

BUSINESS IDEAS

A business idea is a response of a person or an organisation to solve identified problem or meeting perceived needs in the environment (market, community etc)

IMPORTANCE /REASONS FOR GENERATING BUSINESS IDEAS

- ✓ To enable the business to succeed at the start and to stay competitive afterwards
- ✓ To respond to market needs. A business can become successful if it provides new products or services or reaches a new group of clients or finds a new channel to reach customer better
- ✓ To change fashions and requirements. These requirements provide opportunities for entrepreneurs to respond to demand with new ideas, products and services
- ✓ To respond to natural threats and scarcities. New innovative business ideas help a business to adapt to changes in the natural environment by providing solutions to problems
- ✓ To stay ahead of competition. If an entrepreneur comes up with new business ideas, it helps him to develop new products which are better in quality and fashion and can out compete other similar products
- ✓ To exploit technology to do things better. Technology has become a major tool for competition in today's markets. The rate of change forces many firms to innovate
- ✓ To promote finite product life cycle. All products have a finite life; there is a need to plan for new products and their growth. Firm's prosperity and growth depends on its ability to introduce new products and manage their growth
- ✓ To spread risk and allow for failure. New products fail 80%. It is therefore necessary for firms to try to spread their risk and allow for failures that may occur from time to time by constantly generating new ideas
- ✓ To help specific groups of people. Creation of new business ideas help specific groups of people like the elderly and those with disabilities e.g the introduction of earphones was aiming at helping those who would wish to communicate as they do other work

SOURCES OF BUSINESS IDEAS

There are many ways to search for new business ideas. The common one include

- ✓ **New papers.** By reading newspapers, one may come up with new ideas from the advertised enterprises. Such advertisement may include commercial opportunities, like in case there is a business on sale, one may become an entrepreneur by buying an existing business or personal services, where persons with specialized business or technical skills to sell reach potential customers through personal service advertisement
- ✓ **Magazine articles.** One must be alert to the world around him and can stay informed by reading magazines regularly, like articles involving new types of

businesses e.g new items that show changes in consumer needs, like increase in demand for physical fitness may influence you to look for ideas that are related to physical fitness like selling sports food or health foods

- ✓ **Hobbies.** These are activities pursued for pleasure and relaxation. These are sources of ideas for new enterprises, like if you enjoy photography, you may be able to expand your hobby into a profitable, full time enterprise
- ✓ **Trade shows and exhibitions.** These may be sponsored by government departments, manufacturers and distributors e.g international trade fair that takes place annually at Lugogo (UMA) show ground in Kampala. The different products that are distributed might give you the information that you need- more information is also provided on leaflets, brochures , samples are also given etc. one may discover an idea that matches one's interest and abilities
- ✓ **Surveys.** New ideas can be identified by finding out what consumers need, could be either formally or informally. Informal surveys include personal contacts (talking to family and friends about a business), observing different business activities in the community etc , formal surveys include use of questionnaires, interviewing different people and discuss with them on the different views that relate to areas of interest etc
- ✓ **Brain storming.** This is a technique used to solve a problem by generating many ideas as possible. This can be perfected by getting with two or three people. One person should be the leader and the other one being the recorder whose job is to list the ideas as they are stated
Brain storming begins with a question from the leader, another person in the group gives an answer, then one else changes it or adds to it.
- ✓ **Customer complaints.** Complaints and frustrations on the part of customers have led to many new products or services. Whenever customers complain bitterly about a product or service, you have the potential for a business idea. The idea could be to set up a rival offering a better product or service or it could be a product or service which could be sold to the firm in question or to others.
- ✓ **Franchises.** A franchise is an arrangement whereby the manufacturer or sole distributor of a trade mark, product or service gives exclusive rights for local distribution to independent retailers in return for their payment of royalties and conformity to standardized operating procedures.

RULES FOLLOWED WHEN USING A BRAIN STORMING METHOD

- Do not criticize person's ideas as it will lead to members talk less thus few ideas will be generated
- Encouraging freewheeling, the wider the range of ideas the better, an ideas need to be tamed that thinking up another one
- Try for quantity, the larger the numbers of ideas, the better the chances of getting good ones (quantity helps breed quality)
- Combine and improve. Members should state their own ideas and also suggest how the ideas of other could be turned into better ones, it's possible to combine two or three ideas to form another idea

- ✓ **Vocational training and experience.** A business idea can be developed from one area of training for instance someone with experience gained as an employee can start his / her own afterwards, most people who have started schools have once ever been employed and experiences teachers

Steps followed to materialize a business idea

- ✓ Look long term. Do some range planning for your business to get a better concept well flop to fly
- ✓ Jump in. if the idea you have got is great, then go for it, get a prototype, find customers or someone interested
- ✓ Be patient. Starting a business from scratch always takes longer and is more complicated than anyone thinks, do not be afraid of failure

Procedure for researching a business idea

- ✓ The idea stage. The first stage in getting the idea and imagining all the possibilities under this stage. This is done through market research
- ✓ Analysis. This stage looks at a business idea from the perspective of the company customer, competitors and collaborators. Those are the fair major issues considered when analyzing a business idea
- ✓ Checking out the competition. This involves finding out the stand of competitors, talking to them, what customers like or dislike about competitors' products or services
- ✓ Turning the idea to make it work in case it looks like a flop. This enable it to bring great success after a little research
- ✓ Prepare a marketing plan and a budget showing the distribution strategy in case the idea is ready to go and you are ready to get started, ensure that you sell where your target market is likely to buy

