

New product or service Development

Execute Your Business Idea

First things first - Write Down The Business Ideas into a business plan

Put your idea onto paper. In fact, write down all your ideas, thoughts, things to do etc on paper. That is the first step. This helps remove the remember element from your brain. A fact is that if you do not write them down, the brain will task itself trying to remember what the good idea was. You are advised to write it down so that this brain power is used to think about how to make the idea work rather than try to remember what you had thought about. Capisch?

Now Think and Analyse Your Ideas

You have listed your ideas. All great and small. Now you can look critically at which one you should work on first. Prioritise. Once you pick a winner, brainstorm and explore further into the idea. How, What etc. SWOT it, 5W2H it, Pareto it, SWIFT it ... whatever your analysis technique. Make sure you have all this written down.

Set Realistic Goals For Each Idea

You have probably heard this phrase before - begin with the end in mind. It is very important to set goals for each idea. You are not aiming for the sky at once. You are identifying what you want to achieve in the future, within a certain timeframe. Set realistic goals that you can achieve, goals that that will make you proud and want to reach for more. Goals that will allow you to learn in the process. Goals that will make you want to aim higher and know you can do it.

Test Drive Your Ideas

Now that we have the idea that could work, it is a question of trying it out mentally in a real world (or business) scenario. If it is a product, determine who the target customer is, why it would work for them, how and where you would sell it etc. Then consider your competition and how you have the edge over them (or them over you).

Put The Ideas Into Action - Execute

A little disclaimer before I share this with you. Do not expect everything to fall into place overnight. Another famous saying - Rome was not built in a day. Imagine you have a son (if you don't have one). Your only son is two years old and you would like him to become successful and happy and maybe support you when you get old. Would it be possible to send him to school tomorrow and get him a job the very next day? Certainly not. He is not yet ready. Your idea is your baby, give it some time to grow and mature. Love it, nurture it and cater to its needs. Spend some time and get to know it a little more, then you will be able to shape it the way you want. There are going to be times when your ideas will get out of hands, won't co-operate, give it a little talk, work with it. You will see, just like your baby, this idea will grow and mature and may be someday will support you through your old age too.

If You Had All The Money

This is the best way to start putting an idea into action. Imagine you had all the money (actually resources) in the world to get your business idea to start and succeed. How would you go about it? Lack of capital or resource is the biggest stumbling block. Placing yourself in this frame of mind will empower to think big, in the proverbial outside the box. Once you have your plan (or thoughts), again please write them down, then you have an excellent starting point. Now what we have to do is to constrain ourselves into a real life situation. OK! The money has reduced by half, or you cannot get the consultancy support, how would you still put the business idea into action? By putting each constraint into our situation in turn, we are able to deal with the challenge. Very soon, you will have a fully fledged plan in place. Again make sure that you have recorded all this.

Start Small

Now we can start making it happen. Start small. If it is a web design service, you could consider using only free web hosting and free web design applications. Learn the ropes as you go along. Once you are more confident and the clients begin to increase, then you start scaling up! If you want to start for example a tomato growing farm, start with a few potted plants, or your back (even front) garden. Learn the ropes, the market, your customers etc. Then scale up, rent a farm, hire people etc.

Learn From Other People's Mistakes

You will do best to mingle with people already doing the business you want to join. They have tips, tricks, further insights all because they made mistakes. They probably made fatal mistakes, but learnt how to move on. Listen and learn from them. Be careful to avoid the overly negative comments, which are more likely to kill your enthusiasm than help you.

Be Positive, Stay Focused

Be optimistic. Enough said!

If you have made notes along the process above, you have all the information you need to prepare a fantastic business plan.

1.1 Determining Product or Service Demand

How to Research a Business idea

How do you ascertain the profitability of a business idea? How do you turn a business idea into an opportunity? How do you decide if an idea or opportunity is worth pursuing? Well, the answer to the questions above is a “*Feasibility Research or Study.*”

It is no longer a hidden fact that the economic climate for new businesses is never and will never be certain. That is why entrepreneurship is viewed as being risky. Now despite the risk associated with starting a business, many people are still going ahead to start an enterprise and few of these individuals succeed. How and why did they succeed?

