

# ASSESSING YOUR BUSINESS IDEA

CHECK IT OUT!

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*There is no place where success comes before work, except in the dictionary.*

—Donald Kimbal

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## What's This Session All About?

In the last session, we looked at your ability and readiness to be a business owner. Now, it's time to take a good, hard look at your business idea, your customers, and your ability to plan for the future. We'll also discuss how to get the information you'll need to make better decisions, which will take some of the risk out of starting your business.

In this session, we'll look at the following topics:

### **Where do business ideas come from?**

There are many sources of inspiration for start-up businesses. The most common source of business ideas is prior jobs. But hobbies, training, talents, and chance can all form the foundation of a successful business too.

**Service, manufacturing, and retail businesses.** These are the three main

types of business. Each one takes different kinds of skills, and has different start-up requirements. This section describes each type briefly, to help you decide which one is right for you.

**A look at your business idea.** Do you have a business idea? Why did you choose this particular idea? What other options do you have? How can you know which option is best for you? Having an idea is great, but figuring out if it's the right idea for you takes some work.

**Your business niche.** Your business niche is what makes your product or service unique. It's the reason that customers will buy from you, rather than from a competitor. Once you've defined what makes your business stand out, you'll be able to promote the benefits of that difference to customers.

**Who are your customers?** You don't have a lot of money to spend on promotion, so you need to figure out which people are most likely to buy from you. That way, you can focus your efforts on attracting their attention.

**Contingency planning.** Although you can't always prevent things from going wrong, you can prepare yourself so that you know what to do when problems come your way. Planning for problems is a big part of planning for success! This section also discusses things that can happen when a business grows too fast.

## Where Do Business Ideas Come From?

Have you ever wondered where business people get their start-up ideas? Here are some of the most common sources of inspiration for start-up businesses.

### Prior Job

Most start-up ideas come from work experience. Every day, people working for every sort of business—from copy shops to landscape gardeners—decide to strike out on their own, because they think they can do things better than their current employers.

Another way to develop a full-time business is to expand on your part-time job. By keeping your part-time income and starting slowly, you can reduce your risks. Internet businesses, such as eBay stores, can be a good way of starting out. Doing freelance work for various companies is another

good way to become self-employed. Once you build up a reputation and a client base, you can move to full-time.

Spin-off businesses are another option. Suppose you work for a landscaping contractor. In the course of your work, you realize that no one has a good stock of seedless cherry trees. With a little research, you locate a supply of seedlings, find an area where you can grow them, and discover a source for the capital you need. This is an example of a simple spin-off business.

### Hobbies and Interests

It's natural to want to make a living doing something you really love, like a hobby. And for some people, it works out well. But remember, hobbies and businesses are very different things. As we said before, you may enjoy cooking, but that doesn't mean you'll enjoy running a restaurant!

### Chance

Some business ideas come out of the blue. For instance, one entrepreneur had a friend with a new baby. This mom preferred to use cloth diapers, so her friend wanted to give her a gift of diaper service for a month. However, she couldn't find that service in her city. So after doing some research, she decided to start her own.

### Someone Else's Suggestion

Friends, relatives, and acquaintances may come across an opportunity that suits your talents and desires. Contacts in another part of the country may have a successful business idea you can copy in your area. Or your Aunt Ellen may have the family recipe for the world's best brownie.

Artists and craftspeople often go into business after producing gift items for friends who suggest that the gift would make a great product. One nice thing about this is that handmade goods often get premium prices. On the other hand, it can be hard to mass-produce items like these.



## Education

Some people have an educational background that prepares them to start a small business. A good example would be a tech-school graduate who opens an auto body shop or beauty salon.

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*I got married and I never planned for anything. Why would I? I was so naïve, I thought you just get married, and that's your life and your job. So I got married and I had a son, and everything was going the way things were supposed to.*

*Then my husband walked out and never came back. He wrote a couple times, telling how he'd find work in Houston and send money. But by that time, I wasn't so naïve any more. So I went back home to my old house, and started thinking about what to do next.*

Estelle Brazile was a 32-year-old woman who was having a hard time finding work. She was raising her son Martin on her own, so any job she found had to cover daycare as well as living expenses.

She was living in her father's house in the Virginia Park neighborhood of Detroit—the house she'd grown up in. He'd emigrated from Haiti in 1960, and had worked in the Post Office for thirty years. The house was free and clear, but rising property taxes in the neighborhood were making it harder to get by. She'd been a receptionist in a dentist's office, a teaching assistant at the elementary school, and a check-out clerk at a local grocery store. Unfortunately, the expense of daycare and the demands of motherhood made it impossible to keep those jobs. She quit two of them, and the grocery store fired her because she missed too many days.

