



Evaluating Business Ideas

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"An idea is worth nothing without execution, and execution begins with evaluating the right idea"

Agenda



- Importance of Evaluating Business Ideas
- The Five Questions
- Understanding the Market
- **Activity**
- Assessing the Target Audience
- Analyzing the Competition
- **Activity**
- Financial Viability Assessment
- SWOT Analysis
- **Activity**
- Q& A Session

Importance of evaluating business ideas



Mitigating Risks: Helps identify potential risks and challenges early on. It allows entrepreneurs to assess the feasibility and viability of their ideas, reducing the likelihood of jumping into a venture that may have limited potential for success.



Maximizing Opportunities: Enables entrepreneurs to uncover new opportunities within the market. By conducting market research, analyzing competition, and understanding the target audience, entrepreneurs can identify gaps in the market and develop unique value propositions that resonate with customers.



Optimizing Resource Allocation: Helps allocate resources efficiently. By assessing the financial viability and potential return on investment, entrepreneurs can make informed decisions about how to allocate their limited resources such as time, money, and manpower.

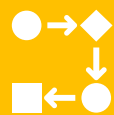
Importance of evaluating business ideas



Enhancing Decision Making: Provides entrepreneurs with a solid foundation for making informed decisions. It helps entrepreneurs gather data, analyze market trends, and weigh the pros and cons of different ideas. This ensures that decisions are based on a thorough understanding of the market, customer needs, and potential risks.



Increasing Confidence and Investor Interest: A well-evaluated business idea instills confidence in entrepreneurs and increases their credibility when seeking funding or partnerships. Investors and stakeholders are more likely to support ventures that have undergone rigorous evaluation.



Adaptability and Agility: Evaluating business ideas allows for flexibility and adaptability. By continuously assessing and re-evaluating ideas, entrepreneurs can pivot or make necessary adjustments based on market feedback, changing customer preferences, or evolving industry trends.

The Five Questions

Which is the Product/Service ?

Clear description of product/service and the benefit it offers, which customer problem it addresses, what customer will gain, **focus on “need”** rather than attributes of the product.

What is the business model ?

Operational processes, marketing programs, organizational structures. Superior processes, capabilities or resources **as compared to the competitor**. Profitability ?

How big is your market ?

Total customers, target different profile/segment of customers

How can you protect your business ?

From existing businesses and new entrants, **Are you in a better situation than others** (low cost, superior quality, patent, copyright, trade secret). Cannot be easily duplicated/imitated

What are you getting out of it ?

More money ?, total profits ?, reliability of profits ? Payback within three years is good, within a year.... Superb. A business, to be involved with for a long time.

Understanding the Market

Methods for conducting market search

Surveys and questionnaires, interviews with potential customers or industry experts, focus group > individuals who fit target market profile facilitating a guided discussion, observational research, competitive analysis, data analysis, online research and social media listening.



Activity: Participants split into small groups, use a hypothetical/actual business idea. Each group to conduct a mini-market research exercise within a limited timeframe and present their findings.

Assessing the Target Audience

Define Your Ideal Customer Profile

Age, Gender, Location, income level, occupation. Additionally, psychographic aspects (interests, values, lifestyle choices, etc.)

Market Research

Surveys, interviews, and focus groups to understand their preferences, needs, challenges, and buying behaviors (patterns, trends)

Analyse Existing Data

Industry reports, market studies, and customer databases to understand market size, growth rate, and customer segmentation.

