

EVALUATING BUSINESS IDEAS

- Part of the fun and excitement of wanting to enter the entrepreneurial world is evaluating new business ideas. The risk, of course, is that there are a lot of ideas that just don't work for a number of reasons:
 - The idea is flawed technically/psychologically not acceptable
 - The timing is not right or the market is not ready for it
 - A good idea, but it is difficult to get finance because of scepticism
 - A good idea, but the cost of development or getting it up and running is high and finance may be a problem
 - The return on your investment may take some time which you cannot afford
 - Your business plan is not comprehensive nor convincing
 - You have not spoken to your intended target market or even determined who your market is.

All of the above indicate that you have not done your homework. Research of the product or service itself, the market, the competitors, the support base, regulation and regulatory authorities, costs and suppliers are just some of the aspects to be considered.

Take some simple steps

It sounds complicated but you can start with some simple steps:

- Question yourself and determine if you are indeed excited about this idea. Do you really want to carry it through? Besides an obvious profit that you will want to make, will you get satisfaction from it?
- Discuss the idea with some friends and associates and ask them what they think; some may be negative (and you should not be subject to the negative influences of other people) but they may alert you to some problems you could encounter which you had not thought of before.
- If your initial thinking and research indicates positive results, design some form of questionnaire for yourself and any other potential stakeholders, such as lenders, potential partners, investors and customers. It should be designed simply to help you decide whether you should proceed to the next level of commitment.
- Ask potential customers what value do they believe they will get and what would they be prepared to pay for it? This will help you to determine some guidelines regarding costs versus potential income.

Once you have some tangible results. you need to proceed to the next level: the detail. The devil is in the detail but if you have not thought that through before you put time and money behind your idea, you would only be relying on luck; and for most entrepreneurs, that's a dirty four-letter word!

Assessing the deliverables

Essentially you would be looking at the **product or service itself**. What are its unique features: what makes it different from that offered by the competition? How will it be designed, manufactured and delivered to the customers?

What **legislation** affects this service or commodity? How do I get sufficient information and support on this aspect? What costs are associated with complying and what are the penalties for non-compliance?

What resources do I need and what **experience, skills and qualifications** are needed to get the job done? Can I afford that level of expertise or do I have the time to train them?

Who will buy this product? Have I determined the customer profile and how best will I target them? How big is this **potential market**? Has the market potential to grow or is it saturated? What are the likely costs required to reach this market?

Who are my **competitors**? What are their strengths? Can I take advantage of their weaknesses and how long will that last? Will competitors easily be able to copy your product or service? How will they react when you enter the market?

Can I **finance** this business? If I need finance, how will I get it and from whom and at what cost? (It is often said that it takes two years to get a business up and running so it is possible you need enough funds to keep you going for the time you require? You will constantly have to assess the viability of the business.)

Specific deliverables

The above refers to generic requirements, but depending on the business and industry that you are involved in, the specific deliverables need to be covered too. Manufacturing will include aspects such as production levels, capacity levels of plant and machinery, pricing per product line, expansion considerations, quality control, production and overhead costs. If you are into the hi-tech industry, you need to consider keeping up-to-date with a dynamic industry both in terms of deliverables, pricing and holding onto key personnel. The services industry may require more focus on the measurement of labour productivity and benchmarking against standard or accepted industry quality standards.

Perseverance is the name of the game when it comes to assessing ideas. In one sense you can too easily discard an idea that might have excellent value just because it seems to take too long to research, or the effort is too great, or somebody has said something negative. Making an appropriate investment in time and research will give you your answer.