Kerangka Penilaian Kesempatan Bisnis untuk Toko Kelontong di Adelaide, Australia Selatan

Opportunity Assessment Framework for a Grocery Store in Adelaide, South Australia

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Abstrak

Penelitian ini mendiskusikan tentang kerangka penilaian kesempatan bisnis untuk toko kelontong di Adelaide, Australia Selatan. Metode yang digunakan untuk penelitian ini adalah menganalisis tiga konsep yang telah ada sebelumnya, yang divalidasi dengan hasil wawancara manajer salah satu toko kelontong di Adelaide. Hasil dari penelitian ini adalah sebuah kerangka penilaian bisnis yang baru menggunakan nilai terbobot yang spesifik untuk toko kelontong. Kerangka baru ini adalah kombinasi dari tiga metodologi penilaian yang telah ada dan kriteria tambahan yang disarankan oleh manajer toko kelontong.

Kata kunci: kerangka penilaian bisnis, toko kelontong, Adelaide

Abstract

This research will discuss opportunity assessment framework for a grocery store business in Adelaide, South Australia. The method used in this research is that three existing opportunity assessment methodologies are initially selected and then validated to the manager of a grocery store by using a direct interview method. The result of this research is that a new and specific opportunity assessment framework with a weighted score will be formulated for the grocery store business. This new framework will be a combination of the three alternate methodologies and additional criteria suggested by the manager of a grocery.

Keywords: opportunity assessment framework, grocery store, Adelaide

Introduction

Opportunity is defined as a gap in a market where products or services do not yet exist and added value can be provided to consumers (Wickham 2006, p. 240). It is inevitable that an opportunity comes from a business idea, but only a small proportion of business ideas are categorized as viable business opportunities (Human et al. 2004, p. 61). For entrepreneurs, scholars, and venture capitalists, a critical question associated with opportunity recognition must be raised about how to determine if a business idea is truly an opportunity (Human et al. 2004, p. 61). To assess and evaluate the business opportunity, it is imperative to utilize an opportunity assessment tool in order to give a valid and accurate judgment.

The opportunity assessment tool will play an important role in screening and evaluating a business opportunity. This is because it can be used to examine aspects of product or service, market, financial, management by using some criteria within the tool (Human et al. 2004; Liao & Witsil 2008). After utilizing the opportunity assessment tool,

entrepreneurs and sophisticated investors (venture capitalists) are able to execute a business opportunity on behalf of "G0 or No-Go" decisions (Cooper & Brentani 1984, p. 149).

In the literature, a number of opportunity assessment tools are available that can be used by venture capitalists and entrepreneurs. They are QuickScreen, Venture Screening Opportunity Exercises (Spinelli & Robert 2011), Bell Mason Diagnostics (Bell 2003), Hindle and Mainprize EBPAR (Mainprize et al. 2003), Anchored Scales (Davis et al. 2001), Cooper Ratings Financial (Stabell & Fjeldstad 1998), and PEAS (Udell & Baker 1982). Each tool has different criteria compared with other tools which in turn give different justification for a business opportunity. Moreover, the use of these tools may be appropriate to one particular business, while others are not (Davis et al. 2001). Therefore, three alternate methodologies of opportunity assessment will be utilized to examine the business opportunity of a new grocery store.

In the following section, this report will discuss and justify the differences among three opportunity assessment methodologies including Timmons QuickScreen, Anchored Scales, and PEAS (Preliminary Innovation Self Evaluation System). Following this, a new opportunity assessment framework will be formulated for a grocery store. This new framework will be a combination of the three alternate methodologies and additional criteria suggested by the manager of a grocery store. This new opportunity assessment framework for a grocery store aims to aid venture capitalists in assessing the viability of a grocery store before giving funding.

Three Alternate Methodologies of Opportunity Assessment

Three alternate methodologies of opportunity assessment selected will be depicted as follows.

