Business Management Units 1 & 2

Chapter 2 — Business concept development

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Contents

Chapter 2 Business concept development — 2A The importance of goal setting and decision-making

Theory

Two of the most important things an entrepreneur does when turning a **business idea** into a working business are **setting goals** and **making decisions**. A **goal** (or **objective**) is a specific outcome a business intends to achieve within a set period of time. **Goal setting** is the process of deciding what those desired outcomes are. **Decision-making** is the process of identifying the available options and choosing a course of action from among them in order to achieve a goal or solve a problem. At the business-idea stage the two are constant companions: the entrepreneur decides what the business is trying to achieve, then makes a stream of further decisions to get there.

Why setting clear goals matters.

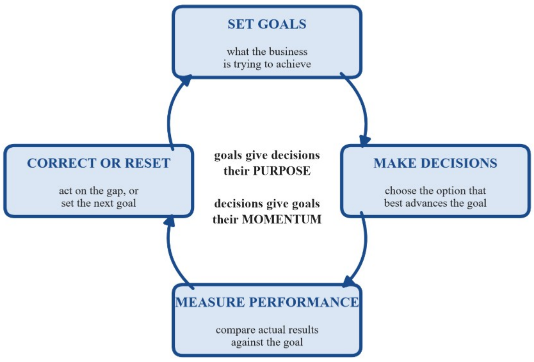
- **Direction and focus.** Goals tell everyone in the business *where it is heading and what it is trying to achieve*. They convert a broad idea ("I want to sell healthy food") into a concrete destination, so that the entrepreneur's — and later the employees' — effort is aligned towards a common purpose rather than scattered. Without goals a new business has no clear sense of what it is working towards.
- **Motivation.** A clear, meaningful goal gives people something concrete to strive for. Reaching a goal — or seeing steady progress towards it — provides a sense of achievement that encourages continued effort. A goal that is challenging but attainable tends to lift effort and persistence more than having no target at all.
- **A benchmark for measuring success.** Goals provide a *standard against which actual performance can be compared*. By setting a goal ("reach 500 customers in the first year") the business creates a yardstick it can later measure itself against to judge whether it is succeeding, and to decide whether corrective action is needed. Without a goal there is nothing to measure performance against.
- **A basis for decision-making and planning.** Goals guide the many choices an entrepreneur faces — which market to target, which resources to buy, how to price — because each option can be judged by *how well it moves the business towards its goals*. Goals also help the entrepreneur prioritise and allocate scarce resources to what matters most.
- **Attracting support.** Clear goals help persuade investors, lenders, partners and prospective employees that the idea is worth backing, because they show the business knows what it is aiming for and how it will know when it has arrived.

SMART goals. Goals are far more useful when they are **SMART**:

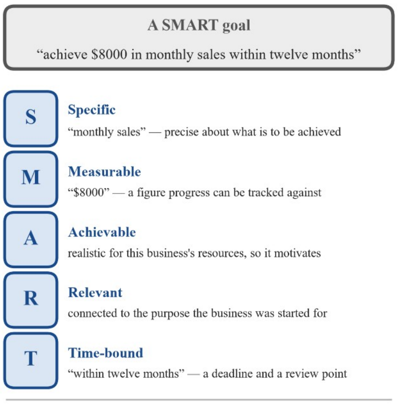
- **Specific —** precise about exactly what is to be achieved, not vague.
- **Measurable** — expressed in a way (a number, a dollar figure, a percentage) that lets progress be tracked and success confirmed.
- **Achievable** — realistic given the business's resources and circumstances, so the goal motivates rather than discourages.
- **Relevant** — connected to the business's overall purpose and its idea, so effort spent achieving it is worthwhile.
- **Time-bound** — tied to a deadline, which creates urgency and a point at which performance can be reviewed.

A SMART goal such as *"achieve $8000 in monthly sales within twelve months"* delivers all of the benefits above more powerfully than a vague hope such as *"be successful"*: it points clearly in one direction, it is a strong motivator, and it is a precise benchmark. Goals may also be **short-term** (achieved within about a year — e.g. secure premises, win the first 100 customers) or **long-term** (achieved over several years — e.g. become the region's leading supplier); short-term goals are the stepping stones towards long-term ones.

Goal setting and decision-making: a cycle, not two separate activities



A goal is the destination; a decision is the choice of route. Choosing the goal is itself a decision.



Measurable is only one letter: a goal can be measurable and still be poor.

Why sound and timely decision-making matters. A business idea only becomes a real business through **decisions** — about the product, the market, the structure, the finance, the staff. The *quality* and the *timing* of those decisions both matter.

- **Sound (well-judged) decisions.** A decision is "sound" when it is *well-informed* — based on research and evidence, with the options and their likely consequences weighed before a choice is made. Because a new business has very limited resources, a sound decision directs its scarce capital, labour and time to their most productive use, while a poor decision can waste those resources or even sink the business before it establishes itself.
- **Timely decisions.** A decision is "timely" when it is *made at the right time*. Deciding promptly lets a new business seize an opportunity — a market gap, a good supplier deal, a prime location — before competitors do, and lets it fix problems while they are still small. Delaying a decision can mean a missed opportunity or a minor issue growing into a crisis.
- **The balance.** Sound and timely can pull against each other: gathering enough information to decide well takes time, yet waiting too long can forfeit the opportunity. Good entrepreneurs make decisions that are *informed enough to be sound but quick enough to be timely*, matching the care taken to how important and how urgent each decision is.

The link between goal setting and decision-making. Goal setting and decision-making are tightly connected and depend on each other.

- **Goals guide decisions.** A goal gives every decision a *purpose and a criterion*: the entrepreneur makes decisions *in order to* achieve the goal, and the best option is the one that best advances it. So the goals a business sets shape the decisions it makes.
- **Decisions achieve goals.** A goal is only an aspiration until decisions and actions turn it into reality — decision-making is *how* goals are pursued and reached. Indeed, choosing a goal in the first place is itself a decision.
- **They form a cycle.** A business *sets goals → makes decisions to pursue them → measures performance against those goals → makes further decisions to correct course or set new goals.* Goal setting without decisive action achieves nothing; decision-making without clear goals is directionless. Used together they give a new business both **direction** and **momentum**.

Key ideas to keep straight.

- A **goal** is the *destination* (what the business wants to achieve); a **decision** is a *choice of route* (the action taken to get there). Setting a goal is one kind of decision.
- **Sound is not the same as timely.** "Sound" is about the *quality* of a decision (well-informed); "timely" is about its *timing* (made at the right moment). A new business needs both.
- **Measurable is only one letter of SMART.** A goal can be measurable yet still be poor if it is not also specific, achievable, relevant and time-bound.

- Goals matter *because* of what they do — give direction, motivate, and act as a benchmark — not simply because a business "should have" them.

Contemporary example — Bega Group, August 2023

Bega Group (Bega Cheese Limited) is an ASX-listed Australian dairy and food manufacturer with origins as a farmer co-operative in the Bega Valley, southern New South Wales.

On 24 August 2023, releasing its FY2023 results, Bega set out a five-year strategic plan built around a stated ambition of more than $250 million in normalised EBITDA — a measure of operating earnings — together with a return on funds employed above 10 per cent. The company has since described this as a target to be reached by FY2028.

This is a **long-term goal** framed in largely **SMART** terms: it is **specific** and **measurable** (a dollar figure that can be tracked at each result, not simply "grow"), and **time-bound** (a five-year plan period). Framed this way it works as a **benchmark for measuring success** — at each result the business can compare its actual earnings against the $250 million target and judge whether it is on track.

The same document also shows **goals guiding decisions**, because it sets out the choices made to pursue the target: a restructure and simplification program, announced in June 2023, to complete the shift to a predominantly branded business, and the sale of the Port Melbourne property at 1 Vegemite Way and of the company's interest in the Vitasoy joint venture — sales that helped reduce net debt from $265.1 million to $203.6 million over the year.

Source: Bega Group, FY2023 Financial Results, 24 August 2023 — https://begagroup.com.au/fy2023-financial-results/. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Anaya is turning her idea for a plant-based meal-kit service into a real business. Explain how setting clear goals could give her new business direction.

Working	Comment
Anaya's idea — a plant-based meal-kit service — is broad; a goal turns it into a concrete target such as "sign up 300 subscribers within six months".	Start by turning the idea into a specific goal.
A clear goal tells Anaya, and any staff, exactly what the business is working towards, so effort is focused on the same outcome rather than scattered.	Link the goal to the "direction / focus" benefit.
With that target set, Anaya can align her later choices — marketing, pricing, how many kits to prepare — towards reaching 300 subscribers.	Show how direction then flows into decisions.
∴ setting a clear goal gives the new business a common direction that focuses and coordinates effort.	State the conclusion.

Example 2 — scaffolded

Marco is launching a coffee cart and writes the goal "sell lots of coffee". Rewrite this as a SMART goal and justify why the SMART version is more useful.

Working	Comment
"Sell lots of coffee" is vague — it is not specific, measurable or time-bound, so Marco cannot tell exactly what to aim for or whether he has achieved it.	Test the original goal against the SMART criteria.
A SMART version: "sell an average of 120 cups per trading day within three months of opening".	Rewrite to be specific, measurable, achievable, relevant and time-bound.
This version gives Marco a precise target (direction), a	Justify by naming the benefits the SMART form adds.

Working	Comment
number he can track each day (benchmark) and a deadline that creates urgency (motivation).	
∴ the SMART goal is more useful because it can direct effort and be measured, whereas the vague goal can do neither.	State the conclusion.

Example 3 — unscaffolded

Explain why timely decision-making is important when an entrepreneur is developing a business idea.

Timely decision-making means making decisions *at the right time* rather than leaving them too late. It is important when developing a business idea because opportunities and problems in a new market do not wait. By deciding promptly — for example, securing a prime location or a favourable supplier contract quickly — an entrepreneur can capture an opportunity **before a competitor does**, giving the new business an early advantage. Timely decisions also let the entrepreneur deal with problems while they are **still small**, before they grow into costly crises that a fragile new business may not survive. Delaying decisions, by contrast, can mean missed opportunities and worsening problems. ∴ because a developing business operates in a moving market with limited resources, making decisions in good time is essential to seizing opportunities and containing problems.

Example 4 — unscaffolded

Analyse the relationship between goal setting and decision-making in a new business.