Identify Pain Points and Needs

Pain points, challenges, and unmet needs of your target audience, gap in the market

Evaluate Competition

Identify any underserved or unsatisfied segments within the market (offer a better value proposition)

Test and Validate

Develop prototypes, minimum viable products (MVPs), or pilot programs to test your business idea

Refine Your Marketing Strategy

Effective channels to reach your audience, craft compelling messaging that resonates with their needs, and create targeted marketing campaigns

Assessing the Target Audience

Step 1: Research



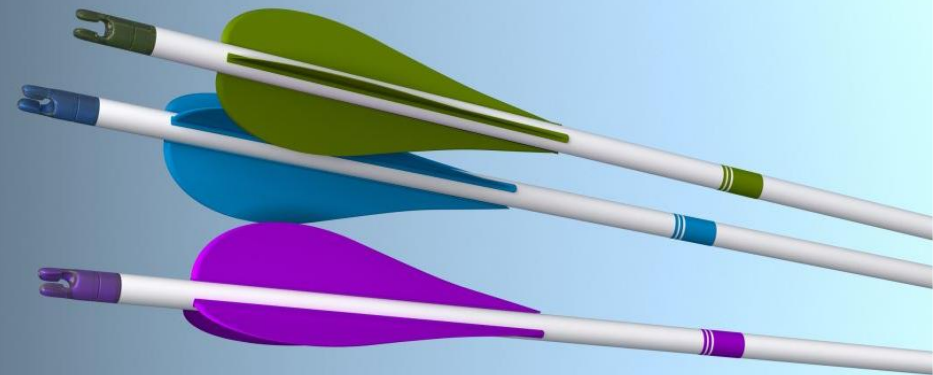
Step 2: Imagine



Assessing the Target Audience

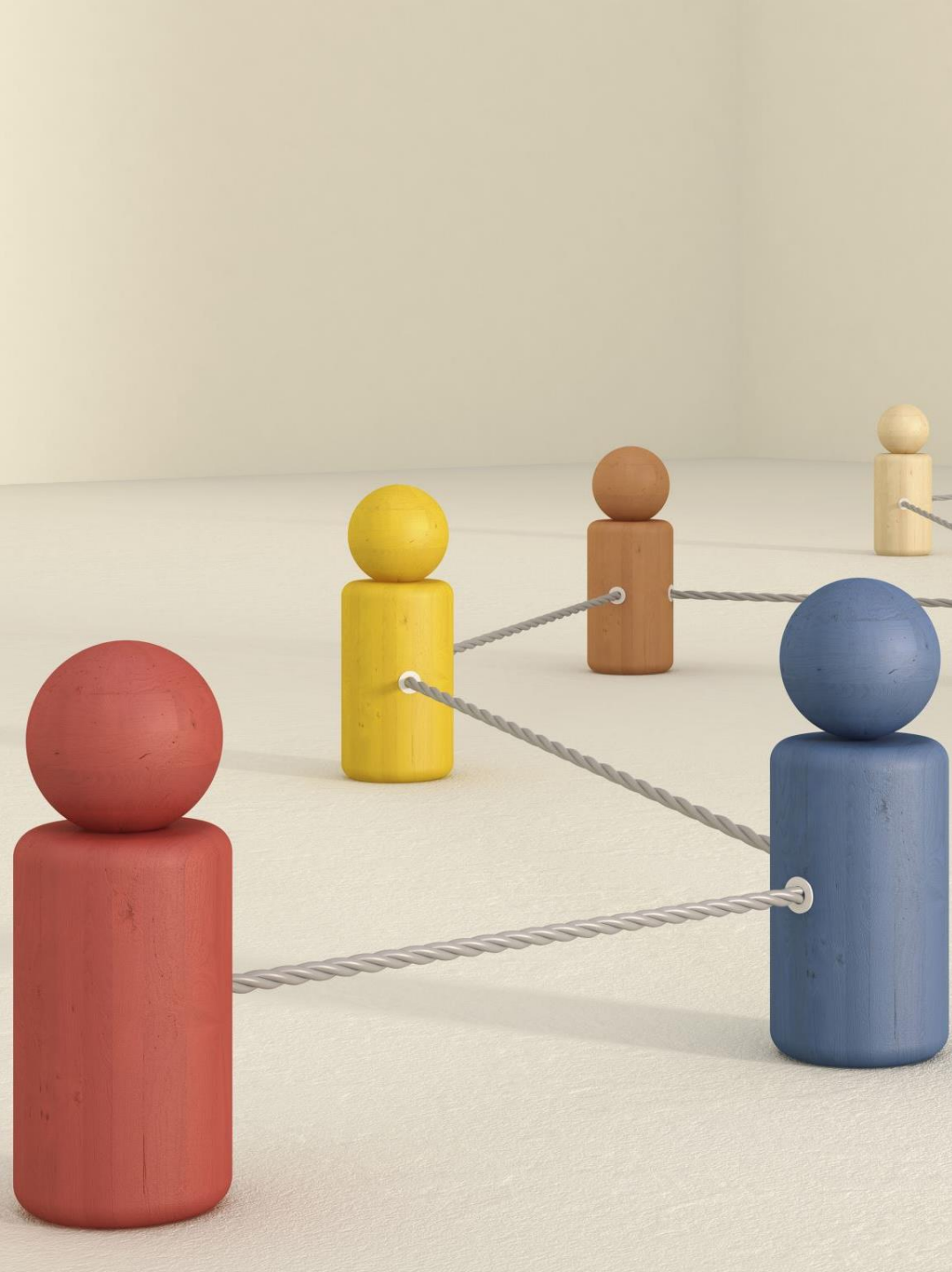
Activity: A sample target audience profile (Techie guys), brainstorm specific marketing strategies that would resonate with such audience.

