

2.4: Opportunity Analysis

2.4.1 Due Diligence in Entrepreneurship

Whether you plan to start a new business, acquire an existing one, or purchase a franchise, conducting thorough research on the industry, target market, and economic and funding options is crucial. This process, known as due diligence, involves taking reasonable steps to ensure that your decisions are based on accurate and well-researched information. It includes detailed inquiries and verifying facts to confirm the viability of your business pursuits.

2.4.2 Evaluating Timing for Business Ventures



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Alt text: Line of different colored drawings of clocks.

A common question entrepreneurs face is whether it is the right time to start a business. Determining the timing involves assessing whether the idea is not only interesting but also qualifies as an entrepreneurial opportunity. An idea becomes a recognized opportunity when it meets the following criteria:

- **Market Demand:** The idea addresses a problem that the target market is willing to pay for, providing value through a new product, service, or improvement.
- **Market Structure and Size:** The market has growth potential, and the barriers to entry are manageable. There must be room for your venture to gain market share by offering unique value.
- **Profit Margins and Resources:** The potential profit margins should justify the risks involved. This includes considering operating costs, capital requirements, and technical needs.

2.4.3 Using SWOT Analysis for Evaluation

A useful tool for evaluating a business idea is the SWOT analysis, which examines strengths, weaknesses, opportunities, and threats. In the context of a new business, strengths and weaknesses are internal to the entrepreneur, such as their skills and experience, while opportunities and threats are external factors like market trends and competition.

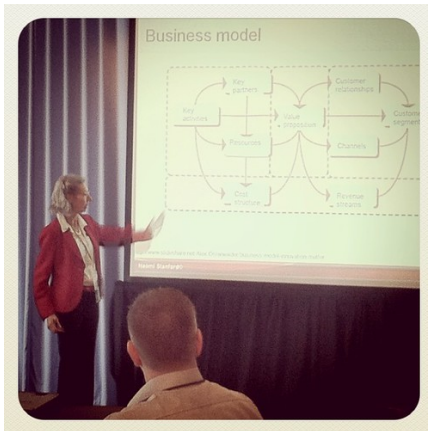
- **Strengths:** Capabilities and advantages of the entrepreneur, including education, experience, and networks.
- **Weaknesses:** Disadvantages such as lack of knowledge or experience.
- **Opportunities:** Positive external events like market growth or new technologies.
- **Threats:** Potential harms like economic downturns or competitive pressures.

2.4.4 PEST Framework

Another strategic tool is the PEST analysis, which identifies political, economic, social, and technological factors that may influence access to essential resources. This framework helps entrepreneurs assess the external environment and plan accordingly.

- **Political Factors:** Changes in legislation, government policies, and regulatory requirements.
- **Economic Factors:** Economic conditions such as inflation, interest rates, and economic growth or decline.
- **Social Factors:** Demographic changes, cultural trends, and consumer behaviors.
- **Technological Factors:** Advances in technology that affect business operations and competitiveness.

2.4.5 Business Model Canvas



"[Dr. Naomi Stanford outlining the basics of business models as it relates to design firms. #apdfs1](#)" by [Mark & Andrea Busse](#) is licensed under [CC BY-NC-ND 2.0](#).

Alt text: woman talking about a business model for a presentation

Once an opportunity is validated, the next step is to create a business model. A business model outlines how the venture will be funded, how it creates value, and how it delivers products or services to customers. The Business Model Canvas, developed by Osterwalder and Pigneur, includes nine components to map out a business concept:

- Customer Segments: Who are the target customers?
- Value Propositions: What value does the business offer to customers?
- Channels: How will the business reach and deliver value to customers?
- Customer Relationships: What type of relationship will the business maintain with customers?
- Revenue Streams: How will the business generate income?
- Key Resources: What resources are necessary to deliver the value proposition?
- Key Activities: What activities are crucial to deliver the value proposition?
- Key Partners: Who are the essential partners and suppliers?
- Cost Structure: What are the major costs associated with the business model?

The Business Model Canvas helps entrepreneurs understand and design their business operations on a small scale, allowing for adjustments and improvements before fully scaling up.

Attributions

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