Goal setting and decision-making are closely linked, and each affects the other. Setting a goal **shapes** the decisions an entrepreneur makes: because a goal defines what the business is trying to achieve, it becomes the criterion against which options are judged, so the entrepreneur chooses the course of action that best moves the business towards that goal — meaning clearer goals lead to more focused, consistent decisions. In turn, decision-making is what **converts a goal into reality**: a goal remains only an intention until a series of decisions and actions is taken to pursue it, so without decision-making even a well-set goal achieves nothing. The relationship is therefore two-way and continuous — goals give decisions direction, decisions give goals effect, and reviewing performance against the goal then feeds into the next round of decisions. ∴ goal setting and decision-making reinforce each other, and a new business needs both working together: goals to point the way and decisions to make progress along it.

Practice questions

Scaffolded

Q1. Define the term *goal* as it applies to a business.

Q2. State what each letter of the acronym **SMART** stands for.

Q3. For each of the following, identify which benefit of goal setting it best illustrates — *direction*, *motivation*, or *a benchmark for measuring success*: (a) a founder compares actual sales with the target she set in order to judge how the business is performing; (b) a shared target of opening a second store energises the team to work towards it; (c) a written goal keeps everyone focused on the same outcome.

Q4. Identify **two** reasons why sound decision-making is important when developing a business idea.

Q5. Devan is starting a tutoring business and writes the goal “help students”. (a) Identify **one** SMART criterion this goal fails to meet. (b) Rewrite the goal so that it is SMART.

Q6. Explain how goal setting and decision-making are linked in a new business.

Unscaffolded

Q7. Define the term *SMART goals*. *(2 marks)*

Q8. Outline how goal setting provides a benchmark for measuring the success of a business. *(2 marks)*

Q9. Describe how setting clear goals can motivate the people involved in a new business. *(3 marks)*

Q10. Explain why timely decision-making is important when developing a business idea. *(3 marks)*

Q11. Distinguish between goal setting and decision-making. *(4 marks)*

Q12. Compare the importance of goal setting and decision-making to a new business. *(4 marks)*

Q13. Explain how the goals a business sets can guide the decisions an entrepreneur makes. *(3 marks)*

Q14. Analyse how setting SMART goals can improve a new business's ability to measure its success. *(4 marks)*

Q15. "When developing a business idea, making decisions quickly is always better than taking time over them." Discuss. *(4 marks)*

Q16. An entrepreneur is seeking finance from investors to develop her business idea. Justify the importance of clear goal setting in this situation. *(4 marks)*

Q17. *Case study.* **Lumen Skincare** is a start-up founded by Priya to sell refillable, plant-based skincare online. Priya's only written goal is "to grow the brand". She is deciding between spending her limited budget on paid social-media advertising or on developing a wider product range, but has been putting the choice off for weeks while sales stay flat. (a) Identify **two** SMART criteria that Priya's goal "to grow the brand" fails to meet. *(2 marks)* (b) Explain **one** benefit Lumen Skincare would gain from replacing this goal with a SMART goal. *(3 marks)* (c) Analyse how Priya's lack of a clear goal may be affecting her decision-making. *(4 marks)*

Q18. Evaluate the view that setting clear goals is the most important task when starting a new business. *(6 marks)*

Q19. *Extended response.* When an entrepreneur develops a business idea, both goal setting and decision-making shape whether that idea becomes a successful business. Analyse the importance of goal setting and of sound, timely decision-making when developing a business idea, and evaluate the view that, of the two, goal setting is the more important. *(10 marks)*

Q20. *Contemporary example.* At its FY2023 results on 24 August 2023, Bega Group announced a five-year plan targeting more than $250 million in normalised EBITDA, and in the same document set out the decisions it had made to pursue that target. Analyse how this illustrates the link between goal setting and decision-making. *(5 marks)*

Answers

Q1. A specific outcome a business intends to achieve within a set period of time. **Q2.** Specific, Measurable, Achievable, Relevant, Time-bound. **Q3.** (a) a benchmark for measuring success; (b) motivation; (c) direction. **Q4.** Any two, e.g.: it directs scarce resources to their most productive use; it reduces the risk of costly mistakes that could sink a new business; it improves the quality of outcomes. **Q5.** (a) e.g. not specific / not measurable / not time-bound (any one). (b) e.g. "enrol 40 regular students within the first six months of operating". **Q6.** Goals guide decisions (each decision is made to achieve the goal), and decisions turn goals into reality; setting a goal is itself a decision. **Q7.** Goals that are Specific, Measurable, Achievable, Relevant and Time-bound. See solutions. **Q8.** A goal is a standard/yardstick against which actual performance can be compared to judge success. See solutions. **Q9.** Model response in solutions. **Q10.** Prompt decisions seize opportunities before competitors and fix problems while they are still small. See solutions. **Q11.** Goal setting = deciding the outcomes to achieve; decision-making = choosing the actions to achieve them. See solutions. **Q12.** Both essential and linked (similarity); differ in role — goals give direction, decisions give action (difference). See solutions. **Q13.** Goals are the criterion by which options are judged, so the entrepreneur chooses the option that best advances the goal. See solutions. **Q14.** SMART goals (especially *measurable* + *time-bound*) create a trackable figure and deadline, so success can be measured. See solutions. **Q15.** Disagree overall — timely decisions matter, but "always" ignores the need for sound, well-informed decisions. See solutions. **Q16.** Clear goals show investors direction and a benchmark and evidence of realistic planning, building confidence the idea is worth backing. See solutions. **Q17.** (a) e.g. specific, measurable, time-bound (any two). (b) & (c) See solutions. **Q18.** Evaluation — goals are vital but not sufficient alone; decision-making, finance and market knowledge also essential; reach a judgement. See solutions. **Q19.** Model response in solutions. **Q20.** The target is specific, measurable and time-bound, giving direction and a benchmark; the restructure and the asset sales are the decisions made to pursue it — goals guide decisions, decisions turn goals into reality. See solutions.

Fully-worked solutions

Q7. SMART goals are goals that are **Specific** (precise about what is to be achieved), **Measurable** (able to be tracked with a number, figure or percentage), **Achievable** (realistic given the business's resources), **Relevant** (connected to the business's purpose) and **Time-bound** (tied to a deadline). Framing goals this way makes them clear and trackable rather than vague.

Q8. Setting a goal creates a **standard against which the business can later compare its actual performance**. Because the goal states a target outcome — for example, a level of sales or a number of customers — the business can measure how far short of, or ahead of, that target it is, and thereby judge whether it is succeeding. Without a goal there would be no yardstick to measure performance against.

Q9. Setting clear goals can motivate the people in a new business by giving them a **concrete target to strive for** rather than a vague hope. Working towards a defined goal — such as reaching a certain number of customers by a set date — gives people a **sense of purpose**, and achieving it, or seeing steady progress towards it, provides a **sense of achievement** that encourages further effort. A goal that is challenging yet attainable tends to lift effort and persistence, which is especially valuable in the demanding early stage of a business.

Q10. Timely decision-making — making decisions **at the right time** rather than too late — is important when developing a business idea because opportunities and problems do not wait. Deciding promptly allows the entrepreneur to **seize opportunities**, such as a prime location or a good supplier deal, **before competitors do**, giving the new business an early advantage. It also lets the entrepreneur **address problems while they are still small**, before they escalate into crises that a fragile new business may not survive. Delaying decisions risks missed opportunities and worsening problems, so acting in good time is essential.

Q11. Goal setting is the process of **deciding what outcomes the business intends to achieve** — the destination it is aiming for (for example, a target level of sales within a year). **Decision-making** is the process of **identifying options and choosing a course of action** to achieve those outcomes — the route taken to reach the destination. The two therefore differ in what they produce: goal setting produces the *target*, while decision-making produces the *choices and actions* used to pursue it. (Choosing a goal is itself one kind of decision, which is how the two connect.)

Q12. A similarity is that both goal setting and decision-making are **essential to a new business and closely linked** — each is needed for the business to make progress, since goals guide decisions while decisions pursue goals. **A**

difference is that they play **different roles**: goal setting gives the business its **direction** (what to achieve, and a benchmark for success), whereas decision-making provides the **action** that turns that direction into results. In short, goal setting largely determines *where* the business is going while decision-making largely determines *how* it gets there. Both matter — a business that only set goals without deciding how to act, or only made decisions without clear goals, would fail — so the two are most valuable working together.

Q13. The goals a business sets **guide its decisions** by acting as the **criterion against which options are judged**. Because a goal defines what the business is trying to achieve, when the entrepreneur faces a choice — for example, how to spend a limited marketing budget — each option can be assessed by **how well it moves the business towards that goal**, and the option that best advances it is chosen. In this way a clear goal makes decisions more **focused and consistent**, whereas without a goal the entrepreneur has no clear basis on which to choose between options.

Q14. Setting **SMART** goals improves a new business's ability to measure its success chiefly through the **Measurable** and **Time-bound** criteria. Because a SMART goal states a target as a **specific, quantifiable figure** (for example, "$8000 in monthly sales") and attaches a **deadline**, it gives the business a precise yardstick and a point in time at which to check performance. The business can then **compare its actual results against that figure by that date** and know clearly whether it has succeeded, fallen short or exceeded the target — and by how much. A vague goal such as "do well" cannot be measured, so the business could not tell whether it had achieved it. ∴ by making the target specific, quantifiable and time-bound, SMART goals turn "success" into something that can actually be measured, which in turn allows the business to review its performance and adjust.

Q15. The statement has **some merit but is too absolute**. It is true that **timely** decision-making is valuable when developing a business idea: deciding quickly can let the entrepreneur **seize opportunities before competitors** and **deal with problems before they grow**, and endless delay can be costly. **However**, the claim that quick decisions are *always* better ignores the importance of **sound**, well-informed decisions. Rushing a decision without gathering enough information — for example, choosing a location or supplier hastily — risks a **poor choice that wastes the scarce resources** of a new business. The better approach balances the two: decisions should be **quick enough to be timely but informed enough to be sound**, with urgent or minor decisions made faster and major decisions given more care. (Speed and information are two distinct considerations here, not the same point reversed.)

Q16. When seeking finance from investors, clear goal setting is important because investors will only commit funds if they are **confident the business knows what it is aiming for and can succeed**, and clear, SMART goals give them exactly that assurance. First, clear goals show the business has a **defined direction** — a specific outcome it is working towards rather than a vague idea — which reassures investors the money will be used purposefully. Second, measurable, time-bound goals give investors a **benchmark** against which they can later judge whether the business is performing, which **reduces the risk** they perceive. Third, credible, achievable goals demonstrate the entrepreneur has **thought realistically** about what is possible, which builds trust. ∴ because clear goals provide direction, a measurable benchmark and evidence of realistic planning, they make the business a more convincing and lower-risk proposition — which is precisely what persuades investors to provide finance.