*I looked in Martin's eyes one day and thought, "He trusts me. He thinks I'm in control, but I'm not." And right then I decided I didn't want to go out and apply for more of these jobs. I didn't want any more dead ends and hassles. I wanted a life where I really was in control. So I went to*

*community college and took a couple of business classes, all the time thinking there had to be some way I could work for myself and turn things around. All I needed was an idea.*

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## Manufacturing, Service, and Retail Businesses

Most businesses fall into one of three categories: manufacturing, retail, or service. Each has its advantages and disadvantages.

- **Manufacturing** businesses usually buy raw materials and convert them into a unique finished product (for instance, someone who knits buys yarn and turns it into a sweater). But some microbusiness owners don't buy their materials. Instead, they find and recycle free materials. There are people who earn a good living making ornaments out of tin cans, or handbags out of flour sacks. They are many clever ways of manufacturing unique items.
- **Service** is the broadest category of business. Service businesses typically sell the skills and talents of the business owner. They include catering, childcare, consulting, cleaning businesses, tailoring, car washing, and repair work.
- **Retail** businesses purchase finished products from manufacturers or wholesalers, and sell them to customers. Shops, mail-order, and Internet firms are the most common types of retailers.

The next section will discuss each type of business in more detail, to help you decide what's best for you.

## Manufacturing Businesses

If you turn raw materials into a finished product, you're a manufacturer. Usually, manufacturers sell to retailers or wholesalers. But they can also sell direct to customers. Some manufacturers turn out many identical items, like shampoo or bars of soap, while others produce one-of-a-kind items that may command a higher price, like cashmere sweaters or gold earrings.



### Manufacturing trends

For microbusinesses, one of the most important trends has been the growth of Internet sales. If you knit scarves, for instance, you can auction them on eBay, or sell them at a fixed price through a Website. (In this case, you're both a manufacturer and a retailer.) There's also a growing market for handcrafted and one-of-a-kind items, and for environmentally friendly items that use recycled or "green" materials.

### Are you a manufacturer at heart?

Do you like working with your hands? Are you good with tools? Do people ask you to make things for them? If so, manufacturing could be a good option for you. Arts and crafts—including clothing and jewelry—can form the basis of a very successful business. Other possibilities include:

- Sports equipment (e.g., fishing lures)
- Handmade toys and small novelty items
- Desk accessories (e.g., pencil cups or mouse pads)
- Furniture
- Pet toys
- Candles
- Soaps, perfumes, body oils, and so forth
- T-shirts
- Specialty foods (e.g., jams, salsa, cookies)

## Service Businesses

The service sector has more small businesses and one-person providers than retailing or manufacturing. It's also the fastest-growing sector in the U.S. economy. That's probably because service businesses can be relatively inexpensive to start and maintain, and are often run by only one person.

Unlike manufacturers and retailers, service businesses tend to have some flexibility as to how, where, and when to deliver their service. They can serve customers face-to-face—as gardeners or doctors do—or indirectly via mail, telephone, or the Internet.

Many service businesses involve their customers in the design and delivery of their services. Why? Because service businesses—more so than manufacturing and retail businesses—have an ongoing relationship with their customers. Therefore, they must constantly update their expertise and improve their service.

### Service business trends

The main trends affecting service businesses are:

- **Downsizing.** Big companies are laying off workers, and relying on outside help for everything from cleaning, to copying, to answering phones.
- **Time pressures.** As more members of households go to work, fewer people are left at home to do basic household chores. This has led to new opportunities for providing home and office services.
- **Organization problems.** Time pressures can lead to disorganized homes and offices. Organizing consultants are experts at bringing order to chaos.
- **Higher expectations for service.** Individuals and businesses expect better service, increasing opportunities for new competitors.



## Are you a service provider at heart?

Successful service businesses know their customers well, and often customize the services they offer. Communication and follow-up with customers are very important. For these reasons, people who do best at service businesses tend to be:

- Good communicators
- Confident and friendly
- Creative and flexible
- Able to adapt to many different situations

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Estelle knew there had to be some service she could provide that would let her cut childcare costs by working from home, but she was having a hard time coming up with one. Then, while she and Martin were walking hand-in-hand along the tree-lined street near her house, she saw a young girl heading for the park with five leashed dogs.

