

Title:

Will Your Business Idea Work ?

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Summary:

**The right kind of research can help you find out**

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Article Body:

Consider this a homework assignment for a would-be entrepreneur. How well you do determines whether your business succeeds or fails.

The assignment is a research project. You're going to research the validity of your business plan. I'm going to show you how to do adequate research before starting a business.

It can be difficult to gauge what "adequate" really means. Here's a checklist of some elements that any sufficient business research will contain:

- **Market Research**

It may be surprising, but many entrepreneurs start a business without really understanding the market they plan to serve. You must know the potential size of your market and, in turn, what sort of response your service or product will attract:

- **Demographic Data**

Don't try and sell something unless you know the buyers have money to spend. Know the numbers behind your market, including income levels, age breakdowns and if your target market is growing or shrinking. Sources of demographic information may include various governmental or taxing authorities and, on a more local level, voter rolls (invaluable if you want information on the ages of your market target).

- **Customer feedback**

An equally important element of market research is getting a personal sense of your customers. Ask what they genuinely value, no matter if it's a low price, customer support or a particular element of your product or service. If you're gearing up a new business or modifying an existing product, ask if your business can solve some sort of ongoing problem. "It's really effective research to identify problems that aren't being solved," says Peter Meyer, author of "Creating and Dominating New Markets." "Do interviews on a regular basis and, if someone isn't a customer, ask them why not. What product could you offer to make

them a customer or what problem could you solve to achieve the same goal?" </p>

- <strong>Competition </strong>

<p>A third element of market research is knowing who you're up against. Rest assured you will be competing with someone, so never assume that you're the only company to have spotted an opportunity.. On-site research is particularly helpful. Observe customer traffic patterns, noting ebbs and flows in both the number of customers and what they are buying. If it's a retail outlet, try shopping there yourself. </p>

<p>Other research options include visiting a competitor's website. If a competitor happens to be a public company, you can obtain every piece of literature that a publicly held firm must provide. Finally, while it's tempting to focus on a competitor's weak spots, pay close attention to what they do well. "Understand how they make their money," says David Gumpert, author of "How to Really Start Your Own Business." "Don't just look at what they screw up; find out how they're able to stay in business." </p>

- <strong>Pricing </strong>

<p>An ancillary element to market research is doing work to decide what you're going to charge customers.It's important to gain a feel for going rates to remain competitive. Pricing competitors' services and data from trade and professional associations is exceedingly helpful. But, says Meyer, pay attention to every element that contributes to your eventual prices or fees. "Price really is more of a marketing tool than it is a vehicle for cost recovery," he says. "People will pay more for a high value product or solution, so be sure to research your total value." </p>

- <strong>Location </strong>

<p>This is particularly critical for retail operations. Ask any prospective landlord if they have a foot traffic analysis on hand. First-hand observation is always a good option; examine walk-in traffic, parking spaces and other nearby businesses that may help or hinder your customer flow. Don't thoroughly dismiss the issue of location if you're not selling jewellery or clothes. A conveniently located office at a prestigious address can be a boon to a start-up consulting firm. Review any available buying data and trends for people who live in that area. </p>

- <strong>Research Your Costs </strong>

<p>Knowing your expenses is essential in estimating how much you'll need to bring in to stay in business. Research prospective costs thoroughly. Include everything from salaries to rent. For at least the first year or two, break down those costs in three-month increments. And, adds Gumpert, it actually helps to be a bit macabre when forecasting expenses: "Things are probably going to cost more than you expect, just like it's probably going to take longer to land your first client than you anticipate." </p>

- <strong>What's Enough? </strong>

<p>Although sufficient research is vital to the growth and success of any

business, there is a point where enough becomes too much. Don't become so mired in research that you end up with too much information to make a decision. Watch to see how your research is borne out in reality. If, for instance, you're hitting your income goals or matching what you expected in walk-in traffic, your research is on the mark. And, adds Meyer, take note of repetition: "If you're asking questions and you keep getting the same answers over and over, you know you're in the right place." </p>