

Seven ways to tell if your business idea will succeed



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Document the positives in your business plan to persuade both yourself (the most important person) and stakeholders such as lenders, investors, suppliers and potential customers that your business idea is sound.

1. Your idea has a strong point of difference

To survive in business, you need a compelling point of difference. Period.

Something that clearly distinguishes you from average or middle-of-the-road – a dangerous place to linger! ‘Me too’ businesses start off weak and seldom last.

If your idea itself is not novel (such as opening another coffee shop), then what exactly will make your coffee shop different? The less novel the business idea, the more compelling your competitive advantage needs to be.

Spend time with your advisers identifying and refining your point of distinction. Then run it past some small business owners. Are they convinced and impressed? Once they are, promote it vigorously. It’s a major key to survival and growth.

2. People say “WOW” – and want it

An instant ‘wow’ response to showing or telling people about your product or service idea is a great indicator. But you also need to know if they will buy it. Most people love the look of a Ferrari but only a tiny fraction will ever buy one.

Try asking three key questions about your product or service:

‘What do you like about it?’ (You want something more specific than ‘Do you like it?’)

‘Would you buy it?’ (This is the crunch question.)

‘How much would you pay for it’ (Start building an idea of an acceptable price range.)

Friends and family may just want to be supportive of your idea, so focus instead on asking two groups of people: your target customers and business owners who understand the hurdles you need to clear in starting a business.

3. Your idea will be hard to copy

Let's say your idea really is hot and successful – but it's also easy to copy. You can pretty much guarantee the sharks will move in for the feast sooner or later.

What have you done - and what should you still do - to build barriers against competitors trying copy you? Take as much action as you can before you start the business. Get expert advice on what you can protect through patents and asserting copyright or design protection.

Even if you can't think of anything to protect, there always is something. For example, competitors may copy other aspects of your business but not your branding and systems. McDonald's sells burgers, like thousands of other outlets, but has flourished through great branding backed by excellent systems focused on speed, cleanliness and consistent quality.

Register your branding as a trademark and build those barriers!

4. You have hard evidence of demand

We all dream. 'If only 1% of the Chinese market buy our idea, we'll be millionaires!'

But when you start a business, you need hard evidence, not wishful fantasies.

So what is convincing evidence of demand? Careful market research is an important first step, but more convincing are test marketing results (for example, the response from a direct marketing campaign), sales made or advance orders and contracts signed, and interest generated through social media.

Show you've knocked on doors, called people, used your business networks and contacts and generally done some hard yards on selling your idea.

5. The market is growing

All markets go through life cycles: emerging, growing, mature and declining. How would you categorize the demand for your product or service? What evidence do you have to back this up? Ideally, the potential market should be emerging or strongly growing rather than mature or declining.

Can you also show your business idea is scalable, or can go wider than your immediate area? Countrywide is good. Strong export potential is even better.

What could affect the market potential? For example, is your product or idea dependent on a strong economy with customers having lots of disposable income? Think travel or luxury goods, for instance. Is there any disruptive new technology on the horizon that could render your idea obsolete or redundant? Have you thoroughly checked this out? Document in your business plan all the evidence that shows your market is both growing and sustainable.

6. The market will accept your price

You may have the most exciting product or service, but can you bring it to market at a price the market will accept and still make a sustainable profit? No matter how special, there's still an upper limit to what people are prepared to pay for a product, because there are always alternatives. One option is not to spend their money at all.

Competitor pricing or the industry standard can give you another angle on the price range you need to shoot for. Then get help from an accountant to ensure your pricing calculations really do include all costs AND still allow you to make a sustainable profit.

7. You have the ability to convert the idea into a business

This can be a tough one for people such as inventors or those who excel at some task, such as baking delicious cookies or dealing with people, but don't have business experience.

Ideas are plentiful, but the ability and skills to translate ideas successfully into a viable business are much rarer. Do you have a track record of accomplishment in business or at least of 'getting things done' successfully?

Being really good at what you do is not enough. You'll need to make a case that you can handle the business side too. Or delay your start-up until you've gained some basic all-round business skills. It's often better to put your plans on hold until you've got a fuller understanding of what starting a business requires from you.