

Unit-4 Business Plan Preparation

Topic- Sources of Business Ideas

Most innovative ideas lie in the external and internal environments in which we live. Trends in economic, social, technological, political, legal and global environments create opportunities for new ventures.

1. Economic Trends : Shifts in the economy are a major source of new ideas. Some examples are as follows:

- **Increase in Disposable Incomes:** Per capita income of people are increasing rapidly. Higher disposable incomes lead to demand for several products/services, e.g, entertainment, tourism, designer clothing, airlines, hotels, etc. A growing economy provides opportunities for starts-up's that help save money. In economic trends it is necessary to understand who has money to spend and on what they spend. For example, increase in disposable incomes due to working women creates opportunity for beauty parlours, boutiques, etc.
 - **Inflation:** Business firms are under pressure to reduce costs. Prices of flour, cheese, gas and other inputs used for making pizzas have risen sharply. In such a scenario pizza chains that are able to cut costs through better inventory control, cost effective procurement and supply chain management have a competitive advantage.
 - **Changes in Industry and Market:** The definition, design and structure of industries and markets keep on changing. Entrepreneurs need to be aware of and seize these ongoing opportunities. Industrial changes occur through natural events, e.g., discovery of oil or as a result of human actions. Private airlines introduced innovations in flights, fares, and services. Rapid growth of an industry can be a source of business ideas. When an industry grows much faster than the economy or population, opportunity exists for new ventures.
- 2. Social and Cultural Trends:** Significant changes are taking place in demographics, society and culture.

- **Changing Demographics:** Age composition of population is changing. On the one hand, senior citizens now account for a sizable proportion of total population. As a result, more healthcare, old age homes and other facilities and services for the aged are needed. On the other hand, child population is increasing leading to higher demand for childcare, preparatory schools, toys etc. Changes in population structure have led to entrepreneurial activity in healthcare, child care, ready-to-cook foods etc.
 - **New Life Styles:** Food, clothing and other habits of people are changing. Eating out is more common and, therefore, fast food outlets (e.g., Domino's, McDonalds), restaurants and hotels are mushrooming. Desire for convenience in shopping is leading to shopping malls and one-stop retail stores (e.g., Big Bazzars).
 - **Health and Fitness:** People now are conscious of health and physical fitness. Therefore, gyms, yoga, weight management, meditation centres, etc. are in demand.
 - **Habits and Attitudes:** Anil Moolchandani got into posters business in 1981. As the Indian society adopted 'gifting cards' habit, Archies became a household name. Anil tied up with several gifting companies around the world and Indianized his products. Today Archies has more than 200 exclusive stores and 300 franchise outlets across India. Its current turnover is around 400 crore.
- 3. Technological Trends:** Advancements in technology are a major source of innovative ideas for business. There are several cases of young entrepreneurs who started their ventures on the basis of technological break-thoughts.

Shantanu Parkash was born in middle class family in Rourkela. His father was employed in Steel Authority of India and his mother was a school teacher. He did his graduation from Shri Ram College of Commerce, University of Delhi and MBA from Indian Institute of Ahmedabad. Instead of opting for campus placement, Prakash started Educomp Solutions in 1992. To begin with Educomp offered ERP to schools and later on began providing digital content for schools, professional development, etc. Educomp caters to over 20,000 schools and 15 million learners.

- 4. Political and Legal Changes:** Shifts in government policies open up new opportunities for business. India's economic liberalization, privatization, and globalization (LPG) policy in 1991 opened up banking, airlines and insurance sectors to private sector.

Sunil Mittal started manufacturing cycle parts in Ludhiana at the age of 21. He was one of the first entrepreneurs to cash on new telecommunications policy of Government of India. His Bharti Airtel Enterprises is now India's largest mobile network operator.

When Government of India liberalized imports of technology, Shiv Nadar's HCL Technology utilized the opportunity to become India's leading information technology company. HCL was founded in 1976 to manufacture and sell IT hardware in India.

- 5. Incongruities:** A gap between reality and expectations creates incongruity. For example, business firms needed an overnight delivery of urgent mail. Post offices in India were not doing it. Such an incongruity led to the emergence of superior courier firms such as Blue Dart and Overnight Express. Similarly, busy people wanted to conduct banking transactions from their offices/residences. At the time, one had to visit a bank branch for his banking transactions. This gap between what customers expected and what was available resulted in online banking.

- 6. Experience:** Experience is the most powerful school of learning.

Anil Agarwal was a scrap metal dealer in Mumbai. His Vedanta group has emerged as India's most powerful commodities firm with a market capitalization of over 20,000 crore. The group has interests in copper, aluminium, zinc, and crude oil. On the basis of his experience in travel business, Naresh Goyal started JetAir Ltd. in 1970. After the open skies policy of the Indian Government, he set up Jet Airways.

- 7. Writings:** Books on business and management can be a source of business ideas. At Administrative Staff College of India (Hyderabad) V.K.Arora read Prof. C.K.Prahalad's 'Core Competence'. Soon he developed a clear vision of his core competence of rice government decision to allow premium rice exports prompted Arora to set up modern state-of-the art rice

processing plants. Today LT Foods is a 1,500 crore company, exporting its DAAWAT Brand of basmati rice to 50 countries.

- 8. Crises:** Sudden and unexpected events, and even tragedies can inspire entrepreneurship. Mahesh Gupta, an IIT-Kanpur graduate was working with Indian Oil. He developed oil testing equipment and started with ₹ 20,000. He sold his house to finance his business. Both his children fell seriously ill due to poor quality water. This “motivated” him to think of water purifiers with the Reverse Osmosis (RO) technology. Today his Kent RO systems is a 1,000 crore company.
- 9. Consumers:** Complaints and behavior of consumers can give ideas for new products and services. But the idea must represent a large enough market to support a new venture.
- 10. Competitors:** Analysis of competitive products and services is another source of new ideas. Such analysis can reveal improvements needed in existing products and services.
- 11. Distribution Channels:** Distributions are an excellent source of new ideas as they are familiar with the needs and preferences of the market. They give suggestions for new products.
- 12. Research and Development:** Research laboratories and departments create new products and processes.
- 13. Government:** The patent office’s files contain several possibilities for new products. Government regulations can also create such opportunities. For example, changes in health and safety regulations require new and better items.
- 14. Miscellaneous:** Friends, relatives, business associates, hobbies, etc. are other sources of business ideas.