

Is it an Opportunity – or Not?

Companies grow by finding, creating or responding to opportunities. But not all opportunities are created equal. So, how do we know which ones are worth taking and which are not? Here are 5 things to consider which will help to answer that question.

Firstly, we have to figure out if it really is an opportunity. A very successful marketer says that an opportunity is an area of need in which a company can perform profitably. But to be sure it is real we must do 2 things. One is to be specific about the area of need. "It could be the next big thing" isn't good enough. What characteristics of the companies or consumers experiencing the need can be used to identify them? Where are they located? Are they growing in number? Second thing, while a rough, or intuitive, assessment of profitability may be sufficient for the initial evaluation, to determine if the opportunity is real or viable pro forma P&L statements have to be prepared. To do that we should have enough data to make good assumptions about the size and likely behaviour of the area of need. And the P&L spreadsheets should consider best, worst and most likely cases. Taking these 2 steps can make the difference between taking a calculated risk and simply gambling.

Second point, how immediate, strong and sustainable is the need? Ask yourself questions like these. Do the customers realize that they have a need yet – or are we going to have to try to educate them (which can be a time consuming, expensive process)? Are a sufficient number of companies likely to act on the need to generate - and maintain - a high level of sales? Is technology developing so quickly that our customers will easily be able to afford a more fully featured alternative service or a substitute product before we've recovered our investment?

Thirdly, how high is the probability we can make good profits? How stable, for example, are our raw material sources and prices – products for a manufacturer and distributor, trained, qualified people for a service provider. Can we use our existing equipment and processes to take advantage of the opportunity – or are we going to have to reinvest and retrain? How easy will it be for competitors to pursue the same opportunity, offering cheaper alternatives, driving our prices down?

Fourth point, don't forget we have to "perform" and in today's business world, acceptable performance isn't enough, it has to be memorable. Do our current customers believe that our existing products and services are outstanding? If they don't we have a ready made opportunity - to change that belief. And if the performance we've been providing for some time isn't uniformly, consistently outstanding, what is the probability that something brand new will be? If we are loved by our customer base can we use the same systems and techniques that delight them to pursue the new opportunity – or will we have to learn new skills?

Finally, what are the risks and how will we manage them? There is risk in everything we do: it's our job to manage it. Some things that increase risk are:

- Taking on new distributors or strategic partners - what will we do if they let us down?
- Operating internationally for the first time – what is the legal system like and can we be sure we'll get paid?

- Having to develop new products rather than selling existing, proven ones.

To grow – and even to survive - we have to keep finding, creating or responding to opportunities. But resources are scarce and we don't want to go wasting them on opportunities that really aren't worth taking. One of the biggest challenges small and mid-size companies face is choosing which opportunities to pursue, which new products to bring to market. Consider these 5 points and they'll help making those decisions easier.

The "very successful marketer" quoted above is Phillip Kotler. To share your experiences, to take issue with anything I've said or to get some insight in how pursue the right opportunities, send me an email at jimstewart@profitpath.ca or call me at 416-258-9610.

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