Think creatively and present your ideas.



Analysing the Competition

- **Identifying market opportunities**
 - Identify **gaps** in the market, what competitors offer (their strengths, weaknesses), needs of their customers
- **Assessing market saturation**
 - Level of market **saturation** for your business idea
- **Understanding customer preferences**
 - What customers value, their **preferences**, and their pain points, areas where competitors are falling short
- **Analysing pricing and positioning**
 - A competitive **pricing strategy** and differentiate your idea based on features, quality, customer service, or other unique selling points
- **Learning from competitors' successes and failures**
 - Analyze their strategies, **marketing tactics**, distribution channels, and customer feedback to gain insights into what works and what doesn't.
- **Identifying potential barriers to entry**
 - Established brands, high customer **switching costs**, strong distribution networks, or regulatory hurdles
- **Benchmarking performance**
 - **Benchmark** your business idea against similar companies in terms of market share, revenue, customer satisfaction, and other relevant metrics.



Activity

Participants group into pairs and select a real or hypothetical competitor.

Each pair to conduct a competitive analysis and share their insights.

Financial Viability Assessment

Revenue Generation:

Potential revenue streams, primary sources of revenue and estimate the expected sales volume or customer base

Cost Structure

Fixed costs (e.g., rent, utilities, salaries) and variable costs (e.g., raw materials, marketing expenses). Revenue projections are sufficient to cover them ?

Profitability and Margins

Assess the gross profit margin (revenue minus direct costs) and the net profit margin (revenue minus all costs) to ensure sustainable profits

Cash Flow Analysis

Expected inflows and outflows of cash over a specific period (e.g., monthly or yearly),

Break-Even Analysis

Determine the point at which your business will cover all its costs and start generating profits

Financing and Investment Needs

Initial investment required to start the venture and the ongoing capital needed for operations

Risk Assessment

Market volatility, competition, regulatory changes, and economic conditions that may impact your revenue, costs, or profitability

Sensitivity Analysis

Adjusting key variables, such as pricing, sales volume, or costs, to understand how changes in these factors can impact your financial projections.



Financial Viability Assessment

Activity: Create a basic financial model. This could involve calculating revenue, expenses, and estimating profitability. Discuss your financial models, promoting a deeper understanding of financial viability.

SWOT Analysis

A strategic framework used to evaluate the internal strengths and weaknesses, as well as the external opportunities and threats present in the operating environment.

