

SMALL BIZ AHEAD



OPPORTUNITY KNOCKS:

**HOW TO FIND AND PURSUE A BUSINESS IDEA
THAT'S RIGHT FOR YOU**

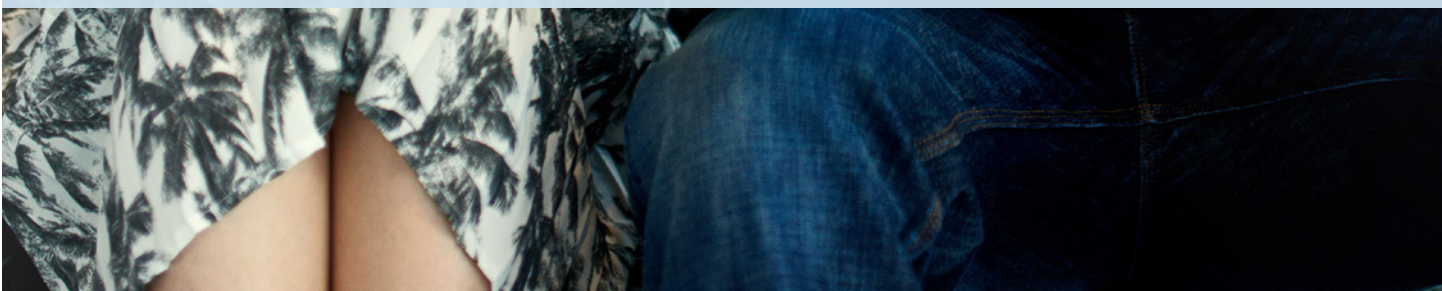




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INTRODUCTION

We've all heard the stories of how some famous entrepreneur, whether Bill Gates or Mark Zuckerberg, stumbled upon a winning business idea and then spun it into a million- or billion-dollar enterprise seemingly overnight.

Such stories may make starting a business seem easy. However, despite these legends, the vast majority of today's most successful companies got their start in a much less fairy tale-like way. Their founders spent months or even years identifying opportunities and then developing their business concept.

They conducted in-depth market research and created a [detailed business plan](#) about how they would bring their product or service to market. They may even have scrapped a few ideas along the way and started the process all over again.

The bottom line: Developing a truly winning business isn't as easy as it may seem – and coming up with a great idea is only the first step. So don't fall into the trap of thinking a great idea is all you need.

This e-book begins by exploring methods to identify potentially lucrative business ideas. We'll then examine the steps you can take to further develop your ideas and test whether there's a large enough market for them.

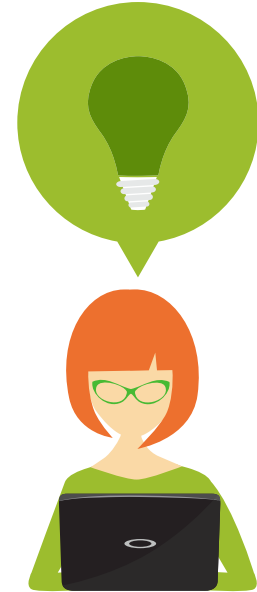


CHAPTER 1: FINDING WINNING BUSINESS IDEAS

Coming up with original business ideas with great potential isn't a simple process. Chances are good that any idea you come up with has already been pursued by at least one other person.

Rather than discovering an original idea, your goal should be to find a business concept that has market potential today and will continue to have potential many years into the future, though your concept may have to evolve.

Here are some methods for identifying business opportunities with true potential:



SOLVE A VEXING PROBLEM

Many successful businesses were originally conceived to tackle problems. And sometimes consumers didn't even realize they had this problem until the right solution (via a new business) came along.

Looking for new and efficient ways to solve problems, including never-before-done,

outside-the-box

ideas, is a great way to uncover business opportunities

Stitch Fix is a good example. The company, founded in 2011 and now estimated to be worth \$300 million, ships boxes of clothes and fashion accessories to its customers based on their personal style questionnaire. This service solves more than one problem. First, many people don't enjoy shopping for clothes, or are simply too busy. Through Stitch Fix, they gain convenience. But the service also helps its customers stay abreast of the latest fashion trends – thanks to the personal stylists it employs to put together outfits that match their customers' personal tastes.

As Stitch Fix demonstrates, looking for new and efficient ways to solve problems, including never-before-done, outside-the-box ideas, is a great way to uncover business opportunities.

So, think about problems you've encountered that might have marketable solutions. It could be an issue you've experienced anywhere – at home, at work, on the road or at the grocery store.