Q17. (a) The goal "to grow the brand" fails to be **Specific** (it does not say what "grow" means or by how much), **Measurable** (there is no figure or percentage to track) and **Time-bound** (there is no deadline). *(Any two for 2 marks.)* (b) By replacing "to grow the brand" with a **SMART goal** — for example, "increase monthly online sales to $10 000 within six months" — Lumen Skincare would gain a **clear benchmark for measuring success**: Priya could compare actual monthly sales against the $10 000 target and know exactly whether the business is on track, ahead or behind, rather than relying on a vague sense of whether the brand is "growing". This would let her **review performance and adjust** her approach. *(Alternatively, a well-explained benefit of clearer direction or stronger motivation, linked to Lumen Skincare, earns full marks.)* (c) Priya's lack of a clear goal is likely **contributing to her inability to make a decision**. Because "to grow the brand" gives no specific target, Priya has **no criterion by which to judge her two options** — paid advertising versus a wider product range — so she cannot tell which would better serve the business, and the choice feels arbitrary. This absence of a decision-making criterion helps explain why she has **put the choice off for weeks**. The delay is itself harmful: while she hesitates, her **limited budget sits unused and sales stay flat**, and any opportunity the spending might have captured is being missed. Had Priya set a SMART goal — say, a specific sales target by a date — she could assess each option by **how well it moves sales towards that target** and decide promptly. ∴ the missing goal removes the basis for a sound, timely decision, which is why Priya is stuck and the business is stalling.

Q18. Setting clear goals **is** highly important when starting a new business, but the view that it is the **single most important task** is **only partly justified**. In favour of the view: clear goals give a new business **direction**, focusing effort towards a common outcome; they **motivate** the founder and any staff; they provide a **benchmark** for measuring whether the business is succeeding; and they give **decisions a criterion**, guiding the many choices a start-up must make. Without goals a new business is directionless, so goal setting is plainly essential. **However**, clear goals are **not sufficient on their own**, and other tasks are just as vital. A goal is only an aspiration until **sound, timely decision-making and execution** turn it into reality, so decision-making is arguably its equal partner; and a start-up must also **secure finance, understand its market and manage its resources**. A business with excellent goals but poor decisions or no funding would still fail. **On balance**, goal setting is **one of the most important** tasks — and a foundation for the others, because it directs them — but calling it *the* single most important task overstates its role, since success depends on goals *and* on the decisions and resources needed to achieve them. *(Full marks: a two-sided treatment plus a clear, evidence-based judgement.)*

Q19. *Model response (10 marks).* When an entrepreneur develops a business idea, two activities do much to determine whether that idea becomes a successful business: **setting goals** and **making sound, timely decisions**.

The importance of goal setting. A goal is a specific outcome the business intends to achieve within a set time, and setting clear goals matters for several linked reasons. Goals give the new business **direction**, converting a broad idea into a concrete target so that effort is focused and coordinated rather than scattered. They **motivate** the founder and any staff by providing a defined target to strive for and a sense of achievement as it is approached. They act as a **benchmark for measuring success**, giving the business a standard against which to compare actual performance and judge whether it is on track. And they provide a **basis for decision-making**, because each option a founder faces can be assessed by how well it advances the goals. Goals framed as **SMART** — specific, measurable, achievable, relevant and time-bound — deliver these benefits far more powerfully than vague hopes, because they can be tracked and reviewed.

The importance of sound, timely decision-making. A business idea only becomes a real business through decisions — about the offering, market, structure, finance and staff — and both the **quality** and the **timing** of those decisions matter. **Sound** (well-informed) decisions direct a start-up's scarce resources to their most productive use and reduce the risk of costly mistakes that could sink it. **Timely** decisions let the entrepreneur seize opportunities before competitors and deal with problems while they are still small. Because gathering information takes time yet delay forfeits opportunities, the entrepreneur must balance the two, making decisions that are informed enough to be sound but quick enough to be timely.

The relationship, and the evaluation. Goal setting and decision-making are **interdependent**: goals give decisions a purpose and criterion, decisions turn goals into reality, and reviewing performance against goals feeds the next decisions. On the view that goal setting is the *more* important of the two, there is a case — goals come first, direct the decisions, and provide the benchmark against which decisions are later judged, so in a sense they **frame** everything else. **However**, this is not decisive: a perfectly set goal achieves nothing without the decisions and actions that pursue it, so decision-making is arguably its equal; a start-up with clear goals but poor or slow decisions would still fail, just as good decisions without clear goals would lack direction. **On balance**, neither is dispensable, and the more defensible judgement is that goal setting and decision-making are **roughly equally important and mutually dependent** — goals point the way and decisions make progress along it — though, because goals give decisions their direction and criterion, goal setting can reasonably be seen as the logical *starting point* rather than as the more important overall. *(Full marks require: accurate coverage of why goal setting matters — including SMART — and why sound and timely decision-making matters; explicit analysis of the causal link between the two; and a sustained, two-sided evaluation reaching a justified judgement on the "more important" claim.)*

Q20. Bega Group's announcement illustrates the **two-way link** between goal setting and decision-making. The target itself is a **long-term goal** stated in largely **SMART** form: it is **specific** and **measurable** (more than $250 million in normalised EBITDA — a figure that can be tracked at each result rather than a vague intention to "grow") and **time-bound** (a five-year plan period). Framed this way the goal gives the business **direction**, since effort across the group is aimed at one defined outcome, and it acts as a **benchmark for measuring success**, because actual earnings can be compared against the $250 million figure to judge whether the business is on track. The goal then **guides decisions**: each option can be assessed by how well it advances that target, and the same document sets out the choices made to pursue it — a restructure and simplification program to complete the shift to a predominantly branded business, and asset sales that reduced net debt. Those decisions are in turn what **convert the goal into reality**, since the $250 million target would remain only an aspiration without action to pursue it. Setting out both together also shows the **cycle** at work: the goal supplies the criterion, the decisions pursue it, and performance later measured against the goal shapes the next round of decisions. ∴ the example shows goals giving decisions their purpose and criterion, and decisions giving the goal effect. *(Full marks: link the goal to SMART and to its use as a benchmark, identify the decisions made to pursue it, and explain the two-way relationship between the two.)*

Theory

A **business opportunity** is a favourable gap or set of circumstances — an unmet customer need, a change in the market, a new technology — that makes it possible to offer a product or service at a profit or to meet a social need. On its own, though, an opportunity is only *potential*: it is the recognition that "something could work here", not yet a business. **Business concept development** is the process of shaping that raw opportunity into a clear, defined **business concept** — a worked-out description of *what* the business will offer, *who* it will offer it to, and *how* it will operate and create value for those customers.

A developed business concept answers three linked questions:

- **What** — the product or service the business will provide, and its **value proposition** (the benefit or point of difference that will make customers choose it over the alternatives).
- **Who** — the target customers whose need or want the business will satisfy.
- **How** — how the business will operate, deliver that value and ultimately earn revenue (or achieve its social purpose).

Concept development is what turns "*people would like X*" into "*this business will offer X to these customers in this way*".

The importance of business concept development. Developing a clear concept matters because it:

- **Converts a vague idea into a concrete, workable concept** — giving the entrepreneur something specific enough to plan, test and act on, rather than a hunch.
- **Clarifies the value proposition** — pinning down the exact benefit or point of difference that will make customers choose this business rather than an existing alternative.
- **Provides focus and direction** — a defined concept guides later choices about resources, structure, location, marketing and finance, keeping effort aligned to one clear idea.
- **Allows the idea's viability to be tested early** — a clearly defined concept can be examined for gaps or weaknesses *before* large sums are committed, reducing the risk of a costly failure.
- **Helps the entrepreneur decide whether to proceed, reshape or abandon the idea** — development often reveals that a concept needs changing, which saves wasted investment.
- **Enables the idea to be communicated** — a defined concept can be explained convincingly to potential investors, lenders, partners and staff, helping attract the finance and support a start-up needs.
- **Lays the foundation for planning** — the concept is the basis on which later market research, feasibility testing and the eventual business plan are built.

The relationship between business opportunities and business concept development.

- **The opportunity is the starting point.** Concept development cannot begin until an opportunity has been recognised; the opportunity supplies the raw potential and points the entrepreneur in a direction.
- **Concept development shapes the opportunity into a viable idea.** It takes the raw opportunity and gives it form by defining the what, who and how — turning "something could work here" into "this is the business".
- **Each depends on the other.** An opportunity without development stays an untested idea that cannot be pursued; concept development with no underlying opportunity has nothing worthwhile to shape.
- **The relationship is iterative, not just one-way.** If developing the concept exposes problems, the entrepreneur can loop back to reconsider or refine the opportunity, moving between the two until a workable concept emerges.
- **One opportunity can generate several concepts.** The same gap in the market might be developed into quite different businesses; concept development is how the entrepreneur selects and defines the particular idea to pursue.

Key ideas to keep straight.

- **An opportunity is not a concept.** An opportunity is *potential* (a recognised gap); a concept is a *defined idea* (what, who, how). Spotting a need is not the same as having a business.
- **Concept development comes before feasibility testing and the business plan, not instead of them.** It produces the defined idea that those later steps then test and plan for.
- **A concept can be revisited.** A first concept is rarely the final one; refining — or even changing — it in light of what development reveals is normal and sensible.

Contemporary example — Zeller, August 2024

Zeller is an Australian payments and business banking technology company, founded in Melbourne in 2020, that supplies card-acceptance and banking products to small and medium businesses.

On **26 August 2024** Zeller released **Zeller Terminal 2**, an EFTPOS terminal with its own point-of-sale software (Zeller POS Lite) built into the device. The terminal was sold outright for **$199** with no monthly rental fee and no lock-in contract, and card transactions were charged at a flat rate of 1.4%.