PEAS

PEAS is an opportunity assessment tool that has a comprehensive systematic methodology in evaluating a business idea aimed to investors and entrepreneurs (English & Udell 2004). It was first launched in 1979 and founded by Dr. Gerald G. Udell, the Principle Investigator for the Oregon Centre from 1974 to 1980. According to English and Udell (2004, p. 16), PEAS has some indicators to screen and evaluate ventures which are societal factors, business risk, demand, market, and competition. Each indicator is explained as follows.

a)   Societal factors

Inevitably, societal factors are considered by each company around the world because it associates with decision making of investment. The criteria of social factors comprise social impacts, legality, safety, and environmental effect.

b)   Business Risk

Each business will be confronted by a risk. The extent of risk may be different among other ventures. However, it is highly recommended that the business should avoid or reduce the risk through planning, marketing, and finance. Business risk relates to the extent of benefit acquired in the risky condition. The category of business risk includes functional feasibility, production feasibility, stage growth, and investment costs.

c)   Demand

The most critical question regarding a new product or service is whether the product or service offered has enough demand or not. Some insights into consumer behaviours are necessary to analysis the demand of consumers. The criteria of demand in the PEAS include demand trend, demand stability, product life cycle and product line potential.

d)   Market

The market factor emphasizes the possibility of a product or service being acceptable in a marketplace. If a product or service is accepted by consumers, such condition will

automatically affect the product life cycle. The market category will be assessed in terms of compatibility, learning, need, dependence, visibility, promotion, distribution, service.

e) Competition

The competing products or service cannot be avoided in a marketplace. This is because they have already existed before the appearance of new products. The basis of the competition factor is measured by some criteria including appearance of products, function, durability, price, and intellectual property protection.

Timmons QuickScreen

Timmons QuickScreen is one of the opportunity assessment tools offered by Timmons (Spinelli & Robert 2011, pp. 166-167). This tool was adapted from the Bygrave's model by using the parameter of high potential and lower potential for each criterion (Kickul & Lyons 2012, p. 50). The benefit of this tool is that the users are able to ignore low potential ideas and identify high potential ideas (Youngleson 2009). The indicators of this tool are depicted as follows.

a) Market and Margin

In this part, a product or service must be marketable and can be reached by consumers. If such condition occurs, it indicates that a product or service can relieve the paint point of customers or create value for customers. Moreover, the product should create profit for the entrepreneurs. According to Spinelli and Robert (2011), the specific criteria of market includes:

- paint point/need,
- the identification of targeted customers,
- time of investment payback,
- value added to the investors (IRR),
- market size,
- the market growth percentage, and
- level of gross margin.

b) Competitive advantage

Competitive advantage reflects a situation in which a product or service has some strengths and can compete with other products or service. In the part of competitive advantage, there are some specific criteria that should be highlighted, such as:

- fixed and variable costs of business,
- level of control toward prices and cost and channels of supply,
- barriers to competitors,
- service chain,
- contractual advantage, and
- contact and networks.

c) Value Creation and Realization Issues

Value creation and realization associate with aspects of financial issues. It is imperative to evaluate a business idea as to whether it can create financial value to both entrepreneurs and shareholders. The specific criteria are examined in this part, such as:

- profit after tax each year,
- the length of achieving breakeven,
- time to positive cash flow,
- the rate of ROI potential,
- value,
- the requirement of capitalization, and
- exit strategy.

Anchored Scales

Due to the limitation of methods to measure the likelihood of success of an individual project, a method called Anchored Scales was created by the Industrial Research Institute subcommittee (Davis et al. 2001, p. 51). The development of this method utilized various inputs from a cross-section of company members of the Industrial Research Institute. Anchored scales aim to provide little checkpoints in assessing the project and providing an effective method to the team in achieving their objectives. The indicator of Anchored Scales comprises technical success factors and commercial success factors depicted as follows:

a) Technical Success Factors

Technical success factors focus on technical aspects contributing to the success of a business. To assess technical factors, Anchor scales utilized some criteria assessed from the scale 1 to 5 explained as follows:

- Proprietary position – indicates the possibility of a strong patent owned by a business.
- Competencies – reflects how well human resource competencies perform a research project.
- Technical complexity – associates with the likelihood of the success of project as a result of technical complexity factor.
- Effective use of external technology – describes the possibility of project success caused by the result of using particular technology.
- Manufacturing capability – reflects the possibility of manufacturing products comes from the internal and external capability.

b) Commercial Success Factors

Commercial success factor is quite contradictory with technical one. It tries to cover aspects of external environment owned by business. There are some criteria within the commercial success factor shown below:

- Market need – describes the likelihood of product readiness to be marketed.
- Market recognition – expresses the likelihood of consumer's response toward products in the market.
- Channel to market – reflects the easiness of product to be accessed by consumers in the market.
- Customer strength – indicates that the possibility of project success will be affected by the strength of customers in the market.
- Key component supply – measures the impact of supply power on the possibility of project success.