Once you identify a problem, the more challenging step is to come up with a marketable solution. It may take some market research to fully understand your potential customers, including discovering what their challenges are and then devising a way to solve those challenges. You might look at how successful young companies in other fields have addressed their industry's challenges to see if a similar type of solution might work for your industry.

PIGGYBACK ON EMERGING TRENDS AND TECHNOLOGIES

You don't necessarily have to reinvent the wheel. You could just roll along with it.

Many startups play off of emerging trends and technologies in the consumer and business markets. Consider all the companies that have built popular “apps” thanks to the expanding adoption of smartphones or all the food startups that have sprung out of the organic and natural food movement.

When it comes to creating a business, identify the industries that hold your interest. Become a true expert in them by reading relevant blogs, magazines and newsletters. Not only will you be building your knowledge, but you'll be able to keep your eye on key trends and new technologies, which can inform your business ideas.



Be aware, though, that you should distinguish between genuine trends and fads. Trends can last decades while fads may last only a few months. Don't hitch your wagon to a fad that may burn out quickly.

MAKE A CURRENT PRODUCT CHEAPER OR BETTER

Consider how you can make a popular product or service better (or perhaps sell it for less). This was Apple Inc.'s original secret sauce.

Steve Jobs didn't invent the personal computer or the smartphone, but he saw an opportunity to make those consumer technologies easier and more fun to use. Thanks to that insight, Apple's iPhone quickly ate into the sales of Research In Motion's BlackBerry device after it was released because it allowed people to more easily browse the internet, watch videos and take photos.

Some companies have also found their competitive edge by selling products at lower prices than their rivals. Major companies like McDonald's, Walmart, IKEA and Southwest Airlines took off by undercutting competitors' prices.

That said, it can be very hard for startups to beat out their competitors – especially large ones – solely on price. So a low-price strategy may only make sense if your competitors sell their products or services at such a high price point that your business can still make a decent profit while undercutting those prices.

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And, of course, the cheapest products and services don't always win. Higher-priced companies can prevail if they prove they offer more value or quality worthy of higher cost.

MAXIMIZE YOUR PERSONAL EXPERTISE

Do you have any personal skills or expertise that would make you a natural candidate to start a certain type of business? For example, a nutritionist could easily make the case for starting a health-food company, while an accountant could partner with a software developer to create a better tax-preparation service.

You may be better positioned than most people to take advantage of an opportunity by leveraging expertise you already have.



CHAPTER 2: FINDING THE RIGHT FIT

You may dream up plenty of intriguing business ideas, but they may not all be a good fit for your personality, interests and skills.

Starting a business that aligns with your interest is an easy way to

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Remember, you're going to be running your business every day for potentially years to come. Strive to create a business you're passionate about, or you risk burning out. So, how do you do that?

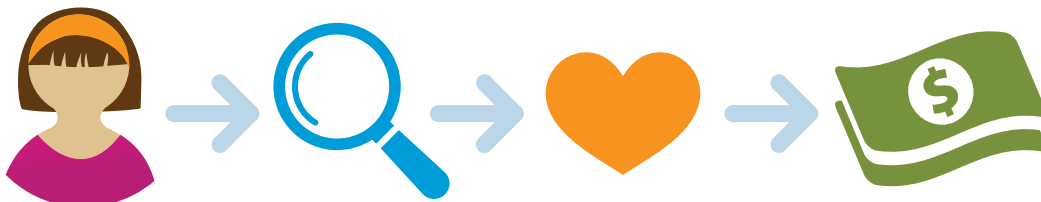
CONSIDER YOUR PERSONAL INTERESTS

As Confucius said, "Choose a job you love and you'll never have to work a day in your life."

That advice is especially important when you're starting a business.

Consider your hobbies, interests and other leisure activities. Maybe you love cooking or spending time exercising outdoors. Starting a business that aligns with your interest is an easy way to ensure you'll be happy working at it for years to come.

However, don't confuse a favorite pastime with a true passion – there's a difference. Do you enjoy the interest enough that you would be willing to devote 80 hours a week to it? If not, you may want to look elsewhere.



KNOW YOUR PERSONALITY

As founder of a company, your job will be doing whatever it takes to get your business off the ground. That role will be specific to whatever type of business you start.

If you start a landscaping business, for example, you may be able to run your business from home while spending a lot of time outdoors at client locations – in all sorts of weather.

