

BUSINESS OPPORTUNITIES

A business opportunity is an attractive investment idea or proposition that provides the possibility of a monetary return to the person taking the risk.

It's an attractive project idea which an entrepreneur accepts for investment on the basis of what is known about the possible success of the business.

IDENTIFYING GOOD BUSINESS OPPORTUNITIES

Identifying and acting on opportunities is one of the characteristics of a successful entrepreneurship, it is the basis of starting and maintaining successful ventures.

Business opportunities are determined by customer requirements and lead to the provision of a product resource which creates or adds value for its buyers and end users.

A good idea is not necessarily a good business opportunity e.g. an idea is looked at from the technical point of view, the market aspect. Its level of competition, the required resources, the return on investment etc, all these aspects are looked at when / as the best indicators of a feasible and viable idea.

INDICATORS OF A GOOD BUSINESS OPPORTUNITY.

- ✓ **Availability of Real demand/ market.** In this case, market means people or institutions willing and able to buy goods and services of a business.
- ✓ **Reasonable level of Return on investment.** The rewards / profits realized from the business should be acceptable depending on the level of investment by the entrepreneur in terms of risk and effort.
- ✓ **Availability of required resources.** These refer to the means required for production of goods and services for instance capital, raw materials, labour, land etc.
- ✓ **Availability of required technical skills.** This refers to the machines and skilled manpower needed for production of goods and services. These should be available and affordable for a business idea to be feasible and viable.
- ✓ **Acceptability in community.** For a business to be viable and feasible, it should conform to the social norms and be liked by society for instance a bar business would not be viable in a Moslem dominated community.
- ✓ **Favourable government policy.** There should be a conducive government policy. Favorable for investment for instance low tax rates, tax holidays etc for a business to be viable.
- ✓ **Availability of good infrastructure (support services).** This takes the form of good transport, communication, power, banks, insurance companies, warehouses etc.

QUALITIES OF ATTRACTIVE BUSINESS OPPORTUNITIES

- ✓ Be competitive; i.e. be equal to or better from the customers point of view, than the other products /services
- ✓ Good income potential. A good business opportunity is one which is capable of giving a sufficient income to support oneself in a reasonable life style, i.e. it should have the ability to place a good, steady, fulltime income.

- ✓ Reasonable case of entry, into the market. It is advisable that one should enter into a business in which he / she has got the general background of it. This enables the entrepreneur to get started easily. For example, he can be able to use contracts already has and his reputation in the field could be valuable in running the business successfully.
- ✓ Low or, modest startup costs. A good business opportunity is one which requires low capital investment.
- ✓ Good growth potential. An attractive business opportunity is the one which has the chance to survive for a long time while generating sufficient income for the owner.
- ✓ The business opportunity should be related to your skill and experience. Some business require certain skills and experience. This means that for one to succeed in such businesses, he /she should possess the required skills and experience needed to run the business successfully.
- ✓ It should be properly timed. A good business opportunity is one that is timely and responds to the unsatisfied needs or requirements of customers who have the ability to purchase and who are willing to buy.
- ✓ There should be a sizeable market gap. In terms of people or institutions willing and able to buy goods and services of a business.
- ✓ Meeting objectives. A good business opportunity should have the ability to meet the goals and aspirations of those taking with risk.

Types of business opportunities

i. Retail and wholesale types of Business. Retail businesses sell goods directly to consumers, usually in small quantities. Wholesalers on the other hand buy goods often in large quantities from manufacturers or importers and then sell them to retailers or other distributors.

ii. Franchise and independent types of business. Franchise it is a special right given by a manufacturer or sole distributor to an entrepreneur or a business to sell the manufacturer's goods or services in a given area or place.

An entrepreneur or business that buys a franchise by paying a franchise fee buys the right to sell the manufacturers or parent company's goods or services.

An independent business is one that you create and nurture on your own. This allow as you control and freedom which you will not get from a franchisee operation.

iii. Product and service (or mix both) type of business. If you are a trained professional, such as dentist, accountant, teacher, etc your business is going to resolve around the professional services you can provide. **But** there are many professionals that also have the opportunity to offer related products, if they choose to do so. If you a photographer for example, you may decide to sell cameras, picture frames and photo paper or if you are a teacher, you can decide to write text books for sale, operate a stationery etc

iv. Store front or non-store front type of business operations. If you have decided to start a business selling products you need a store front of some kind e.g a retail store or virtual store front like e-commerce site. If you have decided to start a service selling business , you may or you may not want a store front. Since most of the resources are

performed at a customer's home e.g cleaning. Some resources can be offered over the phone or the internet these businesses often depend on virtual store fronts(Business web sites) to attract clients . Alternatively one may use a home as a store front e.g a hair dressing business, travel agents business etc.).

