UNIT III
BUSINESS OPPORTUNITY IDENTIFICATION AND SELECTION

MAIN OBJECTIVE
To help students in understanding the business environment, Business opportunity Identification and Selection.

LEARNING OUTCOME
- To develop ability to scan the environment.
- To understand difference between a business idea and a business opportunity.
- To know various sources of business opportunities.
- To identify business opportunities through various steps.

CONTENTS
1. Analysis of Business Environment
2. Analysis of Business Opportunity
3. Business Opportunities in Various Sectors
4. Sources of Business or Product Ideas
5. Swot Analysis for Business Selection
6. Market Survey for Product Selection
7. Business opportunities due to LPG
IDEAS AND OPPORTUNITIES

The opportunity to be your own boss, to provide a product or service, to implement your ideas which can generate sufficient surplus, is reason to think of starting an Entrepreneurial unit. But it is not possible for anyone to come up with an idea and at the very first instance, convert it into a business opportunity and start a small business on that basis persons interested in becoming entrepreneurs must have the ability to generate a large number of ideas so that at least one of the ideas has the potential for a business opportunity and adopt a series of steps to finalise it into a profitable business. You know that opportunity always exists in the environment. Hence, the given environment is analysed for sensing the opportunities available in it for the entrepreneur.

ANALYSIS OF BUSINESS ENVIRONMENT:

INTRODUCTION:

Any economic activity is directly or indirectly affected by the factors around it or far from it as well as controllable and non-controllable factors. Therefore instead of concentrating on only managerial factors an entrepreneur should concentrate on important change taking place in external business environment like economic, social, political, technological etc. A very careful analysis of factors affecting external business environment and its impact on business units is an essential requirement. Entrepreneurship is a function of several factors and one of the most important factors is external environment.

To be successful an entrepreneur has to remain dynamic and responsible to the whole environment.

MEANING OF BUSINESS ENVIRONMENT

Business environment is a very wide term. It is made up of many controllable and non-controllable factors. Business environment is a group of economic, social, physical, legal and technological factors around which economic activities are being undertaken. It is a
mixture of many factors like economic, social, political, legal & technological factors which directly or in directly affect the working of a business unit.

**TYPES OF BUSINESS ENVIRONMENT**

The business environment is broadly sub-divided into the following two types

1. Internal Environment
2. External Environment

1. **INTERNAL ENVIRONMENT:** It refers to all the factors which are within the control of the organization. This includes organizations mission and vision, value system, organizational structure, human resources and internal relationship.

2. **EXTERNAL ENVIRONMENT:** It is also called general environment, it consists of all those factors which are outside the organization and hence are beyond the control of organization. These factors provide opportunities and or pose threats to an organization.

**Factors Affecting External Business Environment**

Brief description some of the important factors or elements of affecting external business environment be mentioned as below.

1. Economic environment
2. Social and cultural environment
3. Political environment
4. Legal environment
5. Geographical environment
6. Technological environment
7. Marketing environment
8. International environment
1. **Economic Environment**: Elements of economic environment affect business environment largely. A firm has no control over economic environment and an economic environment may adversely affect existence of a business unit. Factors of economic environment can be divided into two parts

   a. Factors affecting demand of goods and services

   b. Competitive forces/environment

A. **Demand of goods and services is affected by two factors namely-**

   I. Purchasing power of customers and

   II. Purchasing desire of customers to purchase

Higher the purchases power and urge need to buy tend to increases demand. Purchases power of customers is affected by the factors like consumers expendable income, size of family and income, expectation of income, possibility of receiving credit, liquid assets etc. Burning desire to purchase a product is largely affected by the attractive sales promotion programs of the company.

B. **Another important element of economic environment is competitive environment.** Every industrial unit is always competing with other units of attract potential consumers. In order to stand in competitive environment, a unit implements policy of reducing price, product diversification, best consumers support services, sales promotion schemes etc.

Following factors are also included in economic environment-per capital income rate, total national product, rate of capital investment and saving, agricultural and industrial atmosphere, foreign capital etc.

2. **Social And Cultural Environment**: social environment also affects business environment like social traditions, attitudes, perception, habits, social laws, role and status etc. Along with social environment, cultural environment is the key factor affecting business environment like living style, religious, believes, changes in fashion, changes in role of women, cultural institutions etc. Such factors are ever changing. Hence a business unit should try its best to match it products with such social and cultural factors
3. **Political Environment**: Business environment is affected by political environment directly or indirectly. The thinking of the existing ruling party of the country influence political environment. eg. LPG [LIBERALISTION, PRIVATISATION AND GLOBALISATION] policy of present govt. has permitted private and foreign corporate sectors to compete with govt. sectors.