But you'll also have to forge relationships with local nurseries, do project estimates and bids, and handle invoicing and bookkeeping yourself – especially when you're just getting started. It might be a great fit for someone who loves working outside, performing manual labor and getting dirty – as well as dealing with all sorts of people. But it may not be the right business for someone who doesn't like being outside in bad weather, prefers a clean environment and isn't a "people person."

If you don't like, say, managing people,
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be starting a store, a restaurant or any other business that requires a large staff



If you start a bricks-and-mortar retail store, on the other hand, you'll likely have to hire and manage staff and make sure the store opens and closes at the right times. You'll also have to see that the store stays clean and help customers find what they're looking for. It's a very different role from running an online store.

It's important to create a business that allows you to spend your time in a role that you enjoy. If you don't like, say, managing people, you probably shouldn't be starting a store, a restaurant or any other business that requires a large staff.

Think in detail about what tasks you do enjoy and find a business that allows you to perform those tasks on a regular basis. Do you like working with computers and data analysis? Writing? Number crunching? Organization? Public speaking? Coaching people? Selling?

These types of tests can be a good starting point

for figuring out what type of business you should start, or at least in what roles you would thrive and which you should avoid

Consider jobs you've had in the past and what tasks you've enjoyed the most. It's equally important to remember what tasks you *don't* enjoy. If you're not into, say, talking on the phone, you probably don't want to start a business that requires you to spend a chunk of your day doing that.

[Self-assessment tools](#) can help you better understand your personal working style and skills. Gallup's [Clifton StrengthsFinder](#) and [Entrepreneurial Profile 10](#) assess your personality traits and talents when it comes to managing people or starting a business. These types of tests can be a good starting point for figuring out what type of business you should start, or at least in what roles you would thrive and which you should avoid.

Keep in mind that if your business takes off your role will inevitably change. You might start out as a one-person show, doing everything yourself. But as the business grows, you'll likely hire other people to take on certain tasks - allowing you to spend more time being a leader and visionary or serving in whatever role you wish.



TAKE ON A BUSINESS PARTNER

There's a reason they say two is better than one, and that may be doubly true when starting a business. Few individuals possess all the traits, skills and experience needed to build a successful company on their own.



You might need someone who's a great salesperson, someone who can lead a diverse workforce, as well as someone with a technical background who understands web and software development. You might be an introvert who loves working on behind-the-scenes aspects of business development, like creating financial models, but not so much being the company pitch person.

In Silicon Valley, [startup teams](#) are far more common than go-it-alone entrepreneurs. In fact, venture capitalists and angel investors typically will only fund teams; a startup run by an individual is simply deemed as too risky.

What makes a [great team](#) or partner? You want founders with complementary, not overlapping, skills. At the same time, you want people who have a shared vision and who respect each other's diverse skill sets enough to let their partners perform the roles they're good at. Competing personalities and micromanaging are known to kill relationships and even the best business plans.

In other words, finding a business partner is a great idea but you need to be super selective. Your best friend or spouse may not be the best choice. Look for someone who brings experience and skills that you may lack. But also make sure that whomever you choose is someone you can work with on a daily basis and who will respect your opinions, letting you do your job.

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the best choice of business partner

CHAPTER 3: TESTING THE MARKET

The final key step of developing a business idea often turns out to be many steps. An idea is just that – an idea. You have to make sure it’s really as profitable and in demand as you think it is.

Of course, you could simply start selling your product, service or expertise and see what happens. But that could be expensive. It could also hurt your reputation and dash your odds of success. The more rational approach is to spend time evaluating the opportunity and fine-tuning your concept and strategy before leaping in.



CONDUCT MARKET RESEARCH

Once you have a business concept, there are a number of ways to gain a sense of whether you have a strong market for it. The type of market research you do will depend on the type of business you’re planning and how quickly you want or need to get to market. Even if your intended business is a service – such as pet sitting – or one built around a professional expertise – such as an independent law firm – you’ll still benefit greatly from understanding who your competitors are and what your target customers want before you launch. Here are some market research techniques to consider:

While your future competitors in the industry may not be willing to speak with you, say, over lunch,
you may be able to
talk with them at conferences and other industry events

Gather market intelligence. Needless to say, once you start seriously pursuing a business concept, you need to fully understand the industry you'll be entering and gauge the potential market. Otherwise, you risk overlooking major problems that could kill your idea before it even gets off the ground.



You might start by reading as much as you can on news sites and blogs about the industry and trends. But you'll also want to talk with real people who have experience and expertise in the field. This can be academics who specialize in your industry, people who work for trade associations and the leaders of other companies. Don't necessarily share all the juicy details about your business concept, but do gather enough insight to feel confident that your concept is a good one.

