

Opportunity Analysis: Definition and How To Conduct Market Opportunity Analysis



Part of staying relevant is to continuously generate new ideas.

But, since there are only 24 hours in a day, it's not possible to explore each of them to see what works best.

While an idea may seem good in theory, the reality is that it may end up being nothing. So, how do you choose which ideas to explore and which ones to skip over?

That's where market opportunity analysis comes in.

With a bit of research, you can narrow down the options worth pursuing so you are not approaching things randomly.

What is Market Opportunity Analysis?

A market opportunity analysis, also known as an opportunity assessment, refers to the process of researching how and where you can connect with more potential

clients and grow your revenue share.

It involves finding competitors, understanding your audience, and discovering the potential risks.

Through conducting a market opportunity analysis, you'll be able to prioritize your new business ideas based on how profitable and risky they may be.

No organization is too small to benefit from the market opportunity analysis exercise.

Whether you're a startup or a Fortune 500 company, all organizations benefit from increasing their understanding of the industry they are approaching or already operating in. Whether you're in a B2C, B2B, government, or nonprofit business, defining and analyzing your market helps make better business decisions.

The analysis can help you expand your existing business with new product development, additional product lines, pivot into new opportunities and markets, or reach new aspects of your current market.

This might include analyzing the expansion benefits of vertical or horizontal integration.

Benefits of a Market Opportunity Analysis

There are multiple reasons to spend time looking at all of your options before moving ahead.

Let's look at five key benefits you'll get from a market analysis.

Make Better Long-Term Strategic Business Decisions

Many external factors impact your business.

Unless you take the time to examine the current market trends, you'll be flying blind, which is a recipe for disaster.

With a market opportunity analysis, you can get insight all for seeing into the future.

You'll get an idea of what the target market could look like in a year, five years, and 10 years.

You can determine what forces are influencing the market today and how the demographic of your target audience is shifting.

Evaluate Product or Service Demand

You could have invented a great product, but if the market is niche and tough, it can be hard to move forward.

A market assessment gives you an idea of how easily you can sell your product or service.

It will help you determine if it makes sense to expand into a new market.

If you find that there is no existing market for your idea, that doesn't mean it's not worth pursuing, necessarily.

That means you'll be dealing with a Blue Ocean Strategy.

This approach acknowledges that many industries don't exist today.

In this situation, the market space is unknown and untainted by competition.

In a blue ocean, you create demand, rather than fight for.

There is plenty of room for fast, profitable growth.

It's worth noting in this situation that it's also possible you'll fail to create the market.

Even if you do create the market demand, you'll need to direct effort to educate customers about your new idea, which is another reason why strategic planning is so important.

Find Potential Marketing Strategies

Here's where the four Ps come into place:

- Price
- Place
- Product
- Promotion

With a market opportunity analysis, your company learns more about who your target customers are, what they want, and how they make their purchasing decisions.

After reviewing the current market data, you'll be able to price your product at a point where customers will buy it and produce a profit. You'll know the promotional strategies that will work, along with partnerships you should pursue.

Is direct sales the answer? Or will inbound marketing make more sense?

Discover Areas for More Research

Once you have a better understanding of your market, you may discover additional new market opportunities worth investigating and investing in.

You don't know, what you don't know.

A customer research initiative may reveal a new pain point that you weren't aware of before.

The deeper you know your market, the better able you'll be to leverage new opportunities that arise over the course of a changing business environment.

Find and Plan for Potential Roadblocks

Part of a market opportunity analysis is conducting a SWOT analysis.

SWOT looks at the strengths, weaknesses, opportunities, and threats associated with a potential strategy.

There is no such thing as a perfect business idea.

The key to success is knowing where you might run into issues before you get started, so you can get ahead of them and take action to mitigate and reduce the impact of those risks.

Not every business opportunity is worth trying. No matter your business model or how much market share is up for grabs, a market opportunity analysis ensures that you're focusing your attention on the right things.

How to Conduct a Market Opportunity Analysis of Your Own

Step One: Identify Potential Opportunities

The first step is to determine all of the potential opportunities you want to look into. What segment do you want to expand?

What kind of customer are you hoping to attract? Are you looking to acquire another business or partner with another business? Are current events creating a potential opportunity?

Knowing whether you want to pivot, expand, create, invest, or reposition you're offering helps to inform the next steps of your market research.

After you've identified your market opportunities, it's time to start researching their potential.

Step Two: Understand Your Target Customers

In all opportunities, the customers inform your success. Does the product meet their needs? does the customer have the purchasing power to make your idea profitable?

How do they make their purchasing decisions?

In the second step of your analysis, you seek to deeply understand your potential customers and what they need.

You conduct this part of your market opportunity and now move on with a variety of

tools including:

- Customer interviews
- Surveys
- Demographic information
- Customer journey maps

Step Three: Research the Competition

At this stage, you need to understand who all the current players in the market are.

Competitor research helps you don't understand how big the markets are is and how existing products are positioned in the market.

You'll also see how crowded the current market is.

A competitive analysis examines who the major players are, so you can develop a plan to compete with them once you enter the market.

Ask questions like:

- What is the value proposition?
- How is their product offering different from what we are bringing to the market?
- Who are their partners?
- What do reviews say about the products and services they offer?
- What are people saying on social media?
- What gaps could we fill?
- How likely is it that new competitors are also entering the market?

Step Four: Consider External Factors

A number of external environment factors always shape and change the marketplace.

Use the acronym STEEP to help you remember the five main forces to consider as you make your plans.

Social

Social factors examine how culture is changing the current market.

For instance, as a result of the pandemic, more employees are working from home. This opened up a sector of the market that didn't exist before.

Jumping on trends may be a lucrative strategy unless the trends may disappear quickly.

Technical

Technical factors examine what new Innovations have influenced the market.

Are there new technologies or advancements that you can apply or new ways to apply the technology?

Economic

Economic factors examine what the current economic climate is like. Are you able to get a loan if you need it?

Do your target customers have disposable income? What does the market potential look like for the next 12 months?

The next five years? Economic factors can negatively affect the supply chain, as we've seen with the pandemic.

How will your business growth be affected if your supply chain falters?

Ecological

What impact does your business idea have on the environment?

Other ways you can improve the sustainability of your product or service?

Does the sustainability of your idea qualify you for assistance from government grants for other programs aimed at protecting the planet?

Political

The political climate could positively or negatively affect your business ideas.

For example, you may be surprised to learn that your local or state government offers tax breaks, grants, or other incentives for businesses in your industry.

At the other end of the spectrum, you may find that their regulatory issues you need to account for in your analysis.

Answering these questions can give you a competitive advantage as you deal with market fluctuations.

Step Five: Consider Internal Factors

In the final step of your market opportunity analysis, you must take a close look at your own business's capability.

Do you have the technology, Financial Resources, Workforce, and skill to invest in a new product or service?

If you are launching something Innovative, will you be able to hire people with the necessary skills?

Are there new teams or departments you'll need to create in order to manage this opportunity? What other costs are associated with bringing this idea into reality?

Make Better Decisions

Not every idea is worth seeing through to the end.

However, many are and it is because of Market opportunity analysis that you'll be able to learn the business strategies that will help you grow.

It's crucial that you do your homework before you want your next product or service.

Otherwise, you may find yourself dealing with Investments that will pay off in the long run.

Once you have an analysis that demonstrates an idea is worth following, move forward with creating a business plan.

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