4. **Legal Environment**: various laws affect business operations like Indian agreement act, company act, factory act, minimum wages act, consumer protection act, environment act, various taxes etc. so an entrepreneur has to fulfill various legal requirements while promoting and developing his business unit.

5. **Geographical Environment**: Geographical environment is the key factor affecting location of an industry like atmosphere, area of market, communication and transportation facilities, water resources, electricity, availability of raw materials etc. e.g. in Saurashtra area the geographical environment is more comfortable for cement industry, sea area is more suitable for salt production. Thus entrepreneur should keep in mind geographical environment while selecting location of enterprise.


   New searches and innovations affect business decisions. Computer information technology have developed so rapidly that need for manpower to work his declining. Due to utilizing newly technology, production on large scale and at lower cost becomes possible. By changing technological a small scale industry can be reached to international level. Technological changes in the industries like chemical, electronics, aerospace, communication, power and energy have brought revolution of change. America, Japan, Britian, Germany and also India have become or are becoming technological leaders. So an entrepreneur should analyze technological environment and keep himself ready to adopt technological changes.

7. **Marketing Environment**: Marketing environment basically concentrates on two factors-

   I. Marketing conditions and

   II. Availability of raw materials and other needed resources

In order to get real information about marketing conditions, an entrepreneur should continuously study market trends, products, demands, competitors proposed plans, promotional programs etc. Long existence of a business unit depends upon continuous availability of raw materials and other resources.
9. **International Environment**: International environment affects trade, employment and business activities. Global politics, regionalism, foreign exchange, Exim policy etc. factors largely influence international business environment. Today the whole world has become a market due to modern communication system technological development, free foreign trade, minimum restrictions on foreign Companies friendly political relationship between countries for their industrial development.

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**ANALYSIS OF BUSINESS OPPORTUNITY**

**INTRODUCTION:**

Entrepreneur is a person who always searches for change, responds to it and exploits it as an opportunity. Before establishing an enterprise, an entrepreneur has, first of all, to identify an opportunity, to select it and to convert it into an enterprise. To take benefits of opportunity, he needs specific skills. Opportunity is a specific event, which arises occasionally. An opportunity is a positive trend in external environment. It is an attractive project idea, which an entrepreneur can exploit available opportunity with in right time, he can gain unlimited benefits of the opportunity. Though while exploiting an opportunity, entrepreneur has to beat many barriers of external business environment, legal environment, venture capital etc. hence he has to analysis business opportunities scientifically.

**RESULTS OF BUSINESS OPPORTUNITIES**

Possible results of business opportunity.

1. **Creation of value**: Because of opportunity, new types of values can be created. Industrialization has given new values to customer needs. Thus opportunity results in creation of new values.

2. **Creation of satisfaction**: Because of opportunity, new and different types of satisfaction can be created. Opportunity leads towards production of innovative product and innovative product creates satisfaction of consumer needs.
3. Conversion into new resources: Opportunity converts various types of raw materials into resources and resources into wealth. Shifting of raw materials into consumers goods is result of opportunity.

4. Conversion into new and more productive system: Opportunity converts a existing system into new and more productive system. E.g. in the earlier time, landline telephones were used for communication and at present mobile phones and Internet are widely used for the same. Thus opportunity results in conversion of existing productive system into more productivity.

Sources of opportunity

Important sources of opportunity cane be presented by following diagram

<table>
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<th>Internal Sources</th>
<th>External Sources</th>
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<td>1. Unexpected changes</td>
<td>1. Demographical changes</td>
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<td>2. Differences</td>
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INTERNAL SOURCES: - IMPORTANT SOURCES OF OPPORTUNITY ARE-

1. **Unexpected changes**
   Any unexpected change leads to entrepreneur towards success, failure or external event. From unexpected accidental changes, entrepreneur can get unexpected opportunities, which is controllable.

2. **Difference**
   Difference is the variation between what is and what should be, which is an important internal source of opportunity. By exploiting such differences entrepreneur can equal the differences. e.g. estimation about economic reality of an j.) enterprise and real economic reality -- differences between these two can become an opportunity.
3. Process based innovation

The need of change in either production process or any other process creates an opportunity of innovation. Innovation in process needed is the most important internal source of opportunity. e.g. in the present era, majority of information is stored in computer instead of hand written or typed report. Hence to prepare software for storing information is an opportunity.

4. Change in industrial structure or market structure

Changes in either industrial or market structure always create new opportunities for entrepreneur. The entrepreneurs who can identify such changes and can exploit as opportunities can gain remarkable success.

External sources: - Important external sources of opportunity are-

1. Demographical changes

Demographical changes are the major source of change in society and country. Size of family, age, income structure, family life cycle, education, service & occupation, ratio of male-female, religious etc. are demographical changes. e.g. as the income of population increases, demand of luxurious product increases. Hence an opportunity of creating such product comes up. Though it is uncontrollable opportunity.