While your future competitors in the industry may not be willing to speak with you, say, over lunch, you may be able to talk with them at conferences and other industry events. So be sure to start networking broadly in your industry before launching your business.

Do competitive research. Regardless of what kind of business you're starting, research your competitors. Which businesses in your industry are serving the same types of customers that you plan to serve? What do they charge, or what's their profit model? How do they market themselves? What are their strengths and weaknesses? The more you understand about your competitors, the easier it'll be to design a business that'll better address your target customers' needs.

Most of your competitive research can probably be done via the internet. Look at your potential competitors' websites, social media pages, online articles and reviews.

Conduct a survey. Create an online survey, using services like [SurveyMonkey](#) and [SurveyGizmo](#), that you can send to a group of people or post for anyone to take online. Surveys offer a low-cost way to gauge market sentiment and interest around a concept. You can ask about perceptions and loyalty of competitors already in the market, you can collect demographic information, or you can ask open-ended questions to determine whether respondents would embrace a product or service like yours.



If you're starting a food truck, for example, you should consider asking questions that'll help you make several key business decisions, such as:

- Where you'll base your truck on weekdays and weekends
- What your hours of operation will be
- What kinds of food or cuisine you'll serve
- How much you'll charge
- How you'll market your truck
- What kind of dinner you'll aim to serve

A potential drawback to surveying, however, is that you may not get a statistically accurate set of responses. One reason may be that only people who embrace your business idea will respond, while you want to hear from everyone – even people who might not be gung-ho about your idea. So while a survey can be helpful, it probably shouldn't be the only market research tool you use.

Creating a mock version of your product or service

can help you

gather feedback on your concept

Build a prototype. Creating a mock version of your product or service can help you gather feedback on your concept. Even if you're planning an online service, for example, you can create a makeshift website that shows how the service will work. Or you can start providing your service to a small subset of customers and then widen your customer base once you've worked out any kinks. Performing this step will also help you gather insights on the cost you may incur and potential vendors you could use to create your product or service.

CARVE YOUR NICHE

Once you've done market research and know who your competitors will be, you should have a much firmer grasp on how your concept fits into the marketplace. And be warned: This information could look very different than what you'd originally thought.

Questions to help you carve your niche might include:

- What age group and income demographic are most likely to be attracted to your concept? (Can you picture who a typical customer would be?)
- What are the demographics of the community in which you'll be creating your business?
- Is there a demand in the market that isn't currently being filled?
- What are your competitors' biggest shortcomings?
- What can you do better than your competitors, or what advantages do you have?

The more information you have on your market and target audience, the better you can differentiate your business concept from your competitors.

Even today's biggest companies know the power of developing a niche – especially early on. Facebook got its start by offering exclusivity: it was only



available to college students at its inception. By cultivating that young adult audience, it was able to create cachet and fine-tune its business model before it later opened its doors to the world.

BUILD OUT YOUR BUSINESS PLAN

You've honed your concept and feel confident there's a real market for it. Before you dig in to launching your business, put together at least a basic business plan. Think through key aspects of starting your business to create a written document that can keep you focused after you launch.

Business plans can range from just a few pages to very lengthy documents. What kind of plan you need depends on what type of business you're starting and whether you're trying to attract outside investors, who will most likely want to see a detailed plan.

However, every business plan should include at least four basic parts, according to Harvard Business School professor William Sahlman:

1

THE PEOPLE:

Who will run the venture?
Who will be the outside parties that provide key resources and services?

2

THE OPPORTUNITY:

Describe the business model:
What will the business sell?
Who will the customers be?
How will it make money?

3

THE CONTEXT:

What external factors, whether the economic environment or demographic trends, could affect the business's success?

4

RISK AND REWARD:

Describe everything that could go right or wrong, and determine how the team will respond to the various good or bad scenarios.

Once you launch the business, you'll want to revisit your business plan regularly, at least once or twice per year. You may even decide you need to scrap parts of it, but it's still worth having one.

PUT GREAT IDEAS INTO ACTION

A successful business is more than just a great idea. Like any recipe, it's about having all the right ingredients. You need the right person – or team of people – founding the business who are passionate about the enterprise and who have the right mix of skills and motivation to get it off the ground. You also need customers who embrace whatever product or service you're selling. And you need persistence.

Before you start a business, use a guide like this one to plan it out and make sure you have all the things you need to make it a success.



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