A Framework for Evaluating New Practice Opportunities

Looking for ways to diversify your practice and offer new services to meet emerging needs often means stepping outside your comfort zone and into unfamiliar territory. Using a systematic approach to evaluate potential opportunities can not only help you consider a variety of important issues related to launching a new service, but also facilitate effective decision-making and increase the likelihood of success in new ventures.

This article presents one framework for evaluating new practice opportunities as well as a variety of questions to consider when thinking about embarking on a new venture or simply adding additional services to your existing offerings.

Your Practice

Taking stock of your current practice and professional activities is an essential component of any good evaluation. When evaluating a potential opportunity, consider:

- Are you interested in or passionate about this issue, service, or population?
- Is the new activity consistent with your professional competencies and strengths?
- Does it fit your mission?
- Can you integrate the new service into your business plan or revise your plan to include the new venture?
- Do you have (or can you acquire) the necessary skills?
- Will the new venture require knowledge, skills or abilities in areas in which you are not particularly strong?
- Are your practice finances sound enough to support your new direction?
- Will the new activity be profitable enough for you to justify the time, energy and resources needed?
- Do you have the necessary resources (e.g., office space, materials, funding, administrative support) or can you afford the cost of acquiring them?
- How risky is the venture; how much risk can you tolerate?
- How can you differentiate yourself in this area to create a competitive advantage?
- Can you create a clear strategy for developing, implementing and marketing the new service?

- How long will it take you to develop, implement and market the service?
- How long will it take you to recoup the investment necessary to build and launch the new service?
- What will you need to do to be successful in your new venture?
- Is this a realistic opportunity?

The Environment

It is also important to conduct an external analysis that includes a review of general environmental trends, developments in your local community and characteristics of the market you are considering entering. Be sure to consider both the current environment and likely future developments.

- What are the key environmental trends, opportunities and threats related to such factors as demographics, the economy, legislative and regulatory developments, technology, public opinion/attitudes, and the evolving healthcare marketplace?
- Is the new service a good fit with the environmental trends you identified?
- Is the service needed in the community?
- Do potential clients know they need the service and what will be the likely volume of demand?
- Is demand increasing or decreasing?
- Will the demand last or will it quickly disappear?
- What effect will the service have on individuals, groups or the community, and what is the potential benefit?
- Who are the referral sources or gatekeepers and do you have access to them?
- Are there related services you can offer to complement the new venture and add value?
- How attractive is the market? Will others find it lucrative and start to offer the same services?
- If competitors enter the market, what is the likelihood of supply outpacing demand?
- What are the barriers to entry (e.g., required education, credentials, special expertise, necessary resources, startup costs, etc.)?

Tip: The more attractive the market, the more important it will be for you to establish a strong competitive advantage.

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time) that make it challenging for others to enter the market, and how difficult are those barriers to overcome?

- How much control does the purchaser have over aspects of your business, such as the way you provide services, how much you are paid and administrative requirements? (This is particularly important when a large portion of your business will come from third-party payers or other contracting bodies.)

- Are there substitute products or services available at lower cost? If so, why would clients choose your service over lower-cost alternatives?

The Target Market

Identifying and evaluating the target market is an important part of assessing a new practice opportunity and will be important information to have when creating your marketing and advertising plan, should you decide to pursue the new venture.

- Who would benefit from the service you are considering?

- Who would be likely to seek the new service? Describe their demographic characteristics, as well as their problems, needs, and key issues.

- Is the potential client base growing or shrinking?

- Where do potential clients live, work, go to school, shop, and use the type of service you are considering?

- Would users be able to easily access the service?

- Can purchasers afford to pay for the service and are they willing to spend the money? Is the perceived value or benefit worth the cost?

- When (under what circumstances and at what times) would your potential clients use the service, how frequently would they need it, and for what duration?

- Who would actually purchase or pay for the service? Is it the same as the user of the service? If not, what are the characteristics of the purchaser and what is their relationship to the user?

- Who would make decisions about purchasing, accessing and utilizing the service and how do they make their decisions? What factors do they consider (e.g., cost, quality, value for the money, easy access, location, excellent customer service), and who influences their decisions?

- How and where do potential purchasers and users get information about this type of service and appropriate providers (e.g., directory listings, recommendation from a friend, family member or co-worker, referral from another healthcare provider or other professional, advertising or other promotional materials, affiliations with community groups and other organizations)?

- How will you reach potential clients and how much will it cost? Tip: Don’t underestimate the time, money, and effort that will be required to market the new service.
The Competition

Your evaluation of competitors should go beyond simply identifying the other psychologists offering the same service in the same area. Take a broader view of your competition by considering not only the psychologists, but also other professionals, such as psychiatrists, social workers, counselors, marriage and family therapists, clergy, executive or life coaches, business consultants, and nurse practitioners. Additionally, think about other substitute products or services (e.g., self-help books, gym memberships, massage therapists, general practitioners, and other recreational activities used to relieve stress) that compete for your potential clients’ dollar.

- What competition already exists?
- Who would be your leading competitors? Are they already offering services?
- Who else will likely enter the market and begin offering services?
- What strategies are you competitors using? What are their strengths and competitive advantages?
- How intense is the competition in the market you are considering?
- Could your competitors match or beat your price?
- What do your networking contacts, friends and colleagues say about your competitors?

DIVERSIFYING THROUGH GROUP PRACTICE

One way practitioners can diversify their services is by joining together to form group practices that offer a range of services. Watch APApractice.org for helpful articles on this subject in 2006.

- What information can you gather by looking at professional association resources and materials, trade publications, promotional materials other providers are using, your local paper, consumer directories and community bulletin boards?
- What are the results of basic Internet searches using keywords related to the new service you are considering and your geographic area?
- Who is providing a similar service to that which you are considering?
- To whom are competitors providing services and what potential client segments still have unmet needs?
- What markets or new niche areas are your competitors expanding into?

If your evaluation of a potential service raises any significant concerns, proceed with caution. A venture that is not a good fit for a particular practitioner, practice, external environment, or target market is likely to face significant obstacles. Be sure to consider all of the business implications, such as those listed above, as some opportunities that sound interesting or seem like a good idea may not have strong market potential. On the other hand, if a thorough evaluation of a new service reveals that it has the potential to meet emerging needs and become a profitable business opportunity, take steps to craft a solid business plan to advance the idea.