Strengths: strong brand reputation, skilled workforce, superior technology, efficient processes, or valuable intellectual property

Weaknesses: limited resources, outdated technology, lack of expertise, or poor brand recognition

Opportunities: emerging markets, technological advancements, changes in consumer behavior, industry trends, or gaps in the market

Threats: intense competition, changing regulations, economic downturns, disruptive technologies, or shifts in consumer preferences

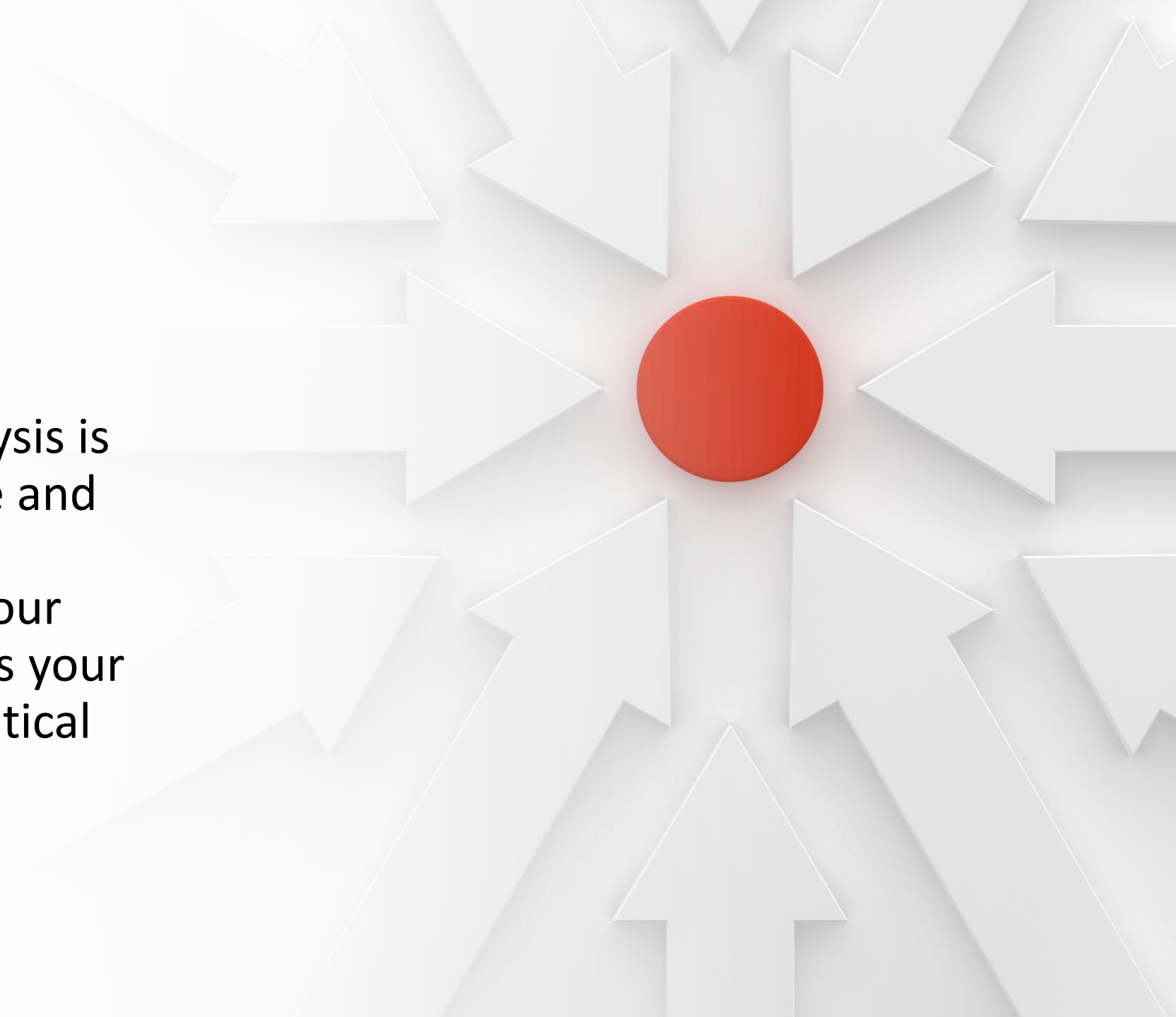


Internal Assessment >> External Assessment >> SWOT Matrix >> Strategy Development