The product shows a **business concept** fully worked out, because the *what*, the *who* and the *how* are all settled in the offer itself. The **what** is one device that both takes payments and runs the till, so an operator need not buy a terminal and a separate point-of-sale system. The **who** was stated in the announcement as *businesses of all sizes* that take card payments and need a point-of-sale system — merchants who would otherwise have to buy separate hardware or sign up with more than one provider. Defining the customer by the problem to be solved rather than by an industry or a size bracket is still a definite choice, and a deliberately broad one for a company whose earlier products were pitched at small traders. The **how** is the revenue model: a single up-front hardware price plus a percentage of each sale, instead of an ongoing rental. Together these produce the **value proposition** — one low-cost unit, no monthly fee — that answers why a trader would choose it over the alternatives. Zeller presented the device as the next generation of its earlier terminal, a reminder that a concept is refined over time rather than fixed at the first attempt.

Source: Zeller, Zeller unveils next-generation payments and POS solution designed in Australia, 26 August 2024 — https://www.myzeller.com/au/about/press/zeller-unveils-zeller-terminal-2. Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Tomas has noticed that international students arriving in his city often struggle to furnish a short-term rental cheaply, then have to dump the furniture when they leave. He is convinced there is a business opportunity here. Explain the importance of developing this opportunity into a defined business concept.

Working	Comment
The starting point is only an **opportunity** — a recognised unmet need (affordable, short-term furnishing) — not yet a business.	Identify that an opportunity alone is just potential.
Concept development forces Tomas to define **what** he will offer (e.g. rent-and-return furniture packages), **who** for (international students on short leases) and **how** it will operate and earn revenue (rental fees, then collection and re-hire).	Show development shaping the what / who / how.
This gives a clear **value proposition** — cheap, hassle-free furnishing with no disposal problem — so Tomas can judge whether customers would actually choose it.	Link to the value proposition and testing viability.
A defined concept also gives **direction** for later planning and lets Tomas communicate the idea to lenders or partners to attract support.	Note importance for planning and attracting finance/support.
∴ concept development is important because it converts Tomas's raw opportunity into a **defined, viable and communicable** business idea he can act on.	State the conclusion.

Example 2 — scaffolded

A rise in home baking has left many households owning specialty appliances they rarely use, while others would like to try baking without buying expensive equipment. Priya sees an opportunity. Analyse the relationship between this business opportunity and business concept development.

Working	Comment
The **opportunity** — idle appliances plus demand to bake without buying — is the **starting point**; it supplies raw potential but no detail.	Establish the opportunity as the input/trigger.
Concept development **acts on** that opportunity, shaping it into a concept: e.g. a peer-to-peer appliance-hire platform (what), for occasional home bakers (who), funded by a commission on each hire (how).	Show the causal action — development transforms the opportunity.
Because the opportunity was only a gap, the **concept gives it form and viability**; without development it would stay an untested idea Priya could not pursue.	Explain the causal effect — one enables the other.
The relationship is also **two-way**: if development shows the concept is unworkable, Priya can **revisit or refine the opportunity** rather than abandon it — an iterative loop.	Bring out the iterative/feedback relationship.
∴ the opportunity provides the direction and concept development provides the definition and viability; each depends on the other to become a real business.	Conclude with the causal relationship.

Example 3 — unscaffolded

Distinguish between a business opportunity and a business concept.

A **business opportunity** is a favourable gap or set of circumstances — such as an unmet customer need or a change in the market — that makes a new product or service possible; it is only **potential** and nothing has yet been defined. A **business concept** is that opportunity worked into a **defined idea** that sets out **what** the business will offer, **who** its customers are and **how** it will operate and create value. The key difference is one of definition and stage: an opportunity is an **unrefined starting point** that has merely been recognised, whereas a concept is a **developed, defined idea** ready to be tested and acted on. ∴ an opportunity is a possibility, while a concept is the worked-out business idea that development produces from it.

Example 4 — unscaffolded

Asked whether he has a business concept, Ravi replies: "Of course I do — I'm opening an indoor plant shop, because a lot of people around here have taken up growing plants indoors." Evaluate Ravi's claim that he has a developed business concept.

Ravi's claim is **partly justified but overstated**. He has made a genuine start: he has recognised a real **business opportunity** — rising local interest in indoor plants — and has taken the first step of concept development by naming **what** he intends to offer, a retail plant shop, which is more than an undefined hunch. **However**, measured against what a developed concept must contain, his idea is still thin. The **who** is barely defined — "a lot of people around here" is not a target market, so Ravi cannot say whether he is aiming at apartment renters, serious collectors or gift buyers, groups that want quite different things. The **how** is missing altogether: nothing has been settled about premises, where stock will be sourced, pricing, or how the shop will earn enough revenue to cover its costs. Most tellingly, there is no **value proposition** — Ravi gives no reason for anyone to buy from him rather than from the nursery or hardware chain already selling plants nearby. ∴ Ravi has an opportunity with a product attached to it, not yet a developed concept: his claim holds only in the weakest sense, and until he defines the who, the how and his point of difference the idea cannot be properly tested, costed or put to a lender.

Practice questions

Scaffolded

Q1. Define the term *business concept development*.

Q2. A developed business concept answers three key questions about a proposed business. State the three questions.

Q3. For each of the following, state whether it is a business **opportunity** or part of a developed business **concept**: (a) a recognition that commuters near a train station want a quicker breakfast option; (b) a decision to sell pre-ordered breakfast boxes collected from a locker on the station concourse; (c) targeting office workers who pass through the station between 7 am and 9 am.

Q4. Identify **three** reasons why business concept development is important when starting a business.

Q5. Leo has noticed that many elderly residents in his suburb find it hard to keep their gardens tidy and would pay for help. He believes this is a business opportunity. (a) Identify the business opportunity Leo has recognised. (b) Explain how business concept development would turn this opportunity into a defined business concept.

Q6. Explain the relationship between a business opportunity and business concept development.

Unscaffolded

Q7. Describe what is meant by a *business concept*. *(2 marks)*

Q8. Outline **one** difference between a business opportunity and a business concept. *(2 marks)*

Q9. Explain why business concept development is important when starting a new business. *(3 marks)*

Q10. Explain how a business concept defines *what* a business will offer, *who* it will serve and *how* it will operate. *(3 marks)*

Q11. Distinguish between a business opportunity and business concept development. *(4 marks)*

Q12. Compare a business opportunity with a developed business concept. *(4 marks)*

Q13. Analyse the relationship between business opportunities and business concept development. *(4 marks)*

Q14. "A strong business opportunity will succeed on its own, so spending time on concept development is unnecessary." Discuss. *(4 marks)*

Q15. Justify the effort an entrepreneur puts into developing a business concept before investing money in the idea. *(4 marks)*

Q16. *Case study.* Daniel is a keen cyclist who has noticed that many people in his city would ride to work but are put off because there is nowhere secure to park a bike or to shower and change near the central business district. He is sure this is a genuine business opportunity, but admits, "right now it's just a hunch — I haven't worked out exactly what I'd offer or how it would make money." (a) Identify the business opportunity Daniel has recognised, and state why, as it stands, it is not yet a business concept. *(2 marks)* (b) Analyse how business concept development could turn Daniel's opportunity into a defined business concept. *(4 marks)* (c) Propose and justify **one** way Daniel could shape a clear value proposition for his concept. *(4 marks)*

Q17. Evaluate the importance of business concept development to the success of a new business. *(6 marks)*

Q18. Explain why the same business opportunity might give rise to several different business concepts. *(3 marks)*

Q19. *Extended response.* A recognised gap in the market rarely points to only one possible business. Analyse how business concept development acts on a business opportunity to produce a defined concept that shapes a new business's chances of success, and evaluate the view that an entrepreneur should develop and compare several concepts from the same opportunity before committing to one. *(10 marks)*

Q20. In August 2024 Zeller released Zeller Terminal 2, an EFTPOS terminal with point-of-sale software built into the device. It was offered to businesses of all sizes that take card payments and need a point-of-sale system, sold outright for $199 with no monthly rental or lock-in contract, with Zeller then charging a flat fee on each transaction. Analyse how this product demonstrates a developed business concept. *(4 marks)*

Answers

Q1. The process of shaping a recognised business opportunity or raw idea into a clear, defined business concept that sets out what the business will offer, to whom, and how it will operate and create value. **Q2.** *What* the business will offer (and its value proposition); *who* its target customers are; *how* it will operate, create/deliver value and earn revenue. **Q3.** (a) opportunity; (b) concept; (c) concept. **Q4.** Any three: converts a vague idea into a concrete, workable concept; clarifies the value proposition; gives focus/direction to planning and decisions; lets viability be tested before money is committed; helps decide whether to proceed, reshape or abandon; lets the idea be communicated to attract finance/support; provides the foundation for research, feasibility and the business plan. **Q5.** (a) Elderly residents who cannot maintain their gardens and would pay for help — a recognised unmet need. (b) Concept development would define *what* (e.g. a regular garden-care service), *who* (elderly homeowners in the suburb) and *how* (scheduled visits for a monthly fee), turning the gap into a defined, viable idea Leo can act on. **Q6.** The opportunity is the starting point (a recognised gap); concept development shapes it into a defined, viable concept by working out the what, who and how. Each depends on the other and the process is iterative. See theory. **Q7.** A clear, defined description of a business idea — what it offers, to whom and how. See solutions. **Q8.** Opportunity = recognised potential/gap; concept = the defined idea (both terms named). See solutions. **Q9.** It turns a hunch into a defined, testable, communicable idea and reduces risk. See solutions. **Q10.** What = product/service + value proposition; who = target customers; how = operating/revenue model. See solutions. **Q11.** Opportunity = a recognised possibility (starting point); concept development = the process that defines it. See solutions. **Q12.** Similarity: both are early stages of the same idea aimed at meeting a need; difference: potential vs defined, input vs output. See solutions. **Q13.** Causal + iterative: opportunity triggers development, which shapes it into a viable concept and can loop back. See solutions. **Q14.** Discuss both sides — development still adds direction/finance-readiness, but can delay entry and cannot guarantee success. See solutions. **Q15.** Justified — cheaper to fix weaknesses before spending; gives direction and secures finance. See solutions. **Q16.** (a) Deterred would-be cyclists (no secure parking/showers) — undefined what/who/how. (b) Define a bike-hub concept from the gap. (c) Value proposition targeting the exact barriers. See solutions. **Q17.** Very important but not sufficient — reduces risk and gives focus; success still depends on execution/market. See solutions. **Q18.** The opportunity is only a gap, leaving the what/who/how open, so different concepts can be built from it. See solutions. **Q19.** Model response in solutions. **Q20.** The *what* (one device combining payments and point of sale), the *who* (businesses of any size that take cards and need a till, defined by that need rather than by industry) and the *how* ($199 outright plus a fee on each transaction) are all defined, and together they give a clear value proposition. See solutions.