Health and environmental risks – associates with the impact of health and environmental condition on the possibility of project success.

Method

Method used in this research is qualitative analysis with case study approach. Case study is widely regarded as an effective research method for studying the nature of business situation across a range of firms that is able to accommodate the complexity of business. This approach has a significant strength for applied business research, particularly in identifying and assessing comprehensive attributes in its natural setting. Therefore, researcher can organize data at the micro level (Gregson, 2015; Zaidah, 2007, Triwastuti, 2017).

This study analyses the applicability and feasibility of using particular opportunity assessment tools for grocery store in Adelaide, South Australia. Three opportunity assessment tools are discussed to understand the appropriateness of those tools in analysing business opportunity for grocery stores in Adelaide. The three tools are PEAS, Timmons Quickscreens, and Anchored Scales. To gain data and insight on this study, we conducted an interview with the manager of an Indonesian grocery store in Adelaide. Finally, we provide

opportunity assessment framework that is appropriate and applicable to analyse business opportunity for a grocery store in Adelaide.

Result
Comparison of Three Opportunity Assessment Tools

There have been many opportunity assessment frameworks proposed to evaluate projects or new product ideas (Moore & Baker 1969). However, those assessment frameworks cannot bring benefits to the practitioners and entrepreneurs due to their complexity and inflexibility to do screening and evaluation (Lee, Wind & Burke 1992). Likewise, those assessment frameworks have their own features which may not be appropriate to the types of ventures (Davis et al. 2001, p. 53). Therefore, eleven characteristics of opportunity assessment adapted from Liao and Witsil (2008, p. 10) are employed to differentiate three selected opportunity assessment tools depicted as follows.

Table 1. Characteristics of Three Opportunity Assessment Tools

No	Tool Characteristics	Opportunity Assessment Tool		
		PEAS	**Anchored Scales**	**Timmons Quick Screen**
1	One-time process	-	-	√
2	Individual process	√	√	√
3	Group process	√	√	√
4	Software-enabled	√	√	√
5	Transparency	√	√	√
6	Qualitative approach	-	-	√
7	Quantitative approach	√	√	-
8	Long-term business	√	√	√
9	Short-term business	√	√	√
10	Short-answer sheet	-	-	√
11	Weighted score sheet	√	√	-

Table 1 illustrates that Timmons Quick Screen has some different characteristics compared with PEAS and Anchored Scales. Timmons QuickScreen is based upon qualitative approach and a short-answer sheet by using assessment of higher potential and lower potential. It is also different in terms of one-time process showing that the evaluator does not need a long time to screen and evaluate the new product ideas. However, Both of PEAS and Anchored Scales have similar characteristics. They are based upon quantitative approach and developed by using a weighted score sheet. The use of these tools is not one time process because there are many questions that should be answered. For instance, PEAS has 44 criteria that need to be answered by the users (English & Udell 2004, p. 17).

Furthermore, the difference among PEAS, Anchored Scales, and Quick Screen can be seen from indicators used in the tool. PEAS has complex and detail indicators made up societal factor, business risk, demand, and competition (English & Udell 2004, p. 17). Timmons QuickScreen only covers some important indicators, such as competitive advantage, margin, value creation, and realization issues (Spinelli & Robert 2011, pp. 166-167). Anchored Scales consists of two indicators, namely technical factors and commercial success factors (Davis et al. 2001, p. 52). Apart from their difference, the similarity of three opportunity assessment tools is that they strongly focus on market whether a product or service is marketable or not. At this point, it can be concluded that all opportunity assessment

tools will use market as the main criteria in evaluating a business opportunity. Another similarity found on Timmons QuickScreen and Anchored Scales is that both of these tools highly emphasize the aspect of channels of supply.