One of the reasons some entrepreneurs succeed in business is because they researched or conducted feasibility study on their idea. Now researching an idea is just like doing a preliminary feasibility. I want you to know that carrying out your research on your business idea can drastically improve your chances for success in your business. By thoroughly investigating all aspects of your business idea, you will know what to expect and how to tactically execute your strategy. So without wasting your time, below is the exact step to researching a business idea.

How to Research a Business idea

1. Critically Analyze your Market

Okay, so you have an idea that looks good but you want to know if there is demand for it? Or better still, to know if a demand can be created? The first step to take is to analyze your marketplace and a good way to start is by asking yourself the following questions:

- *Is there any individual or company currently exploiting your idea?*
- *Is there a market for your idea?*
- *Is the competition stiff or non-existent?*
- *If there is a market for your idea, then who are your customers?*

It is crucial that you conduct a market analysis to as to determine the potential demand for your idea and the level of competition you will face. However, if after doing your market research and you discover that the market is already saturated with similar product ideas and customers are not in need for additional option, the best thing to do is to pass on such idea and move on.

2. Dig up all industry information about your business idea

If you scale through the step one and you have ascertained that a market exist for your product idea, the next step to take is to research the industry you will be operating in. It is of so much important for you to research everything about the product and business itself by going through trade publications, searching online, reading the news papers, talking to others in the industry and contacting your local chamber of commerce. Also, it is important you ask yourself the following questions:

- *Who is the market leader in your industry?*
- *What percentage market share does the market leader hold?*
- *What is the success rate or failure rate of startups in that industry?*
- *Is the industry strictly regulated by the government?*

3. Carry out a SWOT analysis

What is SWOT analysis? SWOT stands for *weaknesses, strengths, opportunities and threats*; while SWOT analysis is simply the process of uncovering and understanding these factors.

Weaknesses and strengths are internal and stem from the company itself (e.g quality service, a flawed product design) while opportunities and threats are factors that are related to the external sphere, including the economic climate of the marketplace, your customers and your competition.

4. Research and check if a franchise opportunity exist for your idea

Instead of going through the painful process of starting a business from scratch, you can jump start and increases your chances of success by buying a franchise; that is if you are financially strong. So you must research and find out if a franchise exist in your industry.

5. Research and find out if there is manpower availability

What is the essence of starting up a business in an area where there is no manpower availability; or you setup a business whose daily operations require technical skills that cannot be sourced locally or the labor cost is too expensive. So you must research to ascertain that there is availability and affordability of labour. You should estimate the salary and wage costs along with payroll taxes.

In conclusion, you must also research and figure out the best place to site your business or office; while taking the cost of renting an office space into consideration. You must also endeavor to get professional advice from attorneys or lawyers, accountants, etc.

Once you can take these steps highlighted above, you have just concluded a preliminary feasibility study. You can then proceed to conduct a full scale feasibility research and the report of your research will be very vital in the writing of your business plan.

1.2 Feasibility Study

A feasibility study is an evaluation and analysis of the potential of the proposed project which is based on extensive investigation and research to support the process of decision making.

Feasibility studies aim to objectively and rationally uncover the strengths and weaknesses of an existing business or proposed venture, opportunities and threats present in the environment, the resources required to carry through, and ultimately the prospects for success.

How to Conduct a Feasibility Study

A Typical Feasibility Study Template and Outline

1. Economic Analysis

I believe this is where your feasibility study should start from. What is the essence of carrying out market research or even going ahead to start a business when the economy does not favor entrepreneurship or private ventures? Analyzing the economy will help you align your planned business with the economic situation on ground. Economic feasibility should include analysis on government's fiscal and monetary policies, import and export rate, inflation rate, tax rate, and currency exchange rate and so on.

2. Market Analysis

The next thing you should be analyzing is the market for your proposed business idea. Carrying out a feasibility study on the market will enable you know if there is actually a need or market for your business idea. Market analysis will also help you to determine the size of the market, demographics and psychographics of the market, level of competition and the size of the market you can compete for.

3. Technical Analysis

This part of a feasibility study deals with the technological requirements of the business. Technical analysis will enable you determine the method of production to be employed, equipments, spare parts and tools, site development, supporting facilities, the nature of the factory building, fencing and so on.