2. Changes in understanding of society

Changes in understanding, psychology, attitudes etc. of the society inspire innovation, which creates opportunities in business, education, politics etc. e.g. the educational policy of the present govt. is towards cost to cost education i.e. self-finance educational institutions, which has created a number of opportunities in educational field. Internet, e-mail, tele-shopping networks etc. have brought many opportunities in business world. Such changes are important external sources of opportunities.

3. New horizons of knowledge

Knowledge based innovation is "super star" of entrepreneur. The horizons of knowledge are unlimited. So various changes in knowledge have been found and still are changing. e.g. there is an opportunity of writing book for English medium students of commerce faculty especially of North Gujarat University starting CNG pumps in North Gujarat area, searching a cheaper alternative of petrol etc.
4. Types of business opportunities

Business opportunities can be classified into following types.

1. Natural resources based opportunity: In different areas of the world, natural resources like water, green environment, forests, oil wells, fertile land etc. are available in large portion but in different portion. So the first important type of opportunity is to create profitable product by exploiting such natural resources and to establish such enterprise.

2. Opportunity of creating new goods and services related with the existing industry: Some large-scale industries need various types of small resources. Large industries depend upon small complementary industries for such resources, instead of its self-production. So the areas where such large scale industries have been established, there is an opportunity of promoting its complimentary industry. e.g. near large educational institution, there are many bookstores, near large hospital there are many medical stores, in hill station there are many hotels and restaurants.

3. Opportunity emerging from changing human habits, hobbies, attitudes, culture etc.: Human habits, hobbies, attitudes, culture, comforts, recreation etc. are ever changing. Hence to meet the changing needs of human being is also an important type of opportunity.

4. Opportunity emerging from import-export business for fulfilling foreign demand: Some handicraft product can be sold in foreign market with higher profit as well as there age many Indian products having foreign demand. Indian companies also import some raw materials and machineries from foreign countries. So if an entrepreneur can identify such opportunities, he can extend his business enterprise at global level also.

5. Opportunity coming up due to changes in govt. policy: Because of changing govt. policy, many opportunities can be created. e.g. compulsory use of helmet while driving two wheelers, compulsory use of driving belt while driving motorcar, minimizing restrictions on export business, implementation of competition Act etc. changes in govt. policy have created many opportunities for entrepreneurs.
Opportunities related with research and technological development: Many researches and technological developments are carrying on in corporate sectors. By importing technology from foreign countries, many new products can be innovated. e.g. presently many opportunities are available in computer, electronics, chemical, engineering; pharmaceutical etc. sectors due to research and development.

Opportunity of converting consumed goods, useless goods and wastage into wealth: Entrepreneur has also an opportunity of converting consumed goods, useless goods and wastage into wealth. e.g. Make plastic by boiling broken plastic goods and plastic pouches, newsprints from garbage pages etc. Hence to create something new by waste management is also one type of opportunity.

OBJECTIVES OF IDENTIFYING BUSINESS OPPORTUNITY

1. To assess the potentialities of utilizing physical resources of a particular region from the technological angle.
2. To identify those industries which are not based on local regions.
3. To examine industrial potentialities in a particular region and the country as a whole.
4. To identify the usefulness of other possible industries for the region.
5. To assess and estimate capital, labor, transport, power, fuel, raw material etc. for the feasible industry.
6. To explore the development possibilities of the region with regard to agriculture, minerals, labor, irrigation etc.
7. To evaluate the impact of financial resources, production, employment etc. in the industrial development process.
8. To recommend an effective program for balanced economic situations of particular region process.
9. To identify those areas and directions which are necessary for the balanced growth of region
BUSINESS OPPORTUNITIES IN VARIOUS SECTORS

There are many business opportunities waiting to be tapped by potential as well as existing entrepreneurs. Some of them are given below.

BIOTECHNOLOGY

Biotechnology is the industrial use of living organism to manufacture food, drugs, and other products. India’s biotechnology sector has received a huge boost from the sequencing of the human genome during 2000. As a result of this development, more and more investors and entrepreneurs are taking an interest in the sector. Biotechnology involves the application of biological process and technologies, such as genetic engineering, in order to produce normal or useful products such as drugs, diagnostic tools, drought-resistant crops, or even a whole new class of supercomputers. Biotechnology promises to have a dramatic affect on sectors such as pharmaceuticals, health care, agriculture, pollution management, and insurance.

EVENTS MANAGEMENT

With increasing affluence, and robust economics, budgets are increasing and the clients are spending more to take their events more elaborate and memorable. The event industry is embracing technology and education, which is making event business runs smoother. Overall, the event industry is greatly placed with a bright future. Globally the industry is having a unprecedented growth. In India today, the events industry is worth between Rs 300 and Rs 350crore. According to FICCI estimates, it has the potential to cross more than 3350crores in less than 5years from the year 2004, thus opening a vast array of career opportunities for the youth.