Fully-worked solutions

Q7. A **business concept** is a clear, developed description of a business idea. It sets out **what** product or service the business will offer (and the value it will create), **who** its target customers are, and **how** the business will operate and deliver that value. It is the defined idea that results from developing a recognised business opportunity, so that a vague possibility becomes something specific enough to plan and act on.

Q8. A **business opportunity** is a recognised gap or favourable set of circumstances that makes a new product or service possible — it is only **potential**, with nothing yet defined. A **business concept** is that opportunity worked into a **defined idea** specifying what will be offered, to whom and how. **One difference** is therefore their stage of development: an opportunity is an **unrefined starting point** that has merely been spotted, whereas a concept is a **developed, defined idea** ready to be tested and acted on.

Q9. Business concept development is important because it **converts a vague opportunity into a concrete, defined idea** the entrepreneur can actually plan for, test and communicate. By pinning down what will be offered, to whom and how, it **clarifies the value proposition** and gives **direction** to later decisions about resources, marketing and finance. It also allows the idea's **viability to be judged before money is committed**, so weaknesses can be found and fixed cheaply, which **reduces the risk of failure**. Without it, the entrepreneur would be committing resources to an untested hunch.

Q10. A business concept defines the idea by answering three linked questions. **What** — it specifies the product or service and its **value proposition**, the benefit or point of difference that will make customers buy; this makes the offer concrete. **Who** — it identifies the **target customers** whose need the business will meet, so effort and marketing are aimed at the right market. **How** — it sets out the way the business will **operate, deliver value and earn revenue**, showing that the idea can actually function and be sustainable. Together, defining the what, who and how makes the concept complete and workable rather than a vague possibility.

Q11. A **business opportunity** is a favourable gap or circumstance that a business could exploit — it is the **starting point** and is only potential, requiring nothing yet to be defined. **Business concept development** is the **process** of shaping that opportunity into a defined concept, working out the what, who and how and the value proposition. They differ in **nature** — an opportunity is a recognised possibility, whereas concept development is an active process of definition — and in **sequence** — the opportunity exists first, and development then acts on it afterwards to produce a workable idea.

Q12. *A similarity:* both a business opportunity and a developed business concept are **early stages of the same business idea**, and both are concerned with **meeting a customer need and creating value**. *A difference:* a business opportunity is only **potential** — a recognised gap or favourable change — whereas a developed business concept is a **defined idea** that specifies what will be offered, to whom and how. *A further difference:* the opportunity is the **starting point (input)** of concept development, while the developed concept is its more detailed **output**. ∴ the two are linked stages of the same journey, but differ in how defined and developed they are.

Q13. The relationship is one of **cause and sequence**. A business opportunity is the **starting point**: its recognition **triggers** concept development, which acts on the opportunity by defining the what, who and how and so **transforms** the raw gap into a viable concept. Because the opportunity provides only potential, development is what gives it **form and viability** — one enables the other. The relationship is also **iterative**: if development reveals that the concept is unworkable, the entrepreneur loops back to **refine the opportunity**, which in turn reshapes the concept. In this way opportunity and concept development continually feed into each other until a workable business idea emerges.

Q14. *Reasons development may seem unnecessary for a strong opportunity:* if an opportunity is genuinely strong and obvious, extensive concept development can **delay market entry** and let a competitor act first, and it **consumes time and effort** a confident entrepreneur might prefer to spend launching. *Reasons development is still valuable:* even a strong opportunity is only **potential** — development still forces the entrepreneur to define the what, who and how and the value proposition, **exposing gaps and giving direction** so resources are not wasted on assumptions, and it produces a defined concept that can be **communicated to attract finance**. On both sides, then, concept development trades some speed for a clearer, lower-risk idea — worthwhile even when the opportunity looks strong, though not without cost. *(Discuss = present both sides; a judgement is not required, and one point should not be reversed to serve as both the advantage and the disadvantage.)*

Q15. The effort is justified because **committing money to an undefined idea is high-risk**. By developing the concept first, the entrepreneur clarifies exactly what will be offered, to whom and how it will earn revenue, which **exposes weaknesses while they are still cheap to fix** rather than after money has been spent. A defined concept also provides a clear **value proposition and direction** that guide where money is spent, and it can be **shown to lenders and investors to secure finance** — support that is far harder to attract for a vague idea. Because the cost of developing the concept is small compared with the cost of a failed launch, spending the time before investing is a sound, low-risk decision. ∴ the effort is justified.

Q16. *(a)* The opportunity is that **many people would cycle to work but are deterred by the lack of secure bike parking and shower/change facilities near the CBD** — a recognised unmet need. As it stands it is **not yet a business concept** because Daniel has not defined **what** exactly he will offer, **who** precisely he will serve or **how** it will operate and make money — it is, in his words, "just a hunch". *(b)* Concept development would take Daniel's recognised gap and **shape it into a defined concept by working out the what, who and how**. Defining **what** (e.g. a secure, staffed "bike hub" offering lockable parking, showers, lockers and towel hire), **who** (city workers who cycle or would cycle) and **how** (funded by memberships plus casual day passes, sited near the CBD) **transforms the hunch into a concrete idea**. This gives Daniel a clear value proposition and lets him **judge whether the idea is viable before committing money**, while providing direction for later decisions — so the opportunity **becomes an idea he can actually pursue**. *(Analyse = show the causal chain from opportunity to defined, actionable concept, not a list of pros and cons.) (c) Propose:* Daniel could build his value proposition around **"arrive by bike and start work fresh"** — bundling secure parking with showers, lockers and a towel service in one convenient CBD location, positioned as removing the exact barriers that stop people cycling. *Justify:* this works because it **directly targets the deterrents in the opportunity** (security plus somewhere to freshen up), giving commuters a concrete reason to choose the hub rather than not cycling at all; a sharp value proposition also **differentiates** the business and makes it **easier to market**

and to explain to investors, improving the chance of attracting both members and finance. *(Propose = spell out what the value proposition would actually be; justify = argue why it would be effective.)*

Q17. Business concept development is **highly important, but not sufficient on its own**. *In favour:* it converts a vague opportunity into a **defined, testable idea**, clarifies the **value proposition**, gives **direction** to planning and spending, and lets **weaknesses be found and finance be attracted before large sums are risked** — all of which materially raise a start-up's chance of survival. *Against/limits:* a well-developed concept **cannot guarantee success**, because execution, competition and market conditions still decide the outcome; **over-developing** can delay entry, and a first concept often **has to change** once the business trades. *Judgement:* on balance, business concept development is **very important** to a new business's success because it **sharply reduces avoidable risk and gives the venture focus**, but it is best understood as a **necessary rather than a sufficient** condition — it makes success far more likely without ensuring it. *(Full marks require both advantages and disadvantages and an evidence-based evaluative judgement, not a generic "the advantages outweigh the disadvantages".)*

Q18. A single opportunity can be developed in different ways because the opportunity is only a **recognised gap, not a fixed solution** — it leaves open what exactly to offer, to whom and how. For example, a gap for "convenient healthy meals for busy workers" could be developed into a **meal-kit delivery** concept, a **ready-made frozen-meal brand**, or a **lunchtime salad bar**; each defines a different what, who and how from the *same* opportunity. Concept development is the process by which the entrepreneur **chooses among these possibilities and defines the specific idea to pursue**, so one opportunity naturally gives rise to several possible concepts.

Q19. *Model response (10 marks).* A **business opportunity** is a favourable gap or change in circumstances — an unmet need, a new technology, a shift in what customers want — that makes a new product or service possible. By itself it is only potential: it says that *something* could work here, not what that something is. **Business concept development** supplies the missing detail, working the gap up into a **business concept** that states what will be offered, who it is for, and how the business will operate and earn revenue.

How development acts on the opportunity. Development does not replace the opportunity; it **works on** it. The opportunity supplies the raw material and the direction, and its recognition is what sets development going. Development then interrogates the gap — who exactly feels this need, what would they actually pay for, how could it be delivered at a profit — and those answers harden the gap into a defined offer with a **value proposition**: a reason for a customer to choose this business over whatever they do now. Because a gap prescribes no particular solution, the **same opportunity can support several quite different concepts**: a suburb of time-poor pet owners with no local dog-walking service could become a one-person walking round, an app matching owners with nearby walkers, or a doggy day-care centre — each a different what, who and how drawn from the one gap. Selecting and defining one of them is itself part of concept development. The process also runs the other way: if working out the detail shows the numbers do not add up or the customer group is too small, the entrepreneur goes back and re-reads the opportunity, so gap and concept are refined against each other until a workable idea emerges.

How the resulting concept shapes the venture's chances. A sharply defined concept gives the start-up **focus —** every later decision about resources, location, staffing, marketing and finance can be tested against it — and gives the founder something specific enough to **check before money is spent**, so a fatal weakness surfaces while it still costs only time to fix. The concept is also what a lender, investor, supplier or first employee is actually shown, and a clear one with an obvious value proposition attracts backing that a hunch cannot. A vaguely developed concept does the reverse: scattered spending, an offer customers cannot see the point of, and finance that is hard to raise.