That's when the idea struck her. What if she could combine limited babysitting with dog-walking? What if she could pick up people's kids at the same time she took dogs to the park? At twenty dollars a head, five kids and five dogs could bring in two hundred dollars a day! The kids and dogs wouldn't have to be from the same families, and her main concern would be to make sure the dogs' training and temper were suitable.

She wouldn't have to worry about daycare anymore, because she'd be taking Martin with her to the park. He'd be getting lots of fresh air, and playing with other kids, and it'd cost her nothing. In fact, she'd be **making** money. It seemed so good to be true!

And on second thought, maybe it was. One thing that occurred to Estelle is that there was no way she could look after Martin, five kids, and five dogs. And even if she were willing to try, no parent was going to feel comfortable

with an arrangement like that. No, she'd probably have to hire a couple of leash holders, and that would cut into her profits.

Still, maybe that wasn't so bad. There were plenty of kids in the neighborhood who'd love to earn ten dollars for a couple hours of work.

There was another problem, though. Obviously, at least one other person in the neighborhood was walking dogs. How many more dogs were there in her neighborhood? And how could she find out? Why would a dog owner or a parent choose her services over someone else's? For that matter, how would they even know that she was offering those services?

The more she thought about it, the more questions she had. And if she'd learned one thing in her business class, it was that she'd have to answer these questions before she made another move.

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## Retail Businesses

Today, nearly 30% of all new businesses are retail stores. Most of them buy goods from wholesalers or manufacturers, and resell these goods directly to consumers.

Unlike manufacturing and service business transactions—which might take place over days, weeks, or months—transactions between customers and retail businesses tend to happen in a half-hour or less. This means that retailers often have very little time to earn customer loyalty. That's why customer service is so important to retail businesses.

## Retailing trends

Retailing has changed in the past 15 years. More giant retailers have emerged, and shopping malls are just about everywhere. In many areas, malls have replaced downtown shopping districts. But many retail businesses are still run by a single owner with a loyal customer base. In some cases, start-up retail-

### Traits of Service Providers

- Good communicators
- Confident and friendly
- Creative and flexible
- Able to adapt to many different situations

ers “piggyback” with an existing retailer, by renting a small space within a larger store for a fraction of the cost of renting the full retail space.

Internet sales are also booming. The Web lets customers buy without having to travel or fight crowds. At the same time, it lets small businesses target niche markets around the world, without the expense of renting a retail space in every country where you sell your merchandise. We’ll talk more about this in the session on e-commerce.

### Are you a retailer at heart?

Are you people-oriented? Service-oriented? These are the two most important traits for retailers. Successful retailers have an eye for detail, a talent for color and design, and an understanding of human nature. They also tend to be very interested in and knowledgeable about trends, or about a specific type of product (e.g., cooking or comic books).

## A Look At Your Business Idea



Whether you have one business idea or many, you need to ask yourself whether a given idea is viable. In other words, how likely are you to succeed at this type of business? You should be thinking about your experience, your interest, and the financial resources available to you.

The *Choosing a Business Worksheet* will help you evaluate your business ideas, and decide whether or not you should continue.

Here are some things to consider:

- What makes your business idea unique?
- Do you have the background and skills to make your idea work?
- Is anybody else already doing it? If so, can you do it better, cheaper, or faster?
- If nobody is currently doing it, why not?

- How many customers are there for your type of business? And how often do they buy? If you’re selling cookies, they might buy several times a month. If you cut hair, they’ll buy every few months. How will this affect your income?

If you still feel confident about your business concept after taking this closer look at it, you’re ready to begin a more comprehensive investigation.

## Integrating Business and Personal Goals

We talked a bit about this in the last session. But now is the perfect time to look at your goals in much more detail. This will help you to visualize and prioritize them, as well as to avoid or reduce conflicts.

Here are typical business and personal goals:

### Business goals

- Grow your business by 10 – 15 percent each year.
- Grow the business to a certain size, and sell it to someone else
- Be the best at what you do in your area

### Personal goals

- Use your creativity or talent
- Move to a bigger living space
- Put money aside for child’s education
- Build business and retire within 10 years
- Get off welfare or Section 8

Of course, you can pursue more than one of these goals at the same time. The purpose of listing goals is simply to set priorities, and to identify potential conflicts—both within and between the two categories.