Event management is now emerging as a new growth industry, capable of generating economic benefits and employment. Organising events also helps to generate investment in building up the infrastructure besides providing opportunities to access new technology, exchange ideas and establish business and professional contacts as well as other social and cultural aspects. Burgeoning of satellite channels and the popularity of Indian artists have been other factors responsible for the recent spurt in growth.

An important aspect of event management is multidisciplinary tiers of the industry. Events create maximum employment through direct and indirect jobs in the form of event organizer and managers, equipment handling, sound and light technicians, security, transport services, catering management, to mention a few indirect jobs like Advertising, designing and printing of stationary, flower vendors, souvenir making and so on, are created, giving employment to large number of people. Even a small conference would
require all these facilities and such give employment directly and indirectly to number of people.

**IT ENABLED SERVICE**

The information technology (IT) sector has literally taken over the country. There is tremendous potential for providing IT enabled services within the country and abroad. The Stevens report (published in Economic Times, 28 September 2004) says the customer interaction centers, supplying traditional call center service and newer internet based customer services like e-mail and web-chat response will constitute the majority of customer interaction services provided from India. Medical transcription, financial and accounting services, content development and geographic information systems are other business segments, which will add to export volumes. The report further says that in the next 5 years the most successful remote processing service providers in India look forward to

- Providing higher value IT enabled services within their specific business segments or alternatively move to high value-added services;
- Start supplying IT enabled services to US end uses directly rather than indirectly through outsourcing intermediaries in USA; and
- Establishing a presence in the US market to support direct sales to end users. At a minimum, this presence should include US-based staff for marketing. Customer service and liaison, and project management. In some cases it will also be advisable for service providers to establish specialized production capabilities in USA to supplement export from India, by doing this, the Indian IT enable service provider will be able to allocate work between countries in order to achieve maximum productivity and profitability.

**FOOD, FRUITS AND VEGETABLES PROCESSING, REFRIGERATION AND TRANSPORTATION**

India had emerged as one of the topmost food producing country in the world. The Indian climate is suitable for growing vast varieties of food grains. India needs to exploit this potential by processing our food grains. Indian food is well known the world over. Processed food will have a good market in India as well as abroad. Food processing would also earn us much needed foreign exchange.

Fruits and vegetables are grown plenty in India. The country has emerged as a leading producer of fruits and vegetables. Fruits and vegetable processing offers potential for high value addition and potential entrepreneurs can earn a lot for such products. By processing fruits and vegetables, producers will get a proper price for their products and entrepreneurs will get good business opportunities.
COURIER SERVICES

Virtually worldwide, an effective door-to-door courier service plays an integral part in the success of many business. Providing the vital link between suppliers and consumes, courier services enabled cost-effective distribution of time-critical goods and documents. The accelerated rate of global integration needs of courier that sets the pace---especially in a country that is as large, diverse and economically vibrant as India. If recent trends are any indication, courier services both in organized and unorganized sector ensure a promising future.

INSURANCE SECTOR

Prior to privatization of insurance in India, only 2, government-owned public insurance companies---LIC of India and General Insurance Corporation---operated in market to carry out insurance business. Almost 20 insurance companies have now entered the insurance fray. Most of these companies have collaboration with world-class insurance companies. Insurance business is experiencing a growth rate of 20-25% p.a. In terms of insurance premium, the market is worth approximately Rs 40,000crore in the year 2004 and it is estimated to cross Rs 6,00,000crores mark by 2010. In days to come the insurance industry will provide abundant business opportunities to insurance brokers, agents, sales person, insurance claim processors, loss assessors, insurance surveyors and many others, who will provide indirect support to the industry.

TELECOMMUNICATION

Telecommunication continues to be a weak link in India’s basic infrastructure. There are ambitious plans to enhance the telephone penetration ratio in the country. Policy formulators are aiming and proving telephones to substantial percentage of population. Companies like Reliance Industrial Ltd, Bharat Sanchar Nigam Ltd, Satyam Infoway, and others have plans to expand this sector. Investment by these players will throw open many opportunities for entrepreneurs.

TOURISM SECTOR

A number of entrepreneurial opportunities exist in the tourism sector. Proper lodging and other infrastructural facilities still need to be developed near tourist venues so that tourists who visit these places can have a comfortable stay. Drinking water, sanitation, hygiene standards, and transportation facilities need to be maintained. Qualified, trained and licensed guides are also required. These requirements present ample opportunities for entrepreneurs. Holiday resorts, round-the-clock tourism information centers, and package tours are the avenues available in this sector.
VERMICULURE

Organic farming is becoming popular everywhere. This change in attitude is mainly due to environment- and health- conscious people. Farmers today have realized that organic farming can increase yields. The promotion of vermiculture is gaining importance in India. Potential entrepreneurs with interest in agriculture-related activities would find good business opportunities in this area.