4. Location Analysis

This is carried out with a view to determine the best location for the business in terms of nearness to high traffic roads, nearness to infrastructure, accessibility to customers, ease of transportation of raw materials and finished products, nearness to cheap labour, cost of land acquisition and so on.

5. Manpower Analysis

This part of a feasibility study deals with the process of estimating the level of skill, professionalism and number of employees to be hired by the business. The salary scale, incentives and pay package are also estimated at this point.

6. Financial Analysis

Financial analysis will be dealing with the estimation of the total capital involved, capital expenditures, working capital; profit and loss analysis, pricing of products, cash flow projections, projected sales revenue and the entire project viability. Everything concerning finance should be dealt with at this juncture. If you are trying to raise venture capital for your small business startup, then you have to do a clean job on the financial section of the feasibility report because this is where investors focus on. All they are interested in knowing is how much is the percentage return on investment and the payback period.

7. Sensitivity and Risk Analysis

This is the last part of a feasibility study and probably the most important. After all other factors have been analyzed and proven viable, sensitivity and risk analysis can come in. Building a business without properly conducting a risk analysis is like flying a plane without regards to weather condition. Before any business idea is taken to the marketplace, its risk to reward ratio should be analyzed, the sensitivity to competition should be determined and the liquidation rate of companies in the industry of your proposed business venture should be calculated. With results obtained from sensitivity and risk analysis, growth and survival strategies can be developed for your proposed business.

1.3 Conducting a Market Research

Customers are the foundation of any successful business. Effective market research results in increased sales and profits. Use market research to develop marketing plans. Market research provides a more accurate base for making profit assumptions and helps develop critical short- and mid-term goals.

Market research:

- 1) identifies customer needs and wants;
- 2) determines if the product or service meets customer needs;
- 3) identifies potential target markets; and
- 4) determines the best advertising technique for each customer group.

Market research is an organized process to collect information about the business environment before the business starts. It includes talking with customers about their occupations, interests and buying habits as well as listening to customer requests for products and services.

Market research is an effective way to learn about potential customers, their opinions, habits, trends and future plans. Use it to determine the geographic area of a business and demographic characteristics of customers such as age, gender, income and educational level.

Market research may make the difference between the right and wrong decisions that affect sales. It may reveal unfilled needs, suggest marketing strategies or identify the competition's strengths and weaknesses. Business cannot afford poor decisions.

Market research involves asking questions, recording information and taking time to learn from the information. Market research develops an information base to estimate sales, develop market strategy and decide how to enter the market.

Market research does not have to be highly sophisticated, expensive or complicated. It can be a do-it-yourself thing. The important thing is to ensure it gives you reliable information that you

can use in building your business. Market analysis provides information about the market potential that provides the basis for accurate sales forecasting and your marketing strategy. Its basic components include:

- An estimate of the size of the market for the product/service;
- Projected market share;
- Information about your market; and
- Analysis of the competition.

Market research involves activities designed to obtain data about the market and falls into two main categories.

- Primary research involves collecting new data through market surveys and other field research - specific studies that are conducted on behalf of your company.
- Secondary research involves gathering preexisting information that is useful to your purposes from published sources.

In addition to conducting research, it is quite valid to rely to some extent on your own opinions and observations, especially if they have to do with your local community. “Outsiders” will not know a community like the people who’ve spent their lives there. However, it is important to back up your opinions with data and research. Don’t rely solely on your intuitive feelings; they’re probably not enough to go to the bank. Resist the temptation to only look for data that confirms your opinions

Information you gather goes into estimating the sales your company will achieve during its first few years of operation. The feasibility study and business plan you are putting together are built upon these estimates. Because research is one of the principle tools for determining whether the business will work, it is worth making an investment.

You need to be as specific as possible about the dimensions (size, trends) of the opportunities your business faces. Since a new business doesn’t have a track record, your research must be thorough enough to enable you to make realistic sales estimates.

Primary research is information you gather firsthand. Common examples of primary research information-gathering techniques include personal interviews, surveys and focus groups.

Observation

Observation is also a common technique. You record what your customers do naturally. Through observation, market researchers determine how consumers behave as they buy and use a product, or how they are influenced by some marketing strategy being used by the business. This method works very well in a retail environment. It is a useful technique to learn how and then, perhaps, why customers purchase a product that is in direct competition with your product. If your product is already being sold, you might watch how your customers act while purchasing your product.