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*My idea when I first thought of it was so simple. But then I thought some more, and it got more complicated. One thing I knew was that if I did things in the wrong order, it wouldn't work. A lot of this I knew from being parent myself. I knew I couldn't sign up parents before I was ready. And also I needed to be able to reassure everyone that the dogs wouldn't hurt the kids, and the kids wouldn't hurt the dogs, and that I wouldn't hurt either one.*

With the help of Dana Hall, her instructor at the community college, Estelle started working on the market research that would go into her marketing plan. Having that framework made her research easier, and things started falling into place. She was able to figure out how many dogs there were in her area by checking with the county and asking how many dog licenses had been issued within her zip code. She also researched leash laws and pet vaccinations, tax issues, and local laws relating to child care.

Most important of all, she signed up for a certification class in first aid and CPR at the American Red Cross. She knew that she'd only have one chance to convince a skeptical parent or pet owner that she was absolutely responsible and passionately safety-minded. If there were even one question about safety she couldn't answer, the odds were she'd be turned down.

*I felt like no one cares more about the safety of her child than I do, so that was where I started. What would make me feel secure? What would frighten me away?*

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## From Dream to Reality

Once you've found a business idea, what must you do to turn it into a business?

For a start, think about these questions:

### Product

- How will I get the materials and equipment I need?
- Can I use materials or packaging that will add value (e.g., green, reusable, or unique in some other way)?
- Is there a real need for the product? Enough to support a profitable business?
- Is production feasible?
- Is the product safe and legal?
- If the product must be serviced or guaranteed, can I handle this?

### Customers

- Who are my customers?
- How can I reach them?
- Why will they buy?
- When will they buy?
- How much will they buy ?

### Competition

- How many competitors do I have?
- Who are they?
- How do they package, market, and price their products?
- What is my competitive advantage over them?
- What will make it possible for my business to withstand new competition if it comes?

### Business future

- Why does the opportunity for my business exist?
- Will the opportunity exist long enough to make it profitable?

- Is there room for growth?
- Can my idea be expanded into additional products or services?
- Can I expand by offering my product to new markets?

## Financial

- Do I have enough money to finance my business? If not, where will I get the money?
- How do I know my business will be profitable?
- When will I reach my break-even point?
- Will I get an adequate return on my time and money?

Asking the right questions now will save you time and money in the future. It will also help you make an informed decision about starting a certain business. While you'll want to ask yourself all of these questions, some will play a bigger role in your business than others.

Here's an example. For retail shops and restaurants, choosing the right location is very important. But a home-based consulting business wouldn't really need to do a lot of research about location, because the business owner would travel to the customer's location instead.

Here's another question to ask yourself: Of all the businesses you could start, why have you chosen this one? Again, look at your personal and business goals. Are you sure your business idea fits in with these goals? Does your family support your idea? If so, there's a good chance that it's worth pursuing! The *Business Idea Worksheet* will help you make this decision.

Chances are, you weren't able to answer all of the questions we just asked. That's okay. The first step in researching a business idea is figuring out what you know, and what you don't know! You can start

by writing down what you *do* know, then work to fill the gaps in your knowledge.

But remember: This means more than just fact-finding. It also takes emotional honesty, creative thinking, and plenty of good advice from family, friends, and mentors.

These resources can help you to research your business concept:

- Small Business Development Centers (SBDC)
- University and community libraries
- Chamber of Commerce
- SCORE (Service Corp. of Retired Executives)
- Microlenders
- Internet
- Business Information Center (BIC)
- Local business mentoring groups

Seek out plenty of viewpoints that differ from your own, and always keep an open mind. Remember that things aren't necessarily true just because you want them to be! Instead of trying to confirm your beliefs, or disprove them, look for the truth. Learn what you *need* to know, instead of what you want to know.

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*I was sure most parents feel just like me, so the things that concern me would concern them. But Dana said I couldn't assume that much. She said I should interview a bunch of parents of kids Martin's age, and ask what they wanted from a child care provider. And she was right, I learned a lot from that. I found out we're not all alike. We have different issues and different concerns...even different ideas of what to do at the park. Some parents want lots of structure and supervised activity, and some want their kids to have a more spontaneous time and do whatever they like. It seemed impossible to keep everyone happy. But that's what I had to do.*



Slowly, Estelle's plan came together. One thing she realized is that it wasn't just about parents and pet owners screening her. She could screen them, too! They'd have to apply to her, and meet her standards.

Dana liked this idea. By marketing herself as a provider of exclusive services, she explained, Estelle would make a powerful statement about her standards and ethics. Her clients might think, "If she's screening everyone this carefully, she must be really good!"

Estelle, Dana explained, had found her business niche. The next step would be to find out how much capital she'd need to get started.

