Here the business plan is implemented and the opportunity is fully utilised with an objective of making a profit.







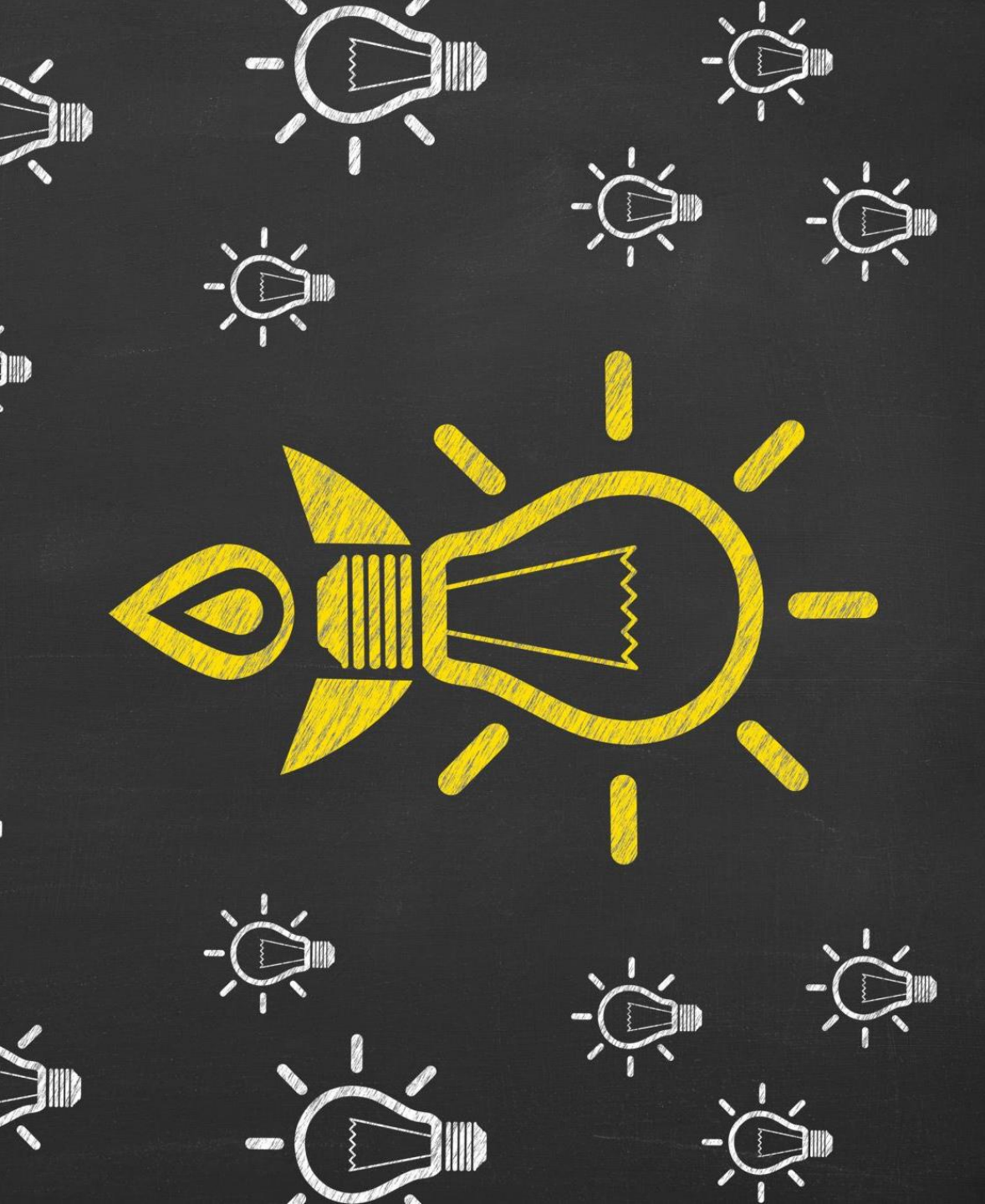
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# WHAT IS AN OPPORTUNITY

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**An opportunity is thus an idea with the following:**

- It is based on a product or service that will satisfy a need or add value.
- It is possible to enter the market and the entrepreneur is able to organise people and tasks to achieve the goals and objectives.
- The business gains a competitive advantage using the opportunity.
- The opportunity is viable because it offers significant potential for growth and profit.







# THE DIFFERENCE BETWEEN **IDEAS AND OPPORTUNITIES**

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- A small business idea is not necessarily a small business opportunity.
- All opportunities are based on ideas, however all ideas do not necessarily represent opportunities. Opportunities are basically ideas that work, that are successful and profitable. They are ideas that can be converted into a successful business enterprise.



# SOURCES OF INFORMATION FOR **IDEAS AND OPPORTUNITIES**

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- Internet
- Yellowpages
- Social Media
- Business Magazines
- Newspapers
- Television
- Expired patents
- Trade shows/conferences
- Community



# VIABILITY OF IDEAS AND **OPPORTUNITIES**

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Does it satisfy or create a market need?

