



Government  
of South Australia

Department of Trade and  
Economic Development



## What makes an Opportunity Commercial

### An Idea is Not a Business

The difference between an opportunity and a venture or commercial application can be significant.

Simply put, an idea is not a business.

Businesses need continual revenue streams and a competitive advantage. Not all ideas readily convert to these benefits for a business. Instead, an idea can be the basis for a business, but it must stand up to commercial development and rigorous scrutiny before taking any commercial steps.

It therefore becomes obvious that the idea itself will benefit greatly from early consideration of both commercial potential and from building in some commercial appeal.

### What are the Commercial Considerations? In other words, what is an ideal business case...

In order to help understand what makes something commercial, it is useful to try and imagine the best business possible. Set out below is the criteria of a best case business.

It requires:

- No money up-front
- Low advertising costs (high new value or other source of promotion)
- No people costs
- Repetition of purchase (continual purchases by the consumer)
- IP rights – clear and clean (and owned by the company or individual)
- Known receptive and established distribution network (who are they)

- A completed marketing plan targeting a specific group
- Requires other business partners to deal with you
- No government regulation
- Favourable tax treatment – better than others
- No competition
- No product/service risk
- 100% gross margin
- No obsolescence
- Impervious to weather, fashion trends and other forces
- Workable and feasible
- Customers pay in advance
- Ability to exit.

It can be an interesting exercise to run an idea past these points and see how it “shapes up”. What aspects do you have with your idea?

### What are some of the Common Problems?

Many problems become evident through assessing the opportunity against the screening comments provided below:

- It does not scale up to commercial application (who would want it and how much will they pay for it)
- Inadequate testing of assumptions?
- It does not work all the time (not tested properly and verified by an expert)
- The need is yours, not the markets
- Customers have changed their attitudes
- Barriers to entry – competitors (what is the competitive advantage of the product)
- Other research had made this obsolete (IT area especially true)

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- Unidentified partners
- Relies on someone else's technology/already patented (relies on someone taking risk to get it to market)
- "Everyone should have one" or "once the market understands this, they will all want one" or "there are 18M people in Australia so I have a ready made market"
- No money to get a working prototype in production
- No idea of cost to produce and sell (in other words is it a commercial proposition for the market distribution)
- Marketing not clearly understood and segmented
- What does the "inventor" want to get out of the whole exercise?
- Technical verification – who says your product is good / who are they?

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