



STRATEGIC PLANNING &
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Analyzing An Business Opportunity Is It A Winner – or – Something Else?

Whether you have a wonderful business idea – or – you are investigating business opportunities for yourself or a client, it is critical that you put each idea through a “reality check” – an analysis to determine if they are truly valid and worthy of further effort. All of your ideas must have a demonstrated need, ready market, and ability to provide a solid return on investment.

Is the idea feasible in the marketplace? Is there demand? Can it be done? Are you able to pull together the persons and resources to pull it off before the window of opportunity closes? These questions must be considered and answered.

Opportunity-focused entrepreneurs start with the customer and the market in mind. They analyze the market to determine industry issues, market structure, market size, growth rate, market capacity, attainable market share, cost structure, the core economics, exit strategy issues, time to breakeven, opportunity costs, and barriers to entry. Below are two models that entrepreneurs use to evaluate their business ideas and plans.

Fourteen Questions to Ask Every Time

To evaluate opportunities, entrepreneurs ask the following questions:

1. What is the need you fill or problem you solve? (Value Proposition)
2. Who are you selling to? (Target Market)
3. How would you make money? (Revenue Model)
4. How will you differentiate your company from what is already out there? (Unique selling proposition)
5. What are the barriers to entry?
6. How many competitors do you have and of what quality are they? (Competitive Analysis)
7. How big is your market in dollars? (Market Size)
8. How fast is the market growing or shrinking? (Market Growth)
9. What percent of the market do you believe you could gain? (Market Share)
10. What type of company would this be? (Lifestyle or High Potential, Sole Proprietorship or Corporation)
11. How much would it cost to get started? (Start-up Costs)
12. Do you plan to use debt capital or raise investment? If so, how much and what type? (Investment needs)
13. Do you plan to sell your company or go public (list the company on the stock markets) one day? (Exit Strategy)
14. If you take on investment, how much money do you think your investors will get back in return? (Return on Investment)

Let's take the above fourteen questions and term them into an easy model that you can use to evaluate your business ideas you come up with. This is called the RAMP model.

The RAMP Model

Let's start with the first letter, R, which stands for Return. Return really is return on investment.

- R Discuss Exit Strategy (acquisition or IPO)
- R Is it profitable? Will your revenues be higher than your expenses?
- R Time to breakeven (how long before cash flow positive? How long until the company begins to have an aggregate net income)
- R Investment Needed. How much money will it take to start-up this venture? Will it be \$20,000, \$200,000, or \$2,000,000?

Now let's look at A. A stands for advantages.

- A Look at cost structure (suppliers, what each element will cost to source or manufacture)
- A Barriers to entry (large competitors, regulations, patents, large capital requirements. If there are many to entry, it will be difficult to enter a market. The higher the barriers to entry, the more disadvantaged you will be.
- A Intellectual Property. Do you have a proprietary advantage such as a patents or exclusive licenses on what you will be selling.
- A Distribution Channel. How will you be selling your product? Will you sell it direct to the consumer via the Internet, sell it to wholesales, sell it to businesses, or sell it to retail stores. If can develop a unique distribution channel this can surely be an advantage.

Now let's look at M. M stands for Market.

- M The Need. Is there a big need for this product or service. Try to avoid ideas that sound cool but there is no real need for. Make sure your product or service fills and need or solves a problem.
- M Target market (who are you selling to? businesses? consumers? what demographics?)
- M Analyze target market (who are you selling to? businesses? consumers? what demographics?)
- M Pricing (what you they charge, what will be the price, will there be a high enough markup).
- M Analyze market size

Finally let's look at P. P stands for potential.

- P Risk vs. Reward. How risky is the opportunity? If it is very risky, is there a chance for the business to do very well. Will there be a high reward for the founders and investors if the company succeeds?
- P The Team. Is the team right for the business. Do you have knowledge in this area.
- P Timing. Is the market ready for your product. You may have a great idea for flying cars, but if consumers are not ready for your product you may not be able to turn your idea into a successful business.
- P Goal Fit. Does the business concept fit the goals of the team to create a high potential or lifestyle business?

By using the RAMP model and the fourteen questions above you should be able to do a thorough job analyzing your business ideas and opportunities presented to you.