How ideas can be identified from environment

- ✓ Developing an idea in an area where you have interest. this can help one to develop a good idea because what he/she has much drive to do it best
- ✓ Putting yourself in unusual situations. This may involve meeting small groups of people to brainstorm; travelling to new areas can also help one to gather information about the thoughts ideas. Setting a dead line can also stimulate imagination
- ✓ Taking note of the obvious problems that you encounter in your day to day life. Have very problem in mind and note down at one time
- ✓ Listening to and observing what is going on around you. In most case entrepreneurs fear to tell their friends the ideas they are having and thus keep isolated. However there is need to risk and tell people the idea so as to open up for criticism

- ✓ Modifying your idea. If you had a set a certain business plan, do not be afraid to change the course
- ✓ Determining/measuring genuine interest in the idea. This enables you to determine whether the business will fail or succeed. If it succeeds, customers will be served well and become excited
- ✓ Avoiding dismissal of the idea quickly and easily. Some people think that an idea which people have never jumped onto is not good, however try it yourself and persist

How can a business idea be turned into a business opportunity

- ✓ Documenting the invention. This involves writing everything you can think of that relates to your invention, from what it is , how it works and how you will make it and market it
- ✓ Researching about the idea. This involves researching the idea from a legal and business point of view
- ✓ Researching about the market. There is need to invest about the market before time and money are invested into patenting the invention
- ✓ Making a prototype. A prototype is a model of your invention that puts into practice. All things written in the inventors journal, it demonstrates the design of the invention when presented to potential lenders and licensors

Rules for making a prototype

- Beginning with a drawing
- Create a concept mocker of any material that will allow you to create a model of their design
- Once you are satisfied with the mocker, create a full working modal of your idea.
- ✓ Filling a patent. The patent includes a utility patent (for new processes or machines) and a design patent (for manufacturing new or obvious ornamental designs). An application is filled to look for a skilled patent/ professional to work upon it

Types of patent rights

- i. Utility patent i.e. for new processes or machines
- ii. Design patent i.e. for manufacturing new or obvious ornament at design.

Steps followed when choosing the best patent professional

- Doing your homework. Have your investors journal and prototype and notes with you
- Making sure e.g registered with the Uganda patent and trade mark office
- Asking them what their technical background is
- Discussing the fess

- ✓ Marketing the invention. This involves figuring out how you are going to bring the product to the market. It involves deciding whether the entrepreneur will sell the product him/herself or license it for sell through another company

Aspects considered when evaluating different business ideas

- ✓ Present market. The size of the presently available market, provides prospects of immediate sales to support the operations. The factors include market size, products' relation to need, strengths of competition, sales effort required, quality and price relationship in respect to competitors, service requirements, distribution system and export possibilities
- ✓ Market growth. There should be prospectus for rapid growth and high return on capital invested. Indicators include projected increase in need, increase in customer acceptance , product newness, economic trends and competitive advantage
- ✓ Costs. Costs of production include startup costs , cost of raw materials inputs, labour costs, selling costs, efficiency of production processes, patent and licenses, service, warranty and customer complaints
- ✓ Business risks. A business risk can be assessed basing on the following factors. Market stability in economic cycles, technological risks, import competition, quality and reliability of risks, predictability of demand, initial investment costs, vulnerability of supply and price of inputs, legislation and controls, time required to generate profits, inventory requirements etc

Factors that determine or affect sales in business

- ✓ Market size. Large market size increases sales as compared to small market size.
- ✓ Product's relation to need. A product which is in line with the customer's needs attract more sales than that which is not in line with customer's need
- ✓ Strength and dominancy of competition. High level of competition reduces sales compared to a low level of completion.
- ✓ Quality – price relation compared to competitive products. High quality products compared to those of competitors attract more sales than low quality products.
- ✓ Sales effort required. Less sales effort required attracts more sales more than high sales effort required.
- ✓ Service requirement. More service required on the product reduce sales than less service required.
- ✓ Availability of sales and distribution system. Ease to sell and distribute the products increases sales than limited access to market area.
- ✓ Export possibilities, where it's possible to export sales are higher compared to where exports are restricted.
- ✓ Price charged. Lower prices increases sales as they attract more customers compared to high prices.

- ✓ Population size. A large population provides a large market hence more customers compared to high prices.
- ✓ Level of customer's income. High income earners provide a bigger market hence more sales than low income earners.

Ways of protecting business idea.

- Patents. Grant from government investor of the product, giving the exclusive right to make, use or sell the invention for a number of years from the date of filing the patent application.
- Trade marks. Any distribution word, phrase, symbols, design, name, logo, slogan, or trade dress that a company uses to identify the origin of a product or to distinguish it from other goods on the market.
- Copyrights. An exclusive right that protects the creators of original works of authorship such as literacy, dramatic, musical and artist work
- Trade secret. Consists of knowledge that is kept secret in order to gain an advantage in business. E.g customer lists, source of supply of scarce materials, source of supply with faster delivery, lower prices.
- Non-competition agreement. Involves preparing non-competition agreements to be signed by employees in order for the company to protect valuable assets ranging from product information to clients, marketing ideas, and unique strategies.

Sample questions

- (a) What is meant by the term business idea?*
- (b) Explain the sources where business ideas can be generated from*
- (c) Give reasons for generating business ideas*
- (d) Explain the factors considered when evaluating business ideas*

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