PLASTIC

Plastics are perhaps the most versatile of all the materials known. Being synthetic, they can be tailor made to meet very specific performance requirements of the end use.

Some of the major advantages of plastics are they are eco-friendly can be recycled and reused; they require a fraction of energy for conversation to an end product or for recycling as compared to any alternate material. They are easier to handle and process with strictest dimensional tolerances and are abundantly available. By virtue of their versatility, plastic, are replacing conventional materials such as wood, glass, metal, paper, and so on, in varied segments like packaging, house ware, business electronics, engineering, agriculture, irrigation, automobiles, telecommunications, and white goods industry. Research in this sector reveals that plastics, with some modification, could be made to conduct electricity. Plastics are the lifeline of advanced technology and health care. It is the fastest growing industry in the country. This sector provides tremendous opportunities for entrepreneurs.

HOME-BASED BUSINESS

Today home-based businesses are becoming popular for various reasons. The pros and cons of home-based businesses are given below.

- Your start-up costs will be lower
- Your operating costs will be lower than they would be if you were renting space and paying utilities
- There will be no commuting involved
- If your location is unimportant to your business, you can theoretically live anywhere and still operate your business.
- You may be more flexible in your schedule if your business can be conducted at your convenience or outside “normal” weekday business hours.
- You are much more vulnerable to interruptions from members of the family, neighbours, and door-to-door salespeople.
- You may have trouble attracting qualified employees.
- You may be less accessible to suppliers.
- You may have an image problem although with the growing popularity of home businesses, that is less common.
- You may run out of space at home if your business grows.

**HOME BASED SERVICES BUSINESSES**

There are many businesses especially in the services sector, which can be run efficiently from home. A list of some of such industries is given below.

- Courier and messenger service
- Outdoor catering service
- Mail order retailing
- Beauty parlors
- Health clubs
- Travel agencies
- Clearing and maintenance services
- Travel agencies
- Date processing
- Medical clinics
- Creches
SOURCES OF BUSINESS OR PRODUCT IDEAS

1) MARKET CHARACTERISTICS--- Unfulfilled demand a product will open the door for new product. Supply and demand of various products and demand for new products should also be analysed.

Ex. The success of Kellogs as morning breakfast as quick and nutritious food calories food is example of success of new idea. The acceptance of ‘SINTEX’ water tank is another example.

2) IMPORT AND EXPORTS: The Government of India is encouraging exports and various EXIM policy encourage entrepreneur to think about the new option.

3) EMERGING NEW TECHNOLOGY AND SCIENTIFIC KNOW HOW – Commercial exploitation of indigenous or imported technologies and know-how is another source of project idea.

4) SOCIAL AND ECONOMY TRENDS—social and Economic status of people are always dynamic in nature and offer wide opportunities. An entrepreneur should observe such changes. For example there is now shift towards readymade garments; possessing consumer durables, western outfit, priority and preferences for cosmetics; etc.

5) PRODUCT PROFILE: An analysis study of the end products and by products can throw light on new project idea. For example by products of sugar Industry gave rise to one more large scale industry called paper industry.

6) CHANGES IN CONSUMPTION PATTERN : changes in consumption pattern of the people in the home country and foreign countries also requires the entrepreneurs attention.

7) REVIVAL OF SICK UNITS: A sick unit gives ample investment opportunities in the hands of dynamic entrepreneur. He can revitalize and turn a sick unit into a profitable one.

8) TRADE FAIRS AND TRADE JOURNALS: Magazines, journal, industries or trade fairs offer wide scope for business opportunities

9) Sources of Ideas for Value Addition:

1. Borrow or copy the idea of others on which we can improve as Japanese do it.

2. Interview good many people on a particular idea where you might get solution for your problem.
3. Look for a better way of doing the things.

4. Turn a science fiction into a fact.

5. Convert an event into opportunity.

6. A problem is an opportunity seeking the solution.

7. Waste is an opportunity as many rose from rags to riches.

8. Analyse the weakness of existing business to do better.

9. Convert your hobby or sport into a business venture. Thus, a hobby of palm-reading leads to world class palmist of highest accuracy.

10. Combine the ideas; often new ideas can come out of combining the existing ideas and new business opportunities.

11. Create a novelty, small pleasure or cheap thrill so that children can be your customers of tomorrow’s products.

12. Create different uses of common products.

13. Create different products of same kind made up of different inputs.

14. Try under trading and over trading of quality standard of products.

15. Buy an idea available for sale from research units which can be commercialized.

16. Check out foreign suppliers. The officials like consulates and embassies and chambers of commerce that have the lists of firms what they have for exchange for your product or service.