Additional Criteria of Opportunity Assessment Framework from a Knowledgeable Person

In order to yield robust criteria of a new opportunity assessment framework for a grocery store, primary data was collected via an interview session with a knowledgeable person. The interview session was conducted with the manager of an Indonesian grocery store on 13 October 2015 in Adelaide who has run her grocery store for a long time. A wide variety of questions regarding opportunity assessment was given to confirm criteria within three selected opportunity assessment tools (see appendix 1). Surprisingly, not all criteria of assessment tools are useful to assess the business opportunity of her grocery store. For instance, for PEAS, the manager of the grocery store only emphasized indicators of demand stability, product line potential (demand factor), promotion (market), and appearance of products, and price (competition factors). According to the manager of the grocery store, the criteria of PEAS is useful to evaluate and screen manufacturing industry and not designed for small businesses (Eka 2015). Consequently, several criteria will not be relevant to the conditions of the grocery store. For Timmons QuickScreen, there are four useful criteria, namely the identification of targeted customers (market), an exit strategy, profit after tax each year, and time for positive cash flow (value creation), while others are not relevant to assess business opportunities of the grocery store. For Anchored Scales, the criteria which suit the grocery store conditions are competencies (technical factors), market needs, and customer strength (commercial success factor). This is because these three factors can reflect whether the grocery store can be viable and sustainable in the future.

Apart from criteria within three opportunity assessment tools, the manager of the grocery store proposes three additional criteria to screen a business opportunity for the grocery store. She proposed and stressed the importance of customer service. This is because it will become distinct among other grocery stores. For instance, the customer service in an Indonesian grocery store will be different to Chinese and Hong Kong grocery stores (Eka 2015). Another additional criterion of opportunity assessment for a grocery store is product description in terms of product line, quality, and uniqueness. The manager of the grocery store argued that product description of the grocery store will determine the number of customers who shop in her grocery store (Eka 2015). The importance of product criterion in terms of uniqueness in screening new products is highly stressed by Rochford (1991, p. 294), Cooper and Brentani (1984, p. 151), Hart et al. (2003), and Lee, Wind and Burke (1992, p. 11). Moreover, according to the manager, the performance aspect of the grocery store should be added as one of the screening criteria (Eka 2015). The performance indicator is associated with how many products in the grocery store can be sold every month. In the study conducted by Lee, Wind and Burke (1992, p. 11), the performance indicator is critical and an inseparable part used to screen new products in financial companies.

Furthermore, some criteria used by venture capitalists before giving funding are also given and asked to the manager of the grocery store. The objective is to create an accurate combination of opportunity assessment criteria which is valuable for venture capitalists in assessing the business idea of a grocery store. According to Macmillan, Siegel and Narashima (1985, p. 121), venture capitalists will utilize seven criteria of opportunity assessment comprising the entrepreneur's personality, the entrepreneur's experience, characteristics of the product or service, characteristics of the market, financial consideration, and the venture team. In response to those criteria, the manager of the grocery store strongly agreed to use them in assessing the business opportunity of the grocery store. However, the

manager will focus particularly on the criteria of a venture team before expanding (Eka 2015). It is because the success of the business will be affected by the strength of the team (Spinelli & Robert 2011, p. 111). If the team of the venture is strong, venture capitalists will be more likely to give funding (Kaplan & Stromberg 2000).

Recommendation: Opportunity Assessment Framework for a Grocery Store

A grocery store is a shop that sells a wide variety of food and beverages for the daily needs of people. In fact, the grocery store will need external funding to expand the business. In regard to this need, venture capitalists need an opportunity assessment tool that suits the conditions of the grocery store. The advantage of this tool is to assess and evaluate the likelihood of success for the grocery store in the future. Therefore, a new opportunity assessment framework for the grocery store has been formulated after conducting interviews and literature research depicted as follows.

Table 2. The New Opportunity Assessment Framework for a Grocery Store

No	Indicator	Criteria	Source
1	Product	Product superiority, quality, uniqueness, appearance of product	The manager of Grocery Store, (Lee, Wind & Burke 1992), (Rochford 1991), (Cooper & Brentani 1984), and PEAS
		Demand stability	PEAS
		Product line potential	
2	Market	Promotion	PEAS
		The identification of targeted customers	Timmons QuickScreen
		Customer strength	Anchored Scales, (Cooper & Brentani 1984)
3	Competitive advantage	Price	PEAS
		Customer service	The Manager of Grocery Store
		Key Component Supply	Anchored Scales
4	Financial performance	Exit strategy	Timmons QuickScreen, (Macmillan, Siegel & Narashima 1985)
		Time to positive cash flows	
		Profit after tax each year	
		Sales (the amount of product sold)	Lee, Wind & Burke 1992), the manager of grocery store
5	Attributes of entrepreneurs	Personality	(Macmillan, Siegel & Narashima 1985)
		The venture team	(Macmillan, Siegel & Narashima 1985), (Spinelli & Robert 2011)
		Experience/Competencies	Anchored Scales, (Macmillan, Siegel & Narashima 1985)