Should several concepts be developed and compared? There is a real case for it. The first idea an entrepreneur has is usually the most obvious one, not necessarily the one that best fits the market or their own skills and capital; setting two or three side by side forces the merits of each to be argued rather than assumed, tends to sharpen the value proposition of whichever is chosen, and costs very little compared with discovering after launch that a better model was available — which is precisely why concept work is done on paper first. **However**, the comparison consumes the time and money a start-up has least of, and effort spread across several concepts is shallow, so the founder can end up with three half-formed ideas instead of one properly worked out. While the alternatives are weighed the **gap itself can close** — a competitor moves in, or the change that created the opportunity passes — and some entrepreneurs have resources or skills that realistically allow only one version of the idea, making the comparison academic. **On balance** the view is sound as a discipline but too strong as a rule: it is worth **generating** several possible concepts from an opportunity, because doing so is cheap and guards against settling for the obvious, but only the one or two most promising deserve full development, and how long the comparison should run depends on how quickly the opportunity is likely to close and how costly the commitment would be to reverse. ∴ an entrepreneur should canvass alternatives before committing, but the purpose is to reach **one** well-chosen concept sooner and with better reason — not to keep several alive. *(Full marks require: a causal account of how development acts on the opportunity and how the resulting concept's quality feeds into the new business's prospects — not a strengths/weaknesses list; a two-sided evaluation of the "compare several concepts" proposition; and a justified judgement rather than a generic conclusion.)*

Q20. A developed **business concept** is one in which the **what**, the **who** and the **how** have all been defined, and Zeller Terminal 2 shows each of them settled in the product itself. The **what** is a single device that accepts card payments *and* runs point-of-sale software, so the offer is a specific, combined product rather than a vague intention to "do payments". The **who** is equally settled: the customers are **businesses of any size that take card payments and need a point-of-sale system** — merchants who would otherwise buy a terminal and a till separately. Defining the market by the problem it solves rather than by a size bracket is itself a deliberate concept decision, and it is what lets the device's design and price be aimed squarely at operators who want one simple system. The **how** is the operating and revenue model: the terminal is bought outright for $199 and revenue then comes from a percentage of each transaction, so it is clear how the offer is delivered and how it earns. Because the what, who and how fit together, they produce a clear **value proposition** — a low up-front cost, no monthly rental and no separate till to buy — giving the target customer a concrete reason to choose it over an alternative terminal. ∴ the launch shows an idea that has moved beyond a recognised **opportunity** (merchants wanting simpler, cheaper payments) to a **defined concept** precise enough to be built, priced and sold. *(Analyse = show how the elements of the concept connect to produce the value proposition, not a list of the product's features.)*

Chapter 2 Business concept development — 2C Market research and initial feasibility studies

Theory

Once an entrepreneur has generated a business idea and begun shaping it into a concept, they face a decisive question: **is this idea actually worth pursuing?** Two investigative tools help answer it *before* scarce time and money are committed — **market research** and an **initial feasibility study**. Both reduce the uncertainty and risk inherent in starting a business by replacing guesswork and optimism with evidence, so that the entrepreneur invests in ideas that are genuinely likely to work rather than ideas that merely *feel* promising.

Market research. Market research is the **process of systematically gathering, recording and analysing information about a market** — its customers, its competitors and its broader conditions — so that business decisions can be based on evidence rather than assumption. When developing a business idea it seeks to answer questions such as: *Is there genuine demand for this product? Who are the likely customers and what do they want and expect? What are they willing to pay? Who else already serves this market, and is there a gap that a new business could fill?*

The **purpose and value** of market research when developing a business idea is that it:

- **tests demand** — confirms whether enough customers actually want the product and would pay for it, rather than assuming they will;
- **understands the customer** — reveals needs, preferences, price sensitivity and buying habits, so the concept can be tailored to what the market actually wants;
- **identifies competitors** — shows who is already in the market, what they offer, and where a gap or point of difference exists;
- **reduces risk** — replaces guesswork with evidence, lowering the chance of an expensive failure; and
- **informs the feasibility study and business plan** — supplies the demand, customer and pricing data that these later steps depend upon.

Primary versus secondary data. Market research draws on two distinct kinds of information:

- **Primary data** — original, first-hand information the business **collects itself, for its own specific purpose**, directly from the source (typically potential customers). Because it is gathered for the exact question at hand, it is **highly relevant, current and exclusive** to the business; however, it is **more expensive, time-consuming and demands research skill** to collect.
- **Secondary data** — information that **already exists**, having been collected earlier by someone else for a *different* purpose, which the business then locates and uses. Sources include government statistics (such as the Australian Bureau of Statistics), census data, published industry and market reports, competitors' websites and a business's own past records. Secondary data is **quick, cheap or free and broad in scope**, but it may be **out of date, too general for the specific idea, and equally available to competitors**.

A sensible sequence usually begins with cheaper secondary data to build a broad picture of the market, then uses primary research to answer the specific questions that remain.

Primary research methods. Four methods are commonly used to gather primary data:

- **Surveys (questionnaires)** — a set of standardised questions put to a sample of people (online, by telephone, by mail or in person). Surveys reach a **large sample quickly and relatively cheaply** and produce data that is easy to quantify and compare; however, the fixed questions limit depth, and low response rates or poorly worded (leading) questions can distort the results.
- **Interviews** — a direct, usually one-to-one conversation with a respondent. Interviews allow **in-depth, detailed responses**, and the interviewer can probe and follow up on answers; however, they are **time-consuming**, reach only a few people, and the interviewer can unintentionally influence responses.
- **Observation — watching and recording** how consumers actually behave in a real setting (for example, counting the foot traffic past a proposed shop site, or watching how shoppers move through a store) rather

than relying on what they *say*. Observation captures **genuine behaviour**, but it reveals *what* people do, not *why* they do it, and the observer's interpretation can be subjective.

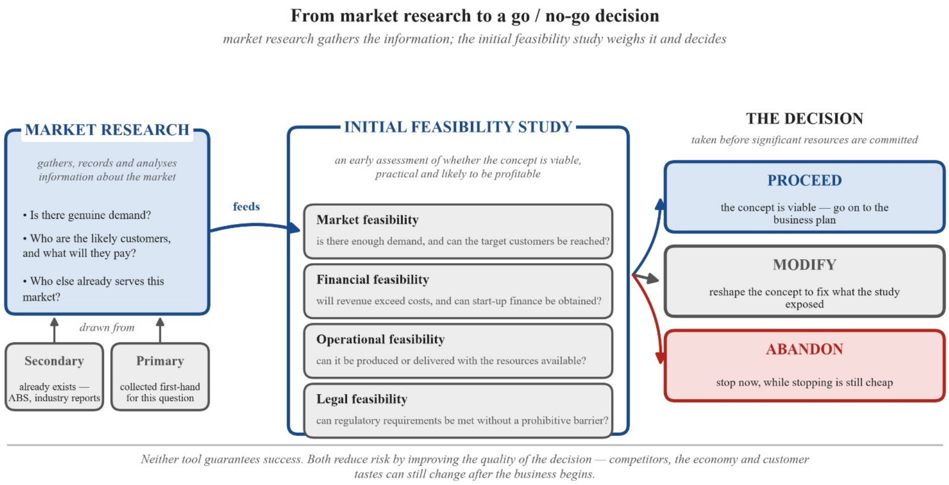
- **Focus groups** — a **guided discussion with a small group** of target customers (typically six to ten), led by a facilitator, exploring attitudes and reactions to an idea in depth and drawing on the interaction between participants. Focus groups generate **rich, qualitative insight**, but the small group is **not necessarily representative** of the whole market and a dominant participant can sway the group.

Initial feasibility study. An initial feasibility study is an **early assessment of whether a proposed business concept is viable, practical and likely to be profitable**, carried out **before** the entrepreneur commits significant resources. Where market research *gathers* information, the feasibility study **weighs that information up to reach a judgement**: should the entrepreneur *proceed with*, *modify*, or *abandon* the idea? An initial feasibility study typically examines several dimensions of the concept:

- **Market feasibility** — is there sufficient demand, and can the target customers actually be reached? (This draws directly on the market research.)
- **Financial feasibility** — can the concept be profitable? Are the likely revenues greater than the expected costs, and can the necessary start-up finance be obtained?
- **Operational (technical) feasibility** — can the product realistically be produced or delivered, given the required resources, suppliers, location, equipment and skills?
- **Legal feasibility** — can the business meet the relevant legal and regulatory requirements without facing prohibitive barriers?

The **purpose and value** of an initial feasibility study is that it:

- supports a **"go / no-go" decision** — giving the entrepreneur an evidence-based basis on which to proceed, adjust or walk away from the idea;
- **prevents wasted resources** — an unviable idea can be identified and stopped before large sums of money and time are spent;
- **reveals obstacles early**, while the concept can still be changed cheaply and easily; and
- **strengthens the business plan and finance applications** — lenders and investors expect evidence that the concept is viable before providing funds.



Keeping the two straight.

- Market research is a **tool for gathering and analysing information** about the market; the feasibility study is a **broader assessment of overall viability** that *uses* that information — together with financial, operational and legal analysis — to reach a decision. In other words, **market research feeds the feasibility study**.
- The word **"initial"** signals that this is an **early, preliminary** check made during concept development, not the detailed operational planning that comes later.
- Neither tool **guarantees** success. Both **reduce risk** by improving the quality of the decision, but future conditions (competitors, the economy, customer tastes) can still change after the business begins.

Contemporary example — Sun Cable, January 2023

Sun Cable was, at the time, a privately owned Australian renewable energy infrastructure developer. Its Australia-Asia PowerLink concept proposed generating solar electricity in the Northern Territory, supplying Darwin, and exporting electricity to Singapore along a subsea cable of roughly 4,200 km.

On **10 January 2023**, voluntary administrators from FTI Consulting were appointed to Sun Cable Pty Ltd. The company's own explanation was that funding proposals had been put forward, but that its shareholders could not reach agreement on the future direction and funding structure of the business. On **7 September 2023** Sun Cable announced that the sale of its assets to Grok Ventures had been completed, and that the project would now be developed in stages, beginning at a much smaller scale than originally proposed.

The sequence separates the **dimensions of feasibility**. On the company's own account, what could not be settled was the direction and funding structure of the business — a question of **financial feasibility**, whether the finance a concept requires can actually be obtained, and one that is distinct from whether there is demand for the product or whether it can practically be delivered. The case also shows the three outcomes of a viability judgement in practice: the concept was neither simply **proceeded with** nor **abandoned**, but **modified** — rescoped and refinanced before development continued. The questions an **initial feasibility study** asks are cheapest to answer early, but they do not stop mattering once an idea is under way.

Source: FTI Consulting, Sun Cable Pty Ltd — Creditors Portal (administrators appointed 10 January 2023) — https://www.fticonsulting.com/creditors/sun-cable-pty-ltd (completion of sale announced 7 September 2023 — https://www.suncable.energy/news/suncable-moving-forward-under-new-ownership). Accurate as at July 2026.

Worked examples

Example 1 — scaffolded

Freya is developing a concept for a premium mobile dog-grooming van that would travel to customers' homes in her suburb. She has $3,000 to spend on research and wants to know whether local dog owners would use, and pay for, the service. Recommend **one** primary research method Freya could use and justify your choice.

Working	Comment
Freya needs **first-hand** information from **local dog owners** about whether they would use and pay for the service.	Identify whose views are needed and what the research must find out.
A **survey (questionnaire)** distributed to households in her suburb would reach a **large sample** of potential customers **quickly and cheaply**, within her $3,000 budget.	Match a method to the need — a survey suits reaching many local customers on a modest budget.
The survey can ask directly whether owners would use a mobile groomer and how much they would pay, giving Freya **quantifiable evidence of demand** she can act on.	Justify the choice by linking the method's strengths to Freya's specific question.
∴ a **survey** is an appropriate primary research method, because it efficiently tests demand among the exact customers Freya needs to reach.	State the justified recommendation.