Will the product maintain market appeal?

How unique is your product?

How useful is your product?

How much competition exists?

Have you priced your product competitively?

What is the level of difficulty in the creation or implementation of the product?

What are the growth possibilities?

Is the product safe?





# MARKET SHARE

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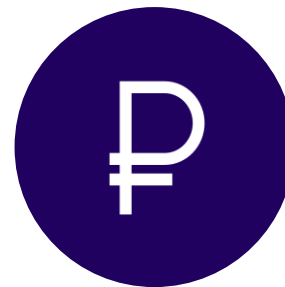
Market share, in strategic management and marketing is the percentage or proportion of the total available market or market segment that is being serviced by a company.



It can be expressed as a company's sales revenue (from that market) divided by the total sales revenue available in that market.



It can also be expressed as a company's unit sales volume (in a market) divided by the total volume of units sold in that market.



Market share is the portion or percentage of sales of a particular product or service in a given region that are controlled by a company.





# SALES VOLUME

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- Number of units sold in a predefined period.
- Sales volume is the number of sold units of sales in a certain period of time. Sales units are usually physical case, or simply the case, which is basically product in shape of usual sales pack.



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# ASSET VALUE:

- The value of items capitalised in a balance sheet. It is also the amount of capital required to purchase the assets for a new venture



# ASSESSING MARKET CONDITIONS

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## **Demand**

Every product has its own market, where there are consumers who purchase the product and the business that sell the product. . Thus, there are many markets for a single service, with each market representing a specific area.

## **Competition**

If the competition within a particular market is limited, firms can more easily increase their market share and therefore increase their revenue. In addition, they may also be able to increase their price without losing their customers. Therefore, entrepreneurs prefer to pursue markets where competition is limited



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# ASSESSING THE COMPETITION

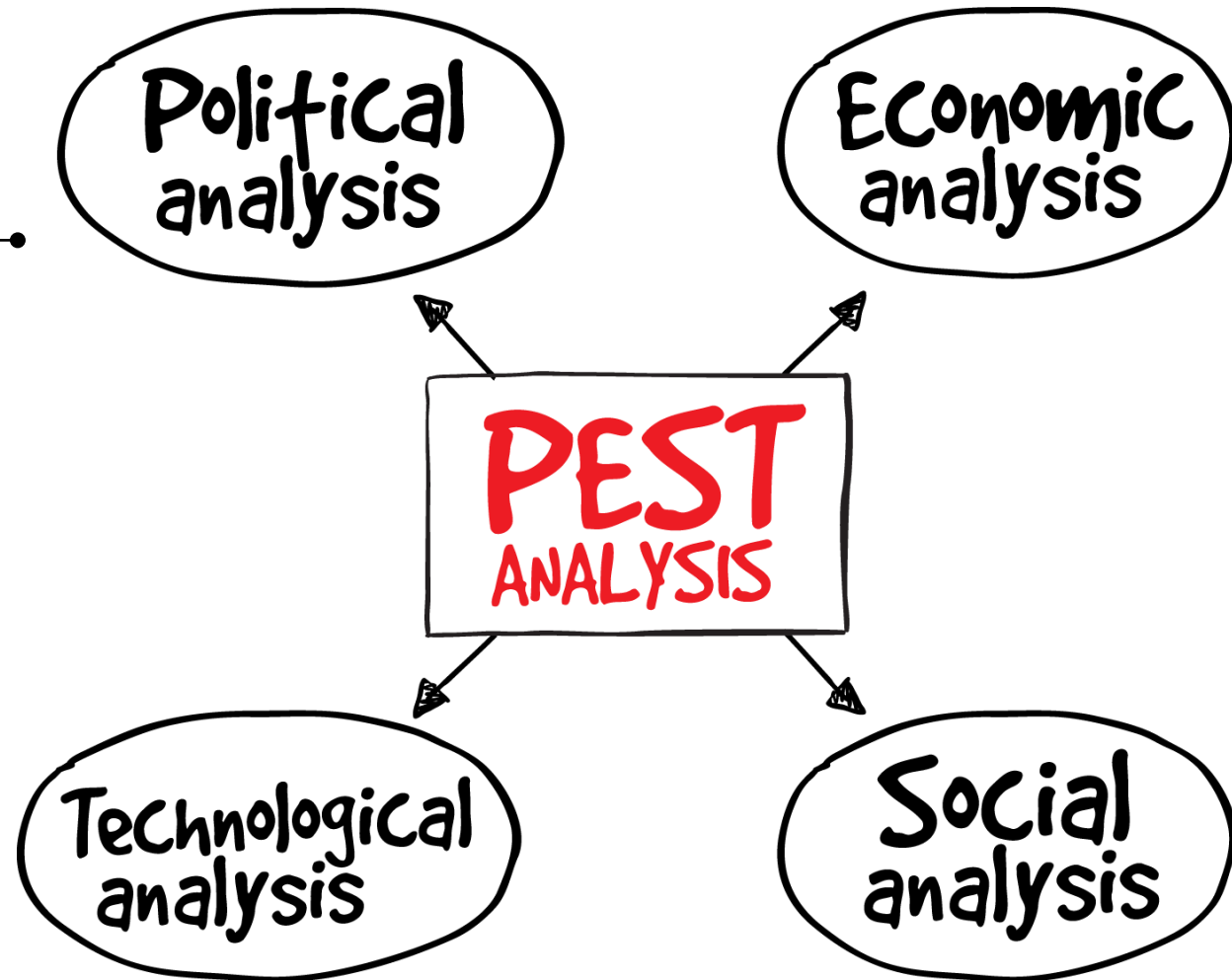
- 1. What are the key attributes of success you see in competitors in your market and industry?
- 2. Rate the competitors based on the most important elements of your business.
- 3. Define the industry.
- 4. Define your market boundaries, local business / national
- 5. Understand who your competition is - Top 3 - 5
- 6. Determine who your customers are and what benefits they expect.
- 7. Determine who your competition's customers are and why they do business with them.
- 8. Use your competitor's services, own their stock if applicable to monitor activities.
- 9. Understand your businesses strengths and identify market opportunities.
- 10. Regularly check back in on competitors to monitor adjustments they make.





