

1.3 Before you start

- > **Business success and failure**
- > **Checking out the opportunity**

PRODUCT
DISTRIBUTION
PROMOTION
PEOPLE
FINANCE
RISK
GROWTH

You have decided that you have what it takes to be a small business owner. Now you need to take a good look at your idea and try and ascertain if it will develop into a viable business in the long term. This is done formally as a 'feasibility study' and informally as 'checking out the opportunity'.

Remember, a great idea does not necessarily become a great business.

Business success and failure

Businesses regularly fail rather than succeed and quite often the reasons are not to do with the actual product or service. They might include:

- > a lack of focus
- > a failure to plan
- > a lack of capital
- > problems with other partners or directors
- > failure to seek and/or take advice
- > credit problems and bad debts
- > problems identifying markets, setting up distribution channels, or promoting product
- > the wrong pricing structure
- > breakdowns in customer service, including a failure to follow up
- > neglect, or the failure to remain hands on
- > a lack of appropriate systems

If you can overcome these challenges then you are on the road to business success!

Checking out the opportunity

Take time to answer the following questions. Write down your answers. This will help you clarify in your own mind what the business opportunity is and also help you tell the story to other people.

- > What is the product or service?
- > Is it unique or are there many others like it?
- > What is the demand for the product or service?
- > What is the competition?
- > Why would customers buy your product or service and not your competitors'?
- > Who are the potential customers?

- > What is your target population?

» 2.2 Targeting markets

- > Is there a purchasing pattern?
- > Where are your potential customers located?
- > What is the history of your product or service?
- > Is the market growing, shrinking or stable?
- > How price-sensitive are products and services like yours?
- > What information is already available and how do you find it?
- > Are you able to collect your own data?
- > If this is business to business—do you have an accurate list of potential customers?
- > Conduct surveys—either formally or informally
- > Collate and analyse the data

Bring the information together. Is there a viable business opportunity? Then do your sums.

- > Do you know how much capital is needed to start the business and run it for at least the first year (*i.e.* start up costs)
- > Do you have access to that capital? (*i.e.* your own funds or borrowed)

If the answer is yes, then the above information will form the basis of your business plan. If the answer is no, then you have saved yourself a great deal of time, energy and potentially money by logically working through the process. Well done!

Websites

www.southaustralia.biz/Events_Calendar/BizFacts/PlanningToStartABusiness.pdf

www.southaustralia.biz/Events_Calendar/Checklists/ConductFeasibilityStudy.pdf

Business Readiness Diagnostic

www.smartsmallbusiness.qld.gov.au/dsdweb/htdocsssb/gui_home.cfm