17. Think of import replacement or import-substitution.

18. Study and analyse plans and policies of your State District or Taluka as a part of local government development programmes.
19. Review Trade Magazines that list business opportunities.

20. Review patents and copy-rights that might have escaped your attention.

21. Create an opportunity say, coaching classes with attached soft-drinks parlours.

22. Relook on what has failed as second look gives a flicker.

23. Add value—that local materials to be converted into end products with local technology.

24. Break the bulk. Buy in bulk and pack in small convenient sizes to make them more useful and economical.

25. Design new portion. Package a similar product to better the needs of target size packets.

26. Specialize in a target market. Let your market be a part of total market.

27. Undertake after-market repairs and salvage that attracts customers.

28. Attempt to be an export agent for local product might click in international market.

29. Add service to an existing product or service idea to have consumer loyalty.

30. Be small but smart because, small is not only beautiful but effective.
SWOT ANALYSIS

INTRODUCTION AND MEANING

The process of liberalization and economy reforms, while creating tremendous opportunities for growth of many industries, have thrown up new challenges to the industries. Building competitive strengths, technology upgradation and quality improvement are the vital issues that need to be looked into, to build capabilities, to withstand emerging pressures and ensure sustained growth.

The 21st century, would ensure a bright future for industries only if a conscious and sincere effort is initiated for overcoming hardships faced. The entrepreneurs have to lay more emphases on the quality of their production. The gospel truth is, ‘Better quality and better productivity’. Therefore, entrepreneurs have to denote sufficient attention on research and development. Innovation is the real step towards continued progress.

To innovate, an entrepreneur has to make a diagnosis of the current situation. The diagnosis of the current situation is done by conducting an internal analysis and external analysis.

Analysis of external and internal environment together is called SWOT analysis. SWOT analysis is refers to identifying the strengths, weakness, opportunities and threats of an organization.

SWOT Analysis is a tool, often used by organization in planning its future, this tool can be explained in a simplified manner as follows:

S-strengths of the organisation
W-weakness
O-opportunities of the environment
T-Threats

The internal analysis of the organization will cover the organizational position with respect to different functional areas like production, finance, marketing, R & D and so on. More specifically, this may look into a company’s sales volume, market share, profitability and so on. This will reveal its strength and weakness.
The external analysis will do the necessary scanning of the business environment to identify any threats and opportunities posed on the company, its products or services. More specifically, this will include the industry performance, competitive activity and a review of the growth and decline of the user industry.

**STRENGTHS AND WEAKNESSES**

Every business needs to evaluate its strengths and weaknesses periodically. The management of an outside consultant, reviews the business’s marketing, financial, manufacturing and organizational competencies. In examining its strengths and weakness clearly, the business does not have to correct all of its weakness nor gloat about all of its strengths. They have to slowly overcome their weakness and convert it into strength.

a) Availability of necessary infrastructure

b) Adequate production capacity

c) Skilled manpower

d) Good manufacturing practices, quality assurance and quality control

e) Low cost of manufacture

f) Appropriate corporate philosophy on R & D

g) Availability of top R & D personnel and budget

h) Facilities for product and process development

i) Good location

j) Wide distribution network

k) Motivated staff

l) Liquidity position

m) Adequate reserve and surplus

n) Brand image

o) Consistency in earning profits

p) Good corporate image
q) Efficient management
r) Philosophy and human resource development
s) Flexible / responsive

If an organization lacks any of these, it will obviously result into its weakness let us now look at some of the weakness of an organization:

a) Rising cost of operations
b) Growing union pressures
c) Low Level of motivation of staff
d) Non-available of raw material
e) Scarcity of capital
f) Weak credit worthiness
g) Problem of underutilization of capacity
h) Outdated technology
i) Poor project planning
j) Inadequate infrastructure
k) Shortage of trained technicians
l) Insufficient managerial expertise
m) Lack of effective co-ordination
n) Problems of delegation of authority

**OPPORTUNITY AND THREAT**

An entrepreneur has to know the parts of the environment to monitor, if the business is to achieve its goals. A business has to monitor key macro environmental forces like demographic, economic, technological, political, legal, social and cultural factors and also significant micro environmental forces like customers, competitors, distribution channels,
suppliers, etc. that will affect its ability to earn profits. The business unit should set up a marketing intelligence system to track trends and important developments. For each trend or development, management needs to identify the implied opportunities and threats.

