

## 2.3: Understanding the Opportunity

### 2.3.1 Finding the intersection of technology and market

So where is the next million-dollar idea hiding, just waiting to be discovered? The answer: within you. Truly. In fact, you might believe you've got a million-dollar idea in your head already. But a great idea alone doesn't guarantee success: you also need to be able to recognize when a concept has the potential to become something tangible and hit it big. It all comes down to opportunity recognition (there's that word again).

How do you recognize an opportunity? What exactly does one look like? It has to do with analyzing both the product and the market and seeing if they intersect. What you're looking for is a product that fulfills (or creates) a need at just the right time, in just the right place. Opportunities are built using a combination of your ideas and entrepreneurial creativity mixed with market need and good situational timing.

Think about your idea as you read the rest of this chapter—or, if you don't have an idea yet (which is perfectly fine), let it inform your idea generation process—and ask yourself these questions:

- Is my idea realistic? Is it technically and financially feasible?
- Is there a strong need for my potential product?
- Is this a need I passionately want to address?
- Does pursuing this opportunity meet my goals as an entrepreneur?

### 2.3.2 Where's the pain?



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Alt text: Heart with sewing needles in it

There's an old metaphor about meeting customer needs: Come up with a product that scratches a customer's itch, and maybe they'll buy it. Come up with a product that relieves a customer's pain, and you've got a winner. "Pain," of course, is a relative term and could describe just about anything—a toothache, a slow computer, a boring job—but the idea behind the metaphor is that it's the entrepreneur's responsibility to find out what the customer needs most, then fulfill that need. It goes without saying that if your product isn't grounded in reality and serves no need at all—doesn't even scratch an itch—it has no chance. No one buys useless products.

### 2.3.3 On the cutting edge

Quite a few products and services out there simply fulfill a pre-existing need. Returning to the previous example, if you have a toothache, you go to the dentist and she fulfills your (painful, immediate) need. Simple. But when you're talking about high-tech products, things get a lot more complex. You may very well come up with an idea so new and innovative that it addresses a need that doesn't even exist yet. This is a difficult spot to be in as your product may have a hard time gaining traction.

When you're on the cutting edge:

- Get into your customers' heads as much as possible
- Develop cheap, easy-to-test prototypes
- Put the prototypes into people's hands and listen to what they say
- Be open to your product perhaps being useful in a market you never originally imagined

The last point is particularly instructive. When 3-M chemist Spence Silver invented a new adhesive that would not dry or permanently bond to things, he had no idea what to do with it. When another 3-M chemist, Arthur Fry, needed a bookmark for his

choir book the idea for applying the glue to small pieces of paper emerged, and Post-It Notes were born.



"People working inside the Coffee Works project" by [@MaryG\\_MU](#) is licensed under [CC BY-NC-SA 2.0](#).

Alt text: People working on projects in coffee shop.

### 2.3.4 What you know

Understandably, the majority of entrepreneurs found businesses based on ideas gathered from jobs and activities and lifestyles they're familiar with. For one thing, the entrepreneur understands what target customers want because she's part of the group. Two, because the entrepreneur is familiar with the products currently on the market, she can usually introduce a product that trumps the competition. And finally, when selling the product to customers, the entrepreneur appears not as a salesperson, but rather as "one of us." It's a powerful situation that doesn't guarantee success, but definitely gives you a good chance.

### 2.3.5 Levels of need

But now let's reverse the situation and talk about what you don't know, what you aren't familiar with. It can be a very good thing to actually go beyond what you know-to keep an open mind about opportunity and think broadly about the needs of the world beyond your comfort zone. Undoubtedly a new mp3 player or a new snowboard boot addresses the needs of a certain population and has a chance at success. But UV water purification systems for villages in the developing world address the needs of an entirely different population, and have just as good a chance at success, whether measured in terms of profits or lives saved, or both. What we're talking about are levels of need. If you haven't already, what you need to do is figure out your priorities as an entrepreneur. Whose needs do you want meet? Those of the US market, or the basic human needs of the developing world, people with disabilities, the elderly? How about products designed with the environment in mind? Your answers to these questions will shape your business from the very beginning. Weigh them carefully.

### 2.3.6 When is an idea an opportunity?



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Alt text: Sign leading way for an opportunity center

An idea is an opportunity when it is attractive, durable and timely and is anchored in a product or service that creates or adds value for its end buyer or user. The most successful entrepreneurs are opportunity-focused; that is, they start with what customers and the marketplace want and do not lose sight of this.

### 2.3.7 You have a chance

Don't think you can't possibly compete with large, multibillion dollar players. The high-tech industry welcomes small business like no other. The performance of smaller firms in technological innovation is remarkable: 95% of the radical innovations since WWII have come from new small firms. A National Science Foundation study found that smaller firms generated 24 times more innovations per research and development dollar than firms with 10,000 or more employees.

### 2.3.8 New venture realities

- Success is highly situational
- Starting a company is a lot harder than it looks, or you think it will be.
- Most new ventures are works in process.
- Speed, adroitness of reflex, and adaptability are crucial.
- The key to succeeding is failing quickly and recouping quickly.
- The best entrepreneurs specialize in making "new mistakes" only.

Quotes from "New Venture Creation," 2004, by Timmons and Spinelli

### 2.3.9 Newton's recipe for failure: Ignoring customer needs



"[the more you ignore me the closer i get](#)" by [aluedt](#) is licensed under [CC BY-NC-SA 2.0](#).

Alt text: Two men sitting on a bench, one is ignoring the other

For a high-tech product to succeed it must be polished and refined until its technological capabilities and features meet the needs of the market. Two examples from the dawn of the Personal Digital Assistant (PDA) era in the late 90s illustrate how—and how not—to bring a high-tech product to market.

Apple's Newton belongs in the "how not" category. Despite a high-quality handwriting recognition system, the Newton was large and cumbersome, expensive, and prone to problems. Larry Tesler, a former member of the Newton development group, says that although Apple had learned about key customer needs during market research, it ignored these needs when it came to developing the product, opting instead to push ahead and beat its competitors to launch. Tesler says, "In the end, we cut corners and ignored problems to try to meet a price range and a ship date that we had prematurely announced to gain an edge in a reckless public relations battle." (from "Why the Apple Newton Failed," by Larry Tesler, CEO and chief scientist, Stagecast Software) With promotional materials boasting that "Newton can read your handwriting," Apple launched its product on a platform of unsubstantiated claims and inflated expectations, dooming the product to consumer disappointment, ridicule, and elimination from the Apple product line in 1998.

The other side of the story is the PalmPilot. Introduced in 1996, the PalmPilot 1000 won PC Computing's MVP Usability Achievement of the Year Award and led to a revolution in handheld computing. Jeff Hawkins, one of the original creators of the PalmPilot, suggests that the device's commercial success has a lot to do with responding to consumers' needs, since the major market for handhelds was and is the individual purchase. He maintains that it's important to make tradeoffs on "what to put in and what not to put in," so that the product maintains the correct balance of techno-logical features, usability, and affordability.

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