A pitfall of the observation technique is that the presence and/or bias of the observer can influence the behavior of the subject. As you observe customer behavior in stores, markets, etc., try to be inconspicuous in your presence.

Qualitative Data

When businesses gather primary data, they often are gathering qualitative data. Qualitative data is data that cannot be counted. It reveals the quality of a subject's experience or beliefs.

Qualitative research is gathered by allowing customers to answer questions in an open-ended, unstructured manner. Customer preferences might be examples of qualitative data. Focus groups, one-on-one discussions or interviews can provide qualitative data.

Quantitative Data

Quantitative data describes things that can be measured and analyzed with statistical analysis. These are expressed in numbers and reveal such things as the quantity of customers with a particular characteristic. How much do your customers earn each month? How old are they? How much do they spend each month on groceries?

Using Both

Both qualitative and quantitative information can be important to you as you do your market research. There is a problem with using only quantitative data gathered from a small number of individuals. It may not be a large enough number of people, with a large enough product sampling to be reliable for decision-making. Would you make the decision to completely change your product based on the thoughts of a handful of customers? When you combine quantitative and qualitative data, however, you can expand what you learn by combining or showing connections between observations, preferences and the quantitative data you have developed. You can develop a good base of information, for example, about the characteristics of your typical customer.

Customer Profile

The place to start your primary research is with your customer. You may ask, “What information should I find out about my customer?” The answer is “everything.” The better you know and understand your customer’s wants, needs and desires, the better able you are to meet those needs with a product that sells.

The goal of gathering and analyzing customer information is to prepare a customer profile. This customer you expect to market your product or services to is called your target customer and represents an average or typical customer. It may be one profile of one customer group or several profiles covering several customer groups.

Demographic vs. Psychographic Customer Data

Businesses gather demographic and psychographic data in order to discover more about their customers. Demographic data describes specific characteristics of an individual such as age, level of education, occupation, income, marital status and address. Psychographic (lifestyle) data describes an individual’s activities, interests, opinions and beliefs. This data give marketers insight into such things as how potential customers live, make buying decisions or plan for the future.

To illustrate the magnitude of demographic and psychographic trends, consider the following psychographic trends that have directly impacted marketing strategies today.

- **Shifts in age make-up of the market**

- **Changes in family composition**

Increases in the divorce rate and the percentage of working women and a decrease in the birthrate after 1960 have all caused major changes in the make-up of the typical family.

- **Increasing proportion of working women**

- **Increase in ethnic backgrounds**

Historically, cities have traditionally held people from many different ethnic backgrounds, while rural areas have tended to be more homogenous. However, economic and demographic shifts the last 20 years have changed that historical pattern and rural America now is home to people of many different colors, nationalities and religions. This ethnic diversity provides numerous opportunities to develop new specialty and ethnic markets for products.

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- **Shifting male-female purchasing roles**

Because more women are working in addition to having a family, men are playing a larger role in child care and household duties than ever before. Although 80 percent of the grocery shopping is still done by women, marketers are beginning to see a shift in who makes the purchasing decisions. Because women are earning more money and achieving more professional independence, they are spending more money on travel, dining out, entertainment and luxury products.

These are only a few of the major trends you can observe, research or read about that could affect the products you wish to take to the market place.

Analyzing Your Market Potential

After gathering your primary and secondary research information, you are ready to analyze your market potential. You should be ready to answer these questions.

- Who is your target customer?
- What are the defining characteristics of your target customer?
- Who is your competition?
- What are your competitor(s)' product(s)?
- What is your current trade area?
- What is your market size?

- What are your market trends?
- What is your market potential?
- What is your true production potential?

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Factors Important to Customers

1.Brand names

2.Delivery

3.Installation

4.Warranty service

5.Variety of selection

6.Credit terms

7.Return policy

8.Convenient location

9.Parking

10.Appropriate atmosphere

11.Convenient store hours

12.Experienced personnel

13.Concern for customers

Effective market research must include business strengths as well as weaknesses. Take corrective action to strengthen your market position. To help organize your market research, consider the following format: Targeted markets: Potential strengths: Potential weaknesses: Potential competitors: Potential opportunities: Potential threats: