

Is Your Business Idea Feasible?

It is often difficult to figure out how to research your business idea, especially if you have never been in business for yourself. You will need to decide if your business idea has profit potential.

Use the following twenty steps as a guide to help you determine if your business idea is viable. There may be some questions you are unable to answer or answer fully. This is an indication of the areas of your proposed business you don't know enough about and a great launching pad for your market research.

1. Create a profile of your paying customer.

Your customers might be consumers or retail stores, wholesalers or manufacturers, government or other institutions. List as many points as you can about who you think will buy your product. If you are selling to a consumer market, list their age, gender, marital status, and income, and try to describe their lifestyle.

If you expect to sell to another business or organization, assess what industries they are in, what kind of company they are, how long they have been in business, how many employees they have, annual sales, what department would be interested in your offer, and who their customers are.

2. List and describe the features of your product or service.

State how these features will benefit your customer. Define the features of your idea and determine what these features do for your customer. You will create a list of the selling points that you can use in your advertising, your brochures, and in your sales presentation. This will help you establish why your customer might buy your product or service over that of your competitor.

3. Define the main geographic area you intend to sell to during your first year.

Are selling to your neighborhood? British Columbia? Globally? By defining where you are going to sell, you will likely be able to figure out how many potential customers are located in this area. If you are selling to a large geographic area, you will likely need a good deal of money, marketing, and resources. Defining this area makes it much easier to figure out what your needs are going to be. It will help focus your area of concentration when conducting market research.

4. What competitors are selling to this geographic area?

Once you determine who and where your customers are, you must determine whom you have to share them with. Find out if similar products are carried in retail outlets. Once identified, search for information on competitors in industry directories, either in print or online databases.

5. What price do these competitors charge?

Establish what your competitors charge and list the selling points of their product or service. Try to find your industry's wholesale and retail prices.

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6. Estimate what price you can charge and still remain competitive.

Determining how competitive you can be is a big step toward establishing how feasible your idea is. If your product is superior to your competition and your market is not very price sensitive, then you may be able to charge considerably more than your competition. If you are selling to retailers or wholesalers, you will have to leave enough room for others to mark your products up.

7. Why would your customers buy from you instead of your competition?

What is unique about your offer that would benefit your customer? There may be something about your product, your price, the friendliness and speed of your service, your hours of operation, your level of quality, the skills of your employees, or other aspects of your business.

8. List and briefly describe trends in your market or industry.

Knowing trends in your market or industry will help you determine where it's going and how your business can take advantage. Check business and industry/trade magazines for recent articles. Some libraries have a business periodicals index to help you find these articles.

9. What is the growth potential of the market?

Is your industry or market growing or declining? Are trends or new fads peaking or declining? Generally, you will be more successful as part of a growing market. Check business and industry/trade magazines for recent articles.

10. How are you going to let your customers know you exist?

So now you know who your customers are, where they are and why they will buy your product. How are you going to communicate your offer to them? Will you rely on having a good location? How will you promote or advertise?

11. Estimate sales for the first year.

Base your estimates on the size of your market, level of competition, your price, your plans for promotion, and trends in your industry. Create a pessimistic, an optimistic, and a conservative forecast.

12. List any government approvals necessary to launch your idea.

There may be some extensive or expensive regulations involved with your type of business. www.bcbizpal.ca can assist you with determining municipal, provincial, and federal regulations and licensing requirements affecting your business.

13. Briefly describe your manufacturing, purchasing, or production process.

State how you will make or acquire the goods, or produce and deliver the services, you plan to sell. Use your sales forecast to help you plan this part of your operation. Think about potential growth in future years.

14. Briefly describe your fulfillment process.

How does your customer get their order and how do you get paid?

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15. Estimate the capacity of your operation in the first year.

How big will your operation be? What is the limit of what you can produce, stock, service, and sell. Can you meet your sales forecasts? Have you taken future growth into consideration?

16. Make a list of your potential suppliers.

Your concept may rely heavily on the reliability of your raw material suppliers and/or your subcontractors. How dependent will you be? Figure out who your suppliers will likely be and try to find back-up suppliers.

17. Make a list of the resources you will require to start your business.

List the employees, floor space, leasehold improvements, equipment, vehicles, inventory, supplies, and services you will require to open your business. Estimate the costs of each item on your list. You will need this list to determine your start up costs.

18. Determine what resources you will finance, lease, or rent.

You will probably not pay for large purchases outright, but will instead lease, rent, or finance these items. You will need to estimate your monthly payments to help you prepare a cash flow worksheet.

19. List your financial strengths and weaknesses.

How much of your own money do you have for this business? What assets can you use as collateral to secure a loan? Do you already own the vehicles, computer equipment, or tools needed to start your business? Do you have family, friends or others who are prepared to invest in your business? Do you have a strong personal credit rating?

20. Prepare a monthly cash flow forecast for your first year of operation.

A cash flow forecast shows the critical “whens” of cash coming in and cash going out during a certain month. Preparing a monthly cash flow forecast provides you with the opportunity to show dollar figures, representing revenues and expenses, in the month the business expects to collect and spend the cash. Cash flow can demonstrate the need for cash injections at critical periods when sales are lower in seasonal businesses.

Small Business BC can help you start, grow and manage your business.

For more information, contact Client Services at 604-775-7085 or 1-800-667-2272, or by email at askus@smallbusinessbc.ca. If you would like to get the latest information relevant to your business, join our Small Business BC community at www.smallbusinessbc.ca/community.

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