An opportunity is an area of need in which a company can perform profitably. Some of the Opportunities of an organization are:

a) Growing population  
b) Increase in disposable income  
c) Good monsoon  
d) Easy availability of money  
e) Availability of appropriate technology  
f) Favourable Government policies  
g) Availability of different task environment like Market information, distribution outlets and media  
h) Presence of favourable cultural environment

Some developments in the external environment represent threats. An environmental threat is a challenge posed by an

Unfavourable trend or development would lead in the absence of defensive marketing action, to sales or profit deterioration. Some of the threats of an organisation are:

a) Shortage of power, water, fuel  
b) Rejection by the market  
c) Recession  
d) Tough competition  
e) Political instability  
f) Fiscal policy resulting into increased taxes, duties, imports reservations, licensing  
g) Technological obsolescence  
h) Tight money market
i) High cost of raising finance and cost of finance

j) Resource crunch

k) Difficulty in retaining technical experts

l) Climatic changes

On completion of SWOT analysis an organisation can know where it stands. Therefore it can proceed to develop specific objectives and goals for the future.
MARKET SURVEY

Market survey is a valuable tool to help minimize risks and increase the probability of success. However, that doesn’t mean it is a sure-shot way to eliminate risk and guarantee complete success. You should undertake market assessment with a survey before you finalize market plans for your product or service. This chapter aims to explain what a market survey is and how to conduct it.

Markets are changing rapidly, becoming complex and competitive. It is difficult to keep pace with the rapidly changing demand and supply patterns as an entrepreneur is unable to respond quickly to a new environment. He needs better market understanding and a market survey puts him in contact with the market. A systematic use of this tool can reduce risks in decision-making.

WHAT IS MARKET SURVEY?

A market survey is an objective and systematic collection, recording, analysis and interpretation of data about existing or potential markets for a product/service. This definition will be better understood by looking at the objectives of a market survey. During a market survey, one needs to focus on:

- Size of the market and the anticipated market share in terms of volume and value
- Pattern of demand-seasonal or fluctuating in time (in a month, day, etc)
- Market structure
- Buying habits and motives of buyers
- Unique selling proposition of certain products/services
- Past and present trends affecting the selected product or similar product.

PROCESS OF CONDUCTING A MARKET SURVEY

A systematic 5-point process is involved in a market survey:

1. Defining objectives and specific information needed
   - Identifying source to obtain information
   - Assessing time and cost for the study
   - Working methodology and action plan

2. Selecting a sample size by determining whom to contact and when

3. Preparing questionnaires for the survey

4. Collecting data and analyzing
5. Preparing a report, based on analyzed data

PRIMARY AND SECONDARY SOURCES OF INFORMATION

Conducting a market survey does not always mean contacting people directly. There may be information in the form of reports, published material or documents of trade/industry associations. Data may be collected from two sources.

- Primary data sources: Information coming straight from those in the specified market, e.g. in the toy market, information obtained from toy manufacturers and traders.

- Secondary data sources: Data existing in reports or published form and may not have been collected for specific purpose. Such information can also be had from census office, banks, traders and manufacturer’s association or other published data. E.G. Published reports on ice-cream market.

SCHEDULE FOR MARKET SURVEY

A market survey is not restricted to collecting information on the market for a product, but also about marketing infrastructure and exiting market conditions.

Designing a market survey scheduled could fetch a lot of data. Questions may be designed on these areas:

- Existence of competitors, their products and marketing strategies
- Information on consumers of all types
- Information on competing products/similar products
- Attitude of existing/potential consumers, including buying preferences, behavior etc.

DON'TS OF CONDUCTING A MARKET SURVEY

- Do not be prejudiced. As an entrepreneur, you must be open-minded and confident
- Do not impatient or argumentative. Your objective is to get information
- Do not reveal privileged information to others, for you may lose the trust of your sources
- Avoid taking notes while discussing. Make notes immediately after an interview.
- People are not comfortable if one writes while talking.
• Don’t do an interview without preparation and sequencing of questions. Ensure that the interviewee has time for you
• Don’t approach competitors as “likely competitors” but meet them as potential clients to get best result.

MARKETING RESEARCH: 10 TIPS TO BE MORE EFFECTIVE

1. Clearly identify the issue/problem that needs to be investigated. See if any published/secondary sources of information are available for this problem.

2. Based on existing information, check if the problem can be defined or narrowed down. Further, with this as your basis, write down “terms of reference “for any subsequent study.

3. Try to look at the problem from different angles:
   a. Your own point of view as producer or seller
   b. Customers/consumers’ viewpoint as buyer and end users of products/services
   c. Competitors’ viewpoint for they may have addressed similar problems

4. Try to remain objective throughout the market research process and check impulses/gut feeling from totally influencing the research.

5. Prepare schedule in as simple and clear a form as possible.

6. Maintain a tight control on the subject. If other subject surface during the research, give them the attention they deserve.