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## Your Business Niche

A **market** is made up of actual or potential buyers, and the sellers who compete to meet their needs. Some businesses target **mass markets**, which are made up of many people with broadly similar needs, like cell phone users. Other businesses target **niche markets**, which are made up of fewer customers with specific, very similar needs. People who buy cloth diapers would be a good example. Most microbusinesses target niche markets.

Markets of all sizes are affected by the ups and downs of the economy, the number and type of competitors, consumer trends, government regulations, and many other things. Understanding your customers, and the market conditions that affect their wants and needs, enables you to avoid obstacles and take advantage of opportunities. That's where **market research** comes in.

Simply put, market research is the study of your customers, your competitors, your industry, and the economic and social trends that affect them. Market research helps you decide where your business

niche is, and whether it's viable. Are there enough customers to make your business worthwhile? Who are they, where are they, and what do they spend per year on your type of product? Which of them are most likely to buy what you're selling? What's the best way to reach them? Who else is trying to sell to these target customers, and how can you show them that you offer better value? What does value mean to your customers, and how does the value you offer give you a competitive edge in your niche market?

## Finding Your Niche

Knowing what makes your business unique will help you explain it to customers. What is your product, and what does it do? What needs does it meet, and what problems does it solve? What are the features and benefits of your product? How is it different? What makes it exciting? Why will customers want it?

The first step is to find out what your competitors offer. Unless you know what's standard in your industry, you won't know how to improve on it. Your business's **competitive advantage** comes from offering more value to your customers than your competitors do.

A common mistake is to believe that "great customer service" is a business niche. But no one opens a business in order to provide "bad customer service."

That said, offering certain customer service policies *can* be unique. Perhaps you'll accept returns with no questions asked. If you're in an industry where this is unusual, your policy may set you apart from the competition.

Of course, it does you no good to offer policies you can't afford! You may want to offer free delivery because none of your competitors do. But first, you have to look at cost of deliveries and see if you can afford it. There may be a good reason why no one in your industry offers free delivery!

### What Can Make Your Business Unique?

- Features (different size, color, format, etc.)
- Your location
- Offering things that can't be found elsewhere
- New invention
- Pricing, guarantees
- Specific customer service policies
- Unique packaging
- Add-ons or extras that come with a purchase
- Your experience in the industry, skills, knowledge, contacts
- Turnaround times or delivery policies
- Customer assistance policies, help-line, etc.
- Materials and processes

The *Business Niche Worksheet* will get you thinking about ways to make your business special.

## Who Are Your Customers?

Your customers are the people who buy your products. Customers can be individual consumers, or other businesses. By researching your customers, you'll learn what kind of people they are, where they live, how much they spend on your type of product, and why they buy. You must condense this information into short, clear statements and draw up a **customer profile** that clearly describes your customer in as much detail as possible.

Figuring out who your customers are will help you choose merchandise or services that these customers want, and help you concentrate your promotional efforts. If you sell tea, you'll want to attract tea drinkers. If you provide childcare, you'll want to attract people who have children or are guardians for children. Someone who doesn't want or need what you're offering won't buy, no matter how good your product is!

Fill out the *Customer Profile Worksheet* to define your customer groups.

## Market Segmentation

Businesses must divide their market into **market segments**. These are groups of customers with similar needs and characteristics. **Demographics** describe things like age, gender, marital status, and income. **Psychographics** describe opinions, beliefs, values, lifestyle, and activities. For instance, if you wanted to sell skateboard parts, you'd look for the market segment that rides skateboards. In demographic terms, you'd probably look at people who are 25 or younger.

But is everyone who's younger than 25 in the market for skateboard parts? Definitely not! That's where

psychographics come in. Looking at the lifestyles of your target customers lets you narrow things down a bit more, so that you can identify one or more **target markets**.

Here are some examples of things to look for in a target market:

- Clearly defined and measurable (skateboarders in your area, aged 12 to 20)
- Worthwhile size and sales potential (how many are there, and what do they spend per year on skateboard parts?)
- Needs that aren't being met (No parts shop in the area)
- Growth rate (stable or expanding)
- Presence and strength of competition (be sure to consider mail-order and Internet sales)
- Suits your business's goals and capabilities
- Percentage of the market you can realistically target, given your budget and competitors
- Percentage of the market you must capture to reach your break-even point (the point where revenues cover costs, and you neither make nor lose money)

As we mentioned above, small businesses usually target niche markets, which are small—but profitable!—slices of a larger target market.

