

CHAPTER 2

Recognizing Opportunities and Generating Ideas

OPENING PROFILE

ICRACKED

Solving a Problem and Building a Business in an Exploding Industry

• **WEB:** www.icracked.com • **Facebook:** *iCracked* • **Twitter:** *@icracked*

In mid-2009, AJ Forsythe had a problem. While a student at California-Poly San Luis Obispo, he broke his iPhone twice within two days. The first time occurred when he was exiting his car. He dropped his iPhone and cracked the screen. That accident cost him \$200 and an hour's trip to the Apple store. A few days later the same phone broke again, when his roommate casually tossed it to him and it hit a ceiling fan. Determined to fix the phone himself this time, Forsythe got help from some engineering students and used a small screwdriver and dental pick to replace the phone's shattered screen. Incredibly, shortly after these two incidents, Forsythe's roommate broke his iPhone. At that point, Forsythe realized that repairing iPhones was a promising idea for pursuing a business opportunity.

To start, Forsythe gave a friend \$20 to design a flyer, and began putting the flyers up around campus. Within two weeks, he had his first customer. Forsythe set up a Facebook page and a Twitter account to generate additional awareness and sales, and the business—which he named *iCracked*—started to take shape. Profit margins were good. At \$75 a phone, Forsythe was making about \$40 for less than an hour's work.

From the outset, Forsythe saw *iCracked* as a business that could be replicated on other college campuses. He spent the summer of 2010 in Dallas, his hometown, pitching the idea to local campuses.

Forsythe brought on a partner in the fall of 2010, Anthony Martin. The two met through a mutual friend. Martin's best friend in high school was Forsythe's best friend in college. At the time, Martin was running a textbook exchange platform at UC Santa Barbara. Martin and Forsythe were both college entrepreneurs and enjoyed talking to each other about business. Martin liked the opportunity Forsythe was pursuing, particularly given Apple's growing market share in the smartphone industry. Martin put the first investment into *iCracked* to buy inventory and set up a website. The two began putting job listings on college campuses across the United States. Within 30 days, they had their first website up and 23 repair technicians on college campuses across the country. They called their repair technicians "iTechs." In the nearby photo, Anthony Martin appears on the left while AJ Forsythe is on the right.

LEARNING OBJECTIVES

After studying this chapter you should be ready to:

1. Explain the difference between opportunities and ideas.
2. Describe the three general approaches entrepreneurs use to identify opportunities.
3. Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.
4. Identify and describe techniques entrepreneurs use to generate ideas.
5. Discuss actions to take to encourage continuous development of new ideas in entrepreneurial firms.

Since that time, iCracked has continued to expand, and the company now has over 500 iTechs spread over most of the United States and eight foreign countries. Initially, a customer would be put in touch with an iTech technician, and they agree on a place to meet. Starting in late 2013, the service improved, and the iTechs now travel directly to the customer. They repair broken screens, LCDs, bad batteries and all other small parts problems, as well as water damage for Apple iPhone, iPad, and iPod models. As long as the logic board is intact, which it usually is, the repair can be made. The repairs typically take between 10 and 30 minutes and cost between \$70 and \$170. They also purchase used iPhone, iPad, and iPod devices. The iTechs aren't full-time employees of iCracked. The firm makes money by selling parts to the iTechs and connecting them to customers. iCracked is extremely diligent about who becomes an iTech. Every applicant is subject to a five-step interview process and a background check. Thousands apply, but only 2 percent of applicants are accepted. The firm adds 50-70 new iTechs each month. Over time, iCracked technicians have seen all manner of iPhone catastrophes, from pet pigs stomping on them, to iPhones being run over by trucks, to phones falling out of the hands of skydivers. Often badly damaged, the phones can usually be repaired and restored. Offering insurance on iPhones is a new product line iCracked is considering. The insurance is expected to cost around \$6 a month, with a \$20 deductible. For people in areas where iTech technicians aren't yet available, iCracked offers the option of sending the broken phone to the company's headquarters, where it will be fixed and sent back the same day. iCracked also continues to sell its do-it-yourself iPhone Screen Repair Kit.

iCracked believes it is just getting started. The company had sales of around \$2 million in 2012 and \$10 million in 2013. It sees additional opportunities in its core business and in other areas. In regard to its core business, it's estimated that within the next five years, there will be five billion smartphones in the world. About 30 percent of smartphones are damaged and at some point need repairs. iCracked has already positioned itself as the world's largest and most efficient iPhone repair and buyback service. It plans to soon extend its service to Android-equipped phones. As a result, iCracked is positioned to dramatically increase its revenue in smartphone repairs, buybacks, and additional services. Its smartphone insurance service is also expected to significantly add to the firm's sales revenue.

In regard to other areas, in early 2012, Forsythe and Martin were admitted to Y Combinator, based on the strength of their company's early traction. Y Combinator is a business accelerator that provides seed money, mentoring and connections to promising technology startups. The three-month Y Combinator experience challenged Forsythe and Martin to see iCracked in a new light and as a much bigger potential opportunity. Forsythe and Martin believe their network of iTech technicians is the company's most valuable asset. They foresee the technicians eventually providing repairs, installations, and additional service across a variety of industries for a wide range of clientele.

In this chapter, we discuss the importance of understanding the difference between ideas and opportunities. While ideas are interesting and can intrigue us as possibilities, not every idea is in fact the source of an opportunity for an entrepreneur to pursue. In addition to describing the differences between ideas and opportunities, this chapter also discusses approaches entrepreneurs use to spot opportunities, as well as factors or conditions in the external environment that may result in opportunities. As you will see, too, certain characteristics seem to be associated with individuals who are adept at spotting viable business opportunities.