

## *Identifying Business Ideas*

### **Where ideas for new businesses originate**

- Rely on your own experience – problems you’ve encountered in your work or life experiences, e.g., inefficiencies, frustrations, shopping experiences, desire to solve a big global problem.
- The idea should focus on something you care deeply about. What gets you through the hard work of a business start-up is that you care deeply about the issue.
- Subject matter expertise is very valuable, as it gives you credibility.
- Distinguish between a necessity and a “nicety.” Businesses that address a necessity will be more successful and have larger markets than those which provide something that’s nice, but not necessary, to have.

### **The difference between a project and a product/service**

- Projects provide experience and build expertise, but don’t have sustainable markets. It’s the difference between having one customer and many who will buy repeatedly.
- Selling some number of units of a product is not necessarily a business.

### **How to test whether an idea has legs as a business**

- Try to sell your product where people will be buying it, e.g., fairs, conventions, flea markets. If you’re able to sell, it’s likely because people have a need for your product.
- Question is: Is your business scalable? That’s what will make money. Test: If your operating costs grow at the same rate as your top line, it’s not a scalable business.
- First-time entrepreneurs tend to over-engineer their products. Better to build something that people want to use.

- Avoid the mistake of building the trappings of a business, e.g., marketing, distribution operations, as opposed to building a business. Prove you can create something, then find paying customers who will use it.

### **How to determine the market for your idea**

- Most important thing is to understand your customer. The better you understand your customer, the more successful you'll be.
- Market research that matters builds from the ground up, e.g., who will buy your product at what cost, and how many people there are like that. Avoid top-down market research, e.g., the car market is \$70 billion.
- Focus groups are not helpful in figuring out the validity of a concept; they can be useful in tweaking an offering feature, e.g., brown or red.
- Don't listen to what customers say; watch what they do.
- Understand how your market works, e.g., what it takes to get on to a hospital's approved products list. Without knowing how the people you want to sell to buy, you can have the best, least expensive product, but may not be able to get on to the right shelves or in front of the right people.

### **How to get started**

- Diagram the value chain of your business – from sourcing to end users. This will identify the risks you'll face along the way, including competitors. You'll also identify the check signers, as opposed to the end users.
- Some businesses can be started in your spare time. Doing a project on the side can show you're able to do something on your own while you gain understanding about what you're doing.