7. Complete the research promptly and maintain confidentiality lest the competitors hear of it and forge ahead in the market.

8. Be prepared to take necessary action, which the research identifies

9. Use the research immediately for the good of the enterprise.

10. Review all market research exercise and processes—the lessons learnt and how can it be improved next time?
MODEL QUESTIONNAIRE FOR MARKET SURVEY

For Market Potential

For this, collect data about sources of market information like consumers, suppliers and manufacturers.

A. Consumers

- What is their annual consumption and requirement?
- What is their present source of supply?
- What is the customer’s brand loyalty and preference about price, quality, payment terms, etc?
- Are the satisfied with the present product and supply?
- What is their purchasing criteria and purchasing power?
- What is the consumption pattern, in quantity and quality due to technological changes, etc?
- What is the size of the average order, specification and time and frequency of their placement?
- Are any government institutions/departments or any company/industry buy the products? Is it possible to establish linkages with them, and how?
- What is the life of your potential buyer?
- Their age group, sex?
- What geographical area they live in? Urban, Village and which part of the country?

B. Suppliers (Traders)

- Who are the principal traders in the item, their range of products and business terms/commissions, etc?
- What is the possibility to trade with them and on what business terms?
- What is the normal stock level maintained and problems in stocking?
- What are future predictions on business conditions?
C. Manufacturers and Competitors
- What is their product range, installed capacity, selling price?
- What are their normal business terms about payment, price, etc?
- What are their silent features, like technical skill, finance, other resources, etc.?
- What are their strengths and weakness? (Try to do their SWOT analysis)
- Where do they market and profile of their customers?

For Information on Raw Materials
- Who are the major manufacturers/Suppliers?
- Time required getting raw material after order placement? Supply terms (tax structure, price, packaging, payment, etc.,) / cost of transportation?
- What is the standard or minimum order quantity?
- Is raw material freely available or is there a quota system?
- Will any decision/policy affect its availability or price?

For Information on Machinery and Equipment
- Who are the manufacturers/suppliers?
- What capacity, specifications and brands available in market?
- Price of the machine? (Consider all costs-taxes, transport, accessories, etc)
- What electrical equipment like motors, starters, switched, is needed?
- What performance guarantees I warranties are given?
- Are the supplier/manufacturer reputed and reliable?
- The normal repair/maintenance cost per year?
- Spares/parts to be frequently required?
- What quality and maximum output (Production) a machine can give?
- Does the supplier train you/staff to acquire skills to operate machinery?
BUSINESS OPPORTUNITIES DUE TO LPG

The government of India as a part of economic reforms announced a new industrial policy in July 1991.

There were three major initiatives taken by the government of India to introduce the much debated and discussed economic reforms to transform Indian economy from closed to open market economy. These are generally abbreviated as LPG, i.e. Liberalization, Privatization and Globalization.

**Liberalization:**

Liberalization of the Indian economy contained the following features.

- The economic reforms that were introduced aimed at liberalising the Indian business industry from all unnecessary controls and restrictions.
- They indicate the end of the licence-permit-quote raj.
- Liberalisation of the Indian industry has taken place with respect to:
  1. Abolishing licensing requirement in most of the industries except a short list,
  2. Freedom in deciding the scale of business activities i.e., no restrictions on expansion or contraction of business activities,
  3. Removal of restrictions on the movement of goods and services,
  4. Freedom in fixing the prices of goods and services,
  5. Reduction in tax rates and lifting of unnecessary controls over the economy,
  6. Simplifying procedures for imports and exports, and
  7. Making it easier to attract foreign capital and technology to India.
Privatisation :-

PRIVATISATION WAS CHARACTERIZED BY THE FOLLOWING FEATURES:

• The new set of economic reforms aimed at giving greater role to the private sector in the nation building process and reduced role to the public sector.

• To achieve this the Government redefined the role of the public sector in the New Industrial Policy of 1991.

• The purpose of the same according to the Government was mainly to improve financial discipline and facilitate modernization.

• It was also observed that private capital and managerial capabilities could be effectively utilized to improve the performance of the **PSUs. (public sector utilities)**

• The Government has also made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions.

Globalisation

Globalisation of the Indian economy contained the following characteristics:

• Globalisation is the outcome of the policies of liberalization and privatization already initiated by the Government.

• Globalisation is generally understood to mean integration of the economy of the country with the world economy. It is a complex phenomenon to understand and apply into practice.

• It is an outcome of the set of various policies that are aimed at transforming the world towards greater interdependence and integration.

• It involves creation of networks and activities transcending economic social and geographical boundaries.

• Globalisation involves an increase level of interaction and interdependence among the various nation of the global economy.

    Physical geographical gap or political boundaries no longer remain barriers for a business enterprise to serve a customer