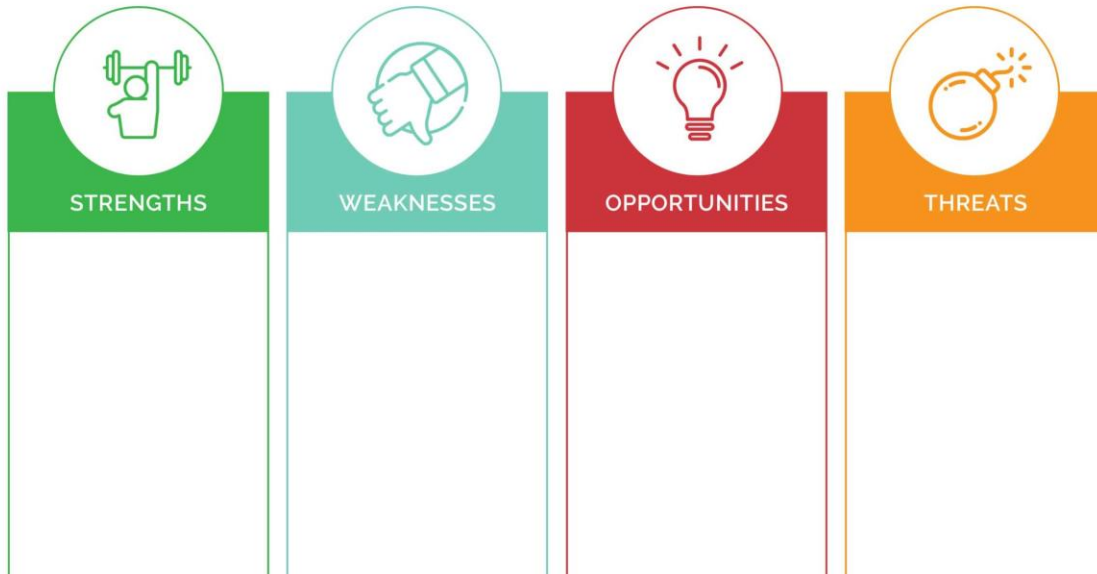
Activity

A template for SWOT analysis is presented in the next slide and you must complete it for a specific business idea or your own self. Share and discuss your SWOT analysis to foster critical thinking and insights.



Activity

SWOT ANALYSIS



SWOT Analysis

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Strengths

- Capabilities
- Competitive advantages
- Resources, assets and people
- Experience, knowledge and data
- Financial reserves, returns
- Marketing, reach
- Innovative aspects
- Location, geographical
- Price, value and quality
- Processes, systems, it, communications
- Advantages of proposition

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Weaknesses

- Lack of capabilities
- Gap in competitive strengths
- Reputation, presence and reach
- Timescales, deadlines and pressures
- Financials
- Cash flow, cash drain
- Continuity, supply chain
- Effects on core activities
- Reliability of data, plan and project
- Management cover & succession

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Opportunities

- Market developments
- Industry or life style trends
- Innovation and technology development
- Global influences
- Market dimensions, horizontal, vertical
- Target markets
- Geographical import, export
- Major contracts, tactics and surprises
- Business/product development

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Threats

- Political and economical effects
- legislative effects
- environmental effects
- Competitive intentions
- Market demand
- Innovation in technologies, services and ideas
- New contracts and partners
- Loss of resources
- Obstacles to be faced
- Poor management strategies
- Economic condition home, abroad

Q&A Session, Conclusion, Contact



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