The criteria of the new opportunity assessment for the grocery store are as follows.

a. Product
- Product superiority, quality, uniqueness, and product appearance highly emphasize the strength of a grocery store's product in the eyes of venture capitalists and consumers if it is unique or rare.
- Demand stability is associated with number of product sales per week or month.
- Product line potential describes the variety of products coming from many countries, such as China and Australia.

b. Market
- Promotion relates to the cost and effort utilized by entrepreneurs to promote a grocery store's product.
- The identification of targeted customers means whether the products offered is only aimed to specific customers, for example, Chinese or Indonesian people.
- Customer strength assesses the number of customers that will shop in the grocery store.

c. Competitive advantage
- Price emphasizes the level of price offered by a grocery store, such as much higher, higher, similar to competitors, lower, and much lower.
- Customer service relates to how shop keepers give their service to customers.
- Key component supply focuses on the impact of a supplier in providing products to the grocery store.

d. Financial performance
- Exit strategy assesses whether the founder of a grocery store has prepared an exit mechanism in both loss and profitable condition.
- Time to positive cash flow means how long it will be your initial investment is recovered (Spinelli & Robert 2011, p. 142)
- Profit after tax each year will be favourable with the characteristic of 20% each year (Spinelli & Robert 2011, p. 142)

e. Attributes of entrepreneurs
- An entrepreneur's personality delineates the capability of a grocery store's founder to handle their business, to react toward the serious problems faced by business, and to provide detailed information.
- The venture team is the backbone of the venture's success (Spinelli & Robert 2011, p. 186). The venture team criteria of a grocery store comprises the initiation of venture conducted by one person with relevant experience, more than one person with similar relevant experience, and a balanced team.
- Entrepreneur's experience emphasizes the familiarity of the grocery store founder toward their business environment, level of leadership in organizing a venture, and length of time spent in particular business.

Furthermore, those criteria mentioned above will be assessed by using a weighted score. This weighted score will enable entrepreneurs and venture capitalists to gauge the relative importance of criteria of an opportunity assessment tool (Moore & Baker 1969, p. 94). Consequently, they can weigh the highest score if deemed as the most important criteria and *vice versa* (Griffith & Headley 1997, p. 346). By doing so, the accuracy of judgment can create good decision making to select a good business opportunity. A 5 to 1 scale will be used in which 5 is good score, while 1 is bad score. An illustration of this weighted score assessment for a grocery store is depicted in the appendix b.

Conclusion

Although there are many opportunity assessment tools available for venture capitalists and entrepreneurs, their criteria might be inappropriate for several types of ventures. In this report, three opportunity assessment tools were analysed to formulate a new opportunity assessment framework for a grocery store. To acquire appropriate criteria among the three selected tools, an interview session was conducted with the manager of an Indonesian grocery store in Adelaide. The result of interview showed that some criteria of three selected opportunity assessment tools can be utilized, while others are not relevant. Interestingly, the manager of the Indonesian grocery store also added additional criteria to assess the business opportunity of a grocery store. Furthermore, by using the combination of a literature study, additional criteria from the manager of the Indonesian grocery store, and relevant criteria among three selected tools, the new opportunity assessment framework for the grocery store has been successfully formulated comprising five indicators which are product, market, competitive advantage, financial performance, and attributes of entrepreneur. The scoring model for those indicators will utilize a weighted score. The benefit of the weighted score is the ability to gauge the relative importance of each criterion of indicators within an opportunity assessment tool which in turn creates an accurate result of screening and evaluation. Moreover, it is highly hoped that the existence of the opportunity assessment framework for the grocery store will be worthwhile to aid venture capitalists in screening and evaluating the business opportunity more accurately.

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