# MARKET ANALYSIS

- In order to perform a market analysis, you will need to research and conduct a PEST and SWOT analysis. analysis, you will need to research and conduct a PEST and SWOT analysis.





# SWOT ANALYSIS

## SWOT ANALYSIS





# CRITERIA FOR EVALUATING THE SUCCESS OF NEW VENTURES

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## **Market Feasibility Study**

- Importance of a market feasibility study
- Definition of a feasibility study: This is when you analyse the market to find out if your idea will be practical, suitable and profitable.

## **Product Description**

- A product or a service is something that exists to satisfy the need of a customer. Customers do not buy products or services; they buy the benefits that those products or services offer.



# MARKETING INFORMATION

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The size of the market

If the market is growing

What products or services the market wants

Why the market wants these products or services

How the market buys these products or services

What is the geographical distribution of the market

What price the market will pay for these products or services

What market share can you expect

How to give the market the necessary information about your products or services





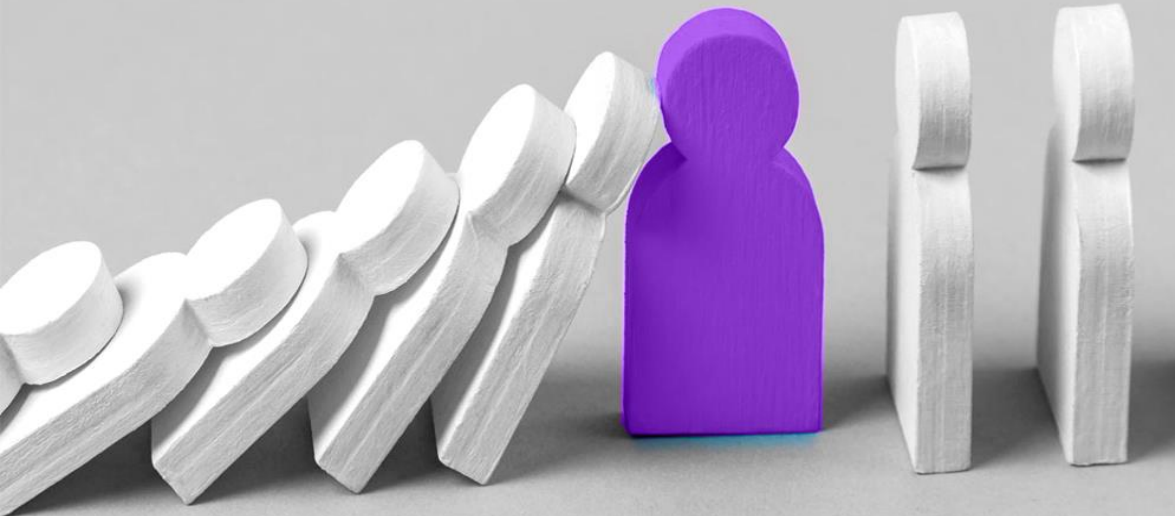
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# RISK MANAGEMENT

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**There are many types of risk and these can be grouped into four main categories.**

- Economic Risk
- Performance Risk
- Physical Risk
- Psychological Risk.





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# RISK FACTORS

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**These factors can be grouped into four main categories.**

- Perils
- Hazards
- Threats
- Vulnerabilities





# HOW DO WE **ANALYSE RISK?**

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Risks fall into the following fields:

Financial risks – theft, legal action, loss of profit.

Management risks – poor management.

Health and safety risks – accidents, crime.

Environmental risks – natural disasters.





# RISK MANAGEMENT **STRATEGIES**

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There are four risk management strategies.

Avoiding

Reducing

Anticipating

Transferring / Spreading





# TYPES OF INSURANCE

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Property and casualty insurance.

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Life and disability insurance.

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Health insurance and worker's compensation coverage.

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Liability insurance.





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# WORKBOOK

## ACTIVITY 4

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