- v. Industry type of business.** An industry is a collection of firms producing related goods or services. It is important for an entrepreneur to choose an industry that he is only interested in but have some expertise or experience in order to avoid making costly mistakes where he does not have the necessary knowledge.
- vi. Identification process for a good business opportunity.** Going into business is very simple but staging in business and making a success of it is not. Being in the right place at the right time is partly luck but more to do with good planning, setting up a business for the first time or expanding an existing one can be the road to riches and personal fulfillment however, it can also be the road to financial ruin and personal misery.
If an entrepreneurship identifies a business opportunity , it is ideal to carry out a pre- feasibility strictly in order to determine whether the opportunity is viable. It also acts as a basis upon which financial assistance can be sought from the financial system.

FEASIBILITY OF BUSINESS IDEA refers to the extent to which a business idea can be done or implemented using the available resources on the other hand a viable of a business idea refers to the degree to which a given business idea is profitable.

The feasibility study is broken down into three;

a. Market feasibility study, this study considers the market study which focuses on the overall demand, product description which involves understanding the details of the product to be produced the users and standards it will fulfill

b. Technical feasibility study; which determines the adequacy of the manufacturing process plants and machinery to be used in production of a given product with a predetermined framework in terms of quality , raw materials ,without expensive break down problems.

c. Financial viability study; This part reveals how attractive or hopeless the business idea is from the financial point of view. This is divided into six components i.e

- Project cost
- Means of finance
- Capacity utilization (income estimation)
- Expenditure estimate
- Profitability estimates
- Risk analysis.

EVALUATING BUSINESS OPPORTUNITIES

This involves discussing the steps to determine if the will be profitable to start up your business i.e investigating thoroughly a market opportunity before going into business or else you may discover that there is no market which may result into business failure.

The purpose of market investigation is to obtain information that will help increase your chances of success in a particular business.

Therefore, your aim should be to start the right kind of business in the right location.

- **Deciding on the type of business.** There are three major types of business you can choose from ie
 - ✓ **Merchandising business.** This type of business buys finished products from wholesalers or manufacturers and retailers or wholesalers then to others for consumption or resale.
 - ✓ **Service business.** This type of business offers services to consumers, merchandisers, or even to manufacturers. It offers this service in exchange for a fee.
 - ✓ **Manufacturing or processing business.** Manufacturing businesses are those which transform or process raw materials and make products that are significantly different from the inputs.
- **Choosing a location.** Choice of a location for your business is an important factor in its success for failure. A poorly run business can often survive in good location, but even the finest business will fail in a poor location.
- **Forecasting sales.** Sales forecasting means estimating the size of your market, that is, how much of your product or service you can expect to sell in the future. Before starting a business, you must estimate what share of the market you can expect to get in order to determine whether or not the business will be profitable. Also, you must be sure that a market exists before applying for a loan or grant. Many loan applications ask for a sales forecast and a profit forecast.
- **Estimating your cost.** Once you have determine a sales forecast for a certain period of time in the future, you will have to estimate the costs of running the business. You will have to consider the cost of the goods in terms of purchase and freight, wages, advertising, taxes, power, rent, loan payments etc.
- **Estimating profits.** Once you have estimated your sales and costs, you will have to calculate what your profits are likely to be.

Local organisations that provide business opportunity guidance and counseling

These include

- ✓ The Uganda industrial research institute.
- ✓ Non-government organisations.

Departmental notes by Kimuli Fred 0752818204



- ✓ Government organisation like NAADS (National Agricultural Advisory Service)
- ✓ Uganda National Chamber of Commerce and Industry
- ✓ Uganda Manufacturers Association.
- ✓ Uganda Investment Authority.
- ✓ Uganda Coffee Development Authority.
- ✓ Uganda National Farmers Association.
- ✓ Capital Market Authority.
- ✓ Uganda Revenue Authority.
- ✓ International Labour Organisation.
- ✓ Uganda Women Entrepreneurs Association Limited.
- ✓ Kampala City Traders Association- KACITA
- ✓ National Environment Management Authority- NEMA
- ✓ Enterprise Uganda
- ✓ Uganda Tourism Board.
- ✓ National Social Security Fund- NSSF
- ✓ Insurance Companies.

Sample questions

- (a) Give the ways through which an idea can be researched*
- (b) What are the steps followed when turning a business idea into a business opportunity.*
- (c) What is meant by the term business opportunity?*
- (d) Explain the characteristics of a good business opportunity*