Example 2 — scaffolded

Marcus has spent months designing an app that connects home cooks with neighbours who want home-cooked meals. He is about to invest his $25,000 in savings to build it. Explain why Marcus should conduct an initial feasibility study before committing this money.

Working	Comment
A feasibility study assesses whether the concept is **viable, practical and profitable** *before* resources are	Start from what a feasibility study is *for*.

Working	Comment
committed.	
Marcus is about to commit a **large, irreplaceable sum** ($25,000) to an unproven idea, so the risk of loss is high.	Link the tool to Marcus's actual situation and the stake involved.
The study would test whether there is **enough demand**, whether the app can be **built and delivered** with his resources, and whether it can be **profitable** — and would flag any legal issues (e.g. food-safety rules).	Show what the study would examine across its dimensions.
If the concept proves unviable, Marcus can **modify or abandon it before losing his savings**; if it proves sound, he can proceed with confidence and stronger evidence for lenders.	Explain the payoff — a better-informed go / no-go decision.

Example 3 — unscaffolded

Distinguish between primary data and secondary data as sources of market research.

Primary data is original, first-hand information that a business **collects itself for its own specific purpose**, directly from the source — for example, by surveying its own potential customers. Because it is gathered for the exact question at hand, it is **highly relevant, current and exclusive** to the business, but it is **costly and time-consuming** to collect. **Secondary data**, by contrast, is information that **already exists**, having been collected **earlier by someone else for a different purpose** — for example, government statistics or published industry reports — which the business then locates and uses. It is **cheap or free and quick** to obtain, but may be **out of date, too general, and equally available to competitors**. The key difference is therefore one of **origin and purpose**: primary data is newly collected first-hand for the specific decision, whereas secondary data is pre-existing information gathered by others for another reason. ∴ the two differ in who collects the data, when, and for what purpose.

Example 4 — unscaffolded

Evaluate the usefulness of secondary data for an entrepreneur developing a new business idea.

Secondary data is **useful** to an entrepreneur in several ways. It is **quick, cheap or free** to obtain — sources such as ABS statistics, census data and published industry reports can be accessed almost immediately — which suits an entrepreneur who has limited funds and wants an early picture of the market. It provides **broad context** about market size, trends and the competitive landscape that would be expensive to gather first-hand, and it is an efficient **starting point** that helps the entrepreneur focus later, more expensive primary research. **However**, secondary data has real limitations: because it was collected by others for a **different purpose**, it may be **too general** to answer the entrepreneur's specific question about their particular concept; it may be **out of date** and no longer reflect current customer behaviour; and because it is **publicly available**, it offers no exclusive advantage, as competitors can access the same information. It also cannot confirm whether *this* specific idea will attract customers. **On balance**, secondary data is a **valuable and cost-effective first step** that should inform, but **not replace**, the primary research needed to test a specific concept. ∴ secondary data is most useful when used *alongside* primary research rather than relied upon on its own.

Practice questions

Scaffolded

Q1. Define the term *market research*.

Q2. List **four** common methods of collecting primary data.

Q3. For each of the following, name the primary research method being described: (a) counting how many people walk past a proposed shop location during a weekend; (b) a facilitator leading an in-depth discussion with eight target customers about a new product idea; (c) emailing a set of standardised questions to 500 potential customers.

Q4. Identify **four** dimensions (aspects) that an initial feasibility study might assess.

Q5. Priya is developing a concept for a plant-based café near a university. (a) Identify **one** source of secondary data Priya could use. (b) Explain **one** benefit of using secondary data before conducting primary research.

Q6. Explain the difference between market research and an initial feasibility study.

Unscaffolded

Q7. Describe what is meant by an *initial feasibility study*. *(2 marks)*

Q8. Distinguish between primary data and secondary data. *(4 marks)*

Q9. Explain how conducting market research can reduce the risk involved in developing a new business idea. *(3 marks)*

Q10. Outline **one** advantage and **one** disadvantage of using surveys as a market research method. *(4 marks)*

Q11. An entrepreneur wants detailed, in-depth opinions from a small number of target customers about a new product concept. Recommend an appropriate primary research method and justify your choice. *(4 marks)*

Q12. “Market research guarantees that a new business idea will succeed.” Discuss this statement. *(4 marks)*

Q13. Explain why an entrepreneur should conduct an initial feasibility study before committing significant resources to a business idea. *(3 marks)*

Q14. Compare surveys and focus groups as methods of market research. *(4 marks)*

Q15. *Case study.* **Tavi Okonkwo** is developing a business concept called **GreenCrate**, a weekly subscription box of “imperfect” (cosmetically flawed but edible) fruit and vegetables delivered to households in the regional city of Ballarat. Tavi has $40,000 in savings but has never run a business and is unsure whether enough households would pay for the service. He has read a government report showing rising consumer concern about food waste, and is considering surveying local households. (a) Identify whether the government report Tavi has read is primary or secondary data. *(1 mark)* (b) Explain how conducting a survey of Ballarat households could help Tavi develop his business concept. *(3 marks)* (c) Tavi says, “The government report proves my idea will work, so I don’t need a feasibility study.” Justify why Tavi should conduct an initial feasibility study before committing his savings. *(4 marks)*

Q16. Analyse the relationship between market research and an initial feasibility study when developing a business concept. *(6 marks)*

Q17. Evaluate the use of secondary data by an entrepreneur developing a new business idea. *(6 marks)*

Q18. Dev has completed market research showing strong demand for his concept, but his initial feasibility study reveals he cannot obtain the finance needed to start. Explain what this means for his decision to proceed, and recommend what he could do. *(4 marks)*

Q19. *Extended response.* “A business idea is only worth pursuing once it has been properly investigated.” Analyse how market research and an initial feasibility study each contribute to developing a business concept, and evaluate the view that an entrepreneur should not proceed with a business idea until both have been undertaken. *(10 marks)*

Q20. *Contemporary example.* On **10 January 2023** voluntary administrators were appointed to **Sun Cable**, whose Australia-Asia PowerLink concept proposed exporting solar electricity from the Northern Territory to Singapore by subsea cable. The company said funding proposals had been put forward, but that its shareholders could not agree on the future direction and funding structure of the business. Its assets were sold in September 2023 and development resumed at a much smaller initial scale. Analyse what this sequence shows about the role of an initial feasibility study when developing a business concept. *(6 marks)*

Answers

Q1. The process of systematically gathering, recording and analysing information about a market — its customers, competitors and conditions — to support business decision-making. **Q2.** Surveys (questionnaires); interviews; observation; focus groups. **Q3.** (a) observation; (b) focus group; (c) survey (questionnaire). **Q4.** Any four of: market feasibility (demand); financial feasibility (profitability/finance); operational or technical feasibility (can it be produced/delivered); legal feasibility (regulatory requirements). **Q5.** (a) e.g. ABS statistics / census data / a published hospitality-industry report / competitors' websites. (b) It is quick and cheap to obtain and gives a broad picture of the market, helping Priya focus her later, more expensive primary research. **Q6.** Market research *gathers and analyses information* about the market; an initial feasibility study *uses* that information (plus financial, operational and legal analysis) to *judge whether the concept is viable* before resources are committed. See solutions. **Q7.** An early assessment of whether a business concept is viable, practical and profitable, made before committing significant resources. See solutions. **Q8.** Primary = original first-hand data collected by the business for its own purpose; secondary = pre-existing data collected by others for another purpose. See solutions. **Q9.** Replaces guesswork with evidence about demand, customers and competitors, so decisions are better informed and costly mistakes are avoided. See solutions. **Q10.** Advantage: reaches a large sample quickly and cheaply. Disadvantage: fixed questions limit depth / low response rates can distort results. See solutions. **Q11.** Interviews (or a focus group) — suited to in-depth qualitative views from a small number of people. See solutions. **Q12.** Disagree overall — market research reduces risk but cannot guarantee success. See solutions. **Q13.** To make an evidence-based go / no-go decision and avoid wasting resources on an unviable idea. See solutions. **Q14.** Both are primary research methods gathering first-hand customer data; they differ in sample size and depth (survey = large sample, shallow; focus group = small group, in-depth). See solutions. **Q15.** (a) Secondary data. (b) Tests local demand / reveals what households want and would pay. (c) Model response in solutions. **Q16.** Market research supplies the demand and customer evidence that the feasibility study relies on to judge viability. See solutions. **Q17.** Evaluation — cheap/quick/broad but general, dated and non-exclusive; useful alongside primary research. See solutions. **Q18.** The concept is not currently viable (fails financial feasibility despite demand); modify — seek alternative finance or scale down. See solutions. **Q19.** Model response in solutions. **Q20.** Feasibility is a judgement across **several dimensions**, all of which must be satisfied — the stated obstacle here was the funding structure, a matter of **financial feasibility**. The judgement has three outcomes — proceed, modify, abandon — and this concept was **modified** (rescoped and refinanced) rather than abandoned. Obstacles are cheapest to resolve early. See solutions.

Fully-worked solutions

Q6. Market research is the process of **systematically gathering, recording and analysing information about a market** — its customers, competitors and conditions — so that decisions can be based on evidence rather than assumption. It is a **tool for collecting and interpreting information**, drawing on **primary data** (gathered first-hand through surveys, interviews, observation or focus groups) and **secondary data** (existing information such as ABS statistics and published industry reports). An **initial feasibility study** is a **broader early assessment of whether the proposed concept is viable, practical and likely to be profitable**, carried out **before** significant resources are committed: it **weighs up** the market evidence *together with* **financial, operational and legal** considerations to reach a **"go / no-go" judgement**. The difference is therefore one of **function** — market research **gathers and analyses the information**, whereas the feasibility study **uses that information to reach a decision** about whether to proceed with, modify or abandon the idea. In short, **market research feeds the feasibility study**: the research tells the entrepreneur what the market looks like, while the feasibility study tells them whether the idea is worth pursuing.

Q7. An **initial feasibility study** is an **early assessment of whether a proposed business concept is viable, practical and likely to be profitable**, carried out **before** the entrepreneur commits significant time and money. It weighs up the available information to help the entrepreneur decide whether to proceed with, modify or abandon the idea.

Q8. Primary data is original, first-hand information that a business **collects itself for its own specific purpose**, directly from the source (for example, by surveying its own potential customers); it is relevant and current but costly and time-consuming to gather. **Secondary data** is information that **already exists**, having been **collected earlier by someone else for a different purpose** (for example, government statistics or published industry reports); it is cheap and quick to obtain but may be out of date and too general. The two therefore differ in **who collects the data, when it is collected, and for what purpose** — primary is newly gathered first-hand for the specific decision, whereas secondary is pre-existing data gathered by others for another reason.

Q9. Market research **reduces risk** because it **replaces guesswork and assumption with evidence**. By gathering and analysing information about likely demand, customer preferences and competitors, the entrepreneur can confirm whether enough people actually want the product and would pay for it, *before* investing money. This means the concept can be **tailored to what customers genuinely want**, and ideas that lack real demand can be identified and dropped early. As a result, the entrepreneur is far less likely to spend significant resources on an idea that would have failed — lowering the chance of a costly mistake.

Q10. *Advantage:* a survey can reach a **large sample of potential customers quickly and relatively cheaply**, and its standardised questions produce data that is **easy to quantify and compare**, giving broad evidence of demand. *Disadvantage:* because the questions are **fixed**, a survey provides **limited depth** and cannot explore *why* customers feel as they do; furthermore, **low response rates or poorly worded (leading) questions** can distort the results and make them unreliable.

Q11. An **interview** (a focus group would also be acceptable) is the most appropriate method. The entrepreneur wants **detailed, in-depth opinions from a small number** of target customers, and an interview is a direct one-to-one conversation that allows **rich, qualitative responses** and lets the researcher **probe and follow up** on what each person says. This is justified because a survey's fixed questions could not capture the depth of opinion required, whereas an interview draws out the detailed reasoning the entrepreneur is seeking. ∴ an interview best matches the need for in-depth views from a few people.

Q12. The statement should be **rejected**. It is true that market research is **valuable**: by gathering evidence about demand, customers and competitors it **reduces risk** and improves the quality of decisions, making success **more likely**. **However**, it cannot **guarantee** success. Research samples may be unrepresentative, respondents may not behave as they said they would, and the data may be misinterpreted. Even sound research cannot control **future changes** — new competitors, an economic downturn or shifting customer tastes can undermine an idea after it launches. Market research therefore **improves the odds** of success but never assures it, so the claim overstates its power.

Q13. An entrepreneur should conduct an initial feasibility study because it enables an **evidence-based "go / no-go" decision** before large, often irreplaceable, resources are committed. The study assesses whether the concept is **viable, practical and profitable** — testing demand, the likely costs and revenues, whether the business can practically operate, and whether legal requirements can be met. If the idea proves unviable, the entrepreneur can **modify or abandon it before wasting money**; if it proves sound, they can proceed with confidence and stronger evidence for lenders. Committing resources without this check risks large losses on an idea that was never workable.

Q14. Similarity: both surveys and focus groups are **primary research methods** that gather **first-hand information directly from potential customers** to inform a business idea. **Differences:** a **survey** puts standardised questions to a **large sample** and produces **quantifiable but relatively shallow** data that is easy to compare; a **focus group** involves a **small group** (typically six to ten) in a **facilitated discussion** that produces **in-depth, qualitative** insight and draws on interaction between participants, but is not representative of the whole market. In short, surveys trade depth for **breadth and numbers**, whereas focus groups trade representativeness for **depth of understanding**.

Q15. (a) **Secondary data.** (b) Conducting a **survey** of Ballarat households would give Tavi **first-hand evidence** about whether local households would actually **subscribe to and pay for** GreenCrate, and at what price. It could reveal how often they would order, what they value (price, convenience, reducing food waste) and any concerns, allowing Tavi to **tailor his concept** — for example, the box size, price point or delivery frequency — to what Ballarat customers genuinely want, rather than relying on the general government report. (c) Tavi should **conduct an initial feasibility study** because the government report only shows a **general trend** in concern about food waste — it does **not prove that enough Ballarat households will pay for *his* specific service**, nor that GreenCrate can be run **profitably or practically**. A feasibility study would test the **market** (local demand), the **finances** (whether $40,000 is enough and whether revenue would exceed costs such as produce, packaging and delivery), the **operations** (sourcing imperfect produce and delivering reliably) and any **legal** requirements. Given that Tavi is **inexperienced** and is risking his **entire $40,000 in savings**, this assessment is essential: it lets him proceed only if the concept is genuinely viable, or modify or abandon it before losing his money. ∴ the report alone is not sufficient evidence, and a feasibility study protects Tavi's investment.

Q16. Market research and the initial feasibility study are **closely and sequentially related**: market research **provides the evidence** that the feasibility study **uses to reach its judgement**. Market research **gathers and analyses**

information about the market — demand, customer preferences, pricing and competitors — through primary and secondary sources. The initial feasibility study then **draws on that information**, particularly for its **market and financial dimensions**, to assess whether the concept is viable, practical and profitable. Because the feasibility study **depends on** the quality of the research, **weak or missing market research leads to an unreliable feasibility judgement**, which in turn leads to a poorly informed decision to proceed or abandon. Conversely, **thorough market research strengthens the feasibility study**, producing a more accurate assessment and a better final decision. The relationship is therefore one of **input and dependence**: research is the information-gathering step that *feeds into* the broader viability assessment, and the two work **together** to reduce the risk of committing resources to an unworkable idea.

Q17. Secondary data has **genuine value** for an entrepreneur developing a new idea. It is **quick, cheap or free** to obtain — sources such as ABS statistics, census data and published industry reports can be accessed almost immediately — which suits an entrepreneur with **limited funds**. It provides **broad context** about market size, trends and competitors that would be costly to gather first-hand, and it is an efficient **starting point** that helps focus later primary research. **However**, its usefulness is **limited**: because it was collected by others for a **different purpose**, it is often **too general** to answer the entrepreneur's specific question about their particular concept; it may be **out of date**; and because it is **publicly available** it offers **no exclusive advantage**, since competitors can access the same information. Crucially, it cannot confirm whether *this specific* idea will attract customers. **On balance**, secondary data is a **valuable and cost-effective first step**, but its generality and age mean it should **inform, not replace**, the primary research needed to test a concept. ∴ secondary data is most useful when used **alongside** primary research rather than relied upon alone.

Q18. The result means that, although there is **strong demand** (the concept passes *market* feasibility), it **fails financial feasibility** because Dev **cannot obtain the finance** needed to start — so, as it currently stands, the concept is **not viable** and he should **not proceed unchanged**. Committing anyway would risk running out of money before the business could establish itself. Rather than abandon a genuinely wanted idea, Dev should **modify the concept**: he could **seek alternative sources of finance** (for example, a business loan, an investor or a partner who contributes capital), **scale the idea down** to a smaller, cheaper launch that his available funds can support, or **phase the roll-out** so early revenue helps fund later growth. He should then **re-test feasibility** with the revised plan. This uses the feasibility study as intended — to reshape the idea into a viable form rather than pursue an unaffordable one.

Q19. *Model response (10 marks).* Developing a business concept involves turning a rough idea into a defined offering, and two tools help an entrepreneur decide whether that idea is worth pursuing: market research and an initial feasibility study. **Market research** is the process of systematically gathering and analysing information about the market, its customers and its competitors, using **secondary data** (existing information such as government statistics and industry reports) and **primary data** collected first-hand through **surveys, interviews, observation and focus groups**. It contributes to concept development by **testing whether genuine demand exists**, **revealing what customers want and will pay**, and **identifying competitors and gaps** — allowing the entrepreneur to **shape the concept around evidence** rather than assumption. The **initial feasibility study** then takes this information and adds **financial, operational and legal analysis** to reach a judgement about whether the concept is **viable, practical and profitable** before resources are committed. It contributes by converting research findings into a **go / no-go decision**: confirming there is not only demand but also a way to produce and deliver the product profitably and lawfully. The two are **causally linked** — the feasibility study's market and financial judgements *depend on* the quality of the market research, so the tools work in sequence: research **gathers** the evidence, and the feasibility study **weighs** it.

The view that an entrepreneur should **not proceed until both have been undertaken** is **largely sound**. Skipping them means relying on **guesswork**, which greatly increases the risk of committing scarce, often irreplaceable, resources to an idea that lacks demand or cannot be run profitably — exactly the failures these tools are designed to prevent. Undertaking both means the entrepreneur proceeds only on **evidence**, can **modify or abandon** a weak concept cheaply, and can present a **stronger case to lenders and investors**. **However**, the view is **not absolute**. Research and feasibility studies **cost time and money** that an entrepreneur may lack, they can **delay** entry to a fast-moving market where being first matters, and — however thorough — they **cannot guarantee success**, because samples can mislead and future conditions can change. For a **small, low-risk or low-cost** idea, exhaustive investigation may not be justified. **On balance**, the evidence strongly supports investigating an idea **before** committing significant resources: the greater the money and risk involved, the more essential market research and an initial feasibility study become, even though the depth of investigation should be **proportionate** to the stakes. *(Full* *marks require: accurate explanation of both tools; a genuine* analysis *of how each contributes and how they are causally linked; and a sustained, two-sided* evaluation *reaching a justified conclusion.)*

Q20. *(Analyse — trace what the sequence reveals about feasibility.)* The sequence shows the questions an initial feasibility study asks being answered late rather than early. First, it demonstrates that feasibility has **several dimensions** and that a concept must satisfy **all** of them: a proposal may be sound in **market** terms and workable in **operational** terms, yet still fail on **financial feasibility** if the finance it requires cannot be obtained on terms those providing it will accept. Sun Cable's stated obstacle was of this kind — agreement on the direction and funding structure of the business — so the concept could not proceed as it stood, which is why administrators were appointed. Second, it shows that the **"go / no-go" decision** is not simply yes or no: the three available responses are to **proceed with**, **modify** or **abandon** the concept, and the outcome here was to **modify** — the assets were sold, the concept was rescoped to a smaller initial stage, and development continued. Third, it illustrates why the study is described as **initial** and belongs **early**: obstacles are cheapest to identify and resolve while a concept can still be changed easily, whereas resolving this one after years of development required administration and a sale. ∴ feasibility is a multi-dimensional judgement whose financial dimension alone can be decisive, and whose proper outcome is often to reshape a concept rather than to pursue or discard it unchanged.