Segmenting markets takes market research, and we'll be explaining how to do this in later sessions. For now, filling out the *Beginning the Research Process Worksheet*, and the *Resource Checklist Worksheet*, will give you a head start.

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With Dana's help, Estelle got a \$1,500 micro-loan. The first thing she did was buy a desktop computer, and get a high-speed Internet connection. Then, she went on to Amazon.com and found a slightly used handheld planner

### Basic Market Segmentation Methods

- **Demographic:** Age, Gender, Occupation, Income Level, Educational Level, Marital Status, Ethnicity, Family Size.
- **Psychographic:** Interests, Activities, Beliefs, Opinions, Values, Lifestyle.
- **Geographic:** City, state, national, international. Also includes population size (urban or rural?) and weather trends (mild winters, or ten feet of snow?)

for about \$100; this would allow her to keep her schedules and contact information handy at all times.

Her next step was to work on promotional strategies. Simply tacking up notes at the laundromat and supermarket didn't fit the image she wanted to project. Instead, she hired a professional to write a letter of introduction, and had it printed at Kinko's on nice letterhead. She put the letters in matching, hand-addressed envelopes, and sent them by first-class stamped mail to 75 parents and dog owners she'd identified in her neighborhood.

How did she get their addresses? That part was actually pretty easy. First, she asked friends to give her the names and addresses of people they knew who might need child-care or dog walking. Second, she targeted the buildings that had been turned into condos over the past ten years, with the help of a friend who ran a laundry and dry cleaning service for young professionals.

Her letter was simple. She introduced herself as a mother and a long-term resident of the neighborhood, who was certified in first aid and CPR. She offered her services from 3 to 6 p.m. weekdays, and politely explained her requirements: All children she looks after must be respectful of others, and obedient when asked to behave. The dogs must have proof of shots, and no history of aggression. She'd supervise the children at the playground, while her assistant took the dogs to the nearby dog run. She stressed that at no time would the children be going to her house, and that in bad weather dog-walking would continue, but the children's outing would be canceled. She also specified that parents must send snacks and drinks with their children.

Last, she offered to pay a visit to each prospect to meet the parents and kids, and the dogs too. During that visit, she said, she'd explain her services and terms in greater detail.

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## Contingency Planning

No matter how sure you are that your business will succeed, you need to think about what you'll do if it doesn't. Planning for problems is a big part of planning for success!

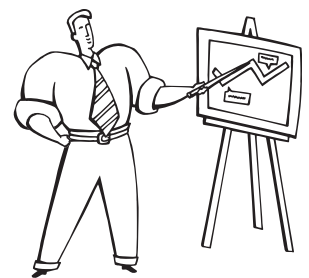
Ask yourself these tough questions:

- What would you do if your business failed?
- Would your business survive if you got sick, or had to look after a family member who got sick? Who would run it?
- What would you do if your business suddenly became very successful?

You may be wondering why we're talking about success as though it's a problem. The fact is, growing too fast can actually cause serious business problems! That's why planning for growth is so necessary.

Suppose you repair electronic equipment, and you offer such fast and friendly service that word of mouth starts to spread. One day, you come to work and find that twenty people want things repaired, and each one expects the fast service you delivered when you were repairing ten units a month. How will you cope with this increased demand, while maintaining the fast and friendly service that brought the extra business in the first place?

Of course, if you grow too slowly, and don't have enough customers, that causes a whole other set of problems. For instance, you might not make enough profits to accomplish certain goals, or you may face cash flow problems. As with quick growth, the solution is planning. A business that doesn't have a plan in place to deal with sudden or sluggish growth may not be able to survive.



Use the *Contingency Plan Worksheet* to think about how you would handle serious business situations.

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After mailing the letters, Estelle waited nervously for almost a week. Then, one Tuesday afternoon, the phone rang. It was a woman with twins and a Labrador retriever. Estelle took down her name and address, and arranged to meet her at six o'clock the next evening.

She took the \$450 left over from her loan, and spent a chunk of it on a good, conservative suit at a consignment shop. She also had her hair done, and got a pair of nice shoes. The meeting with her first prospect went well, and Estelle said she'd be in touch when her list of subscribers was complete. She made it very clear that she would carefully evaluate each client, and wouldn't go over five children per group. After that first meeting, the phone calls picked up. Soon, she found herself meeting parents for ten consecutive days.

It turned out that her idea wasn't too good to be true, after all! Her ability to pinpoint her target market, anticipate their needs, and present herself as an upscale service provider with high standards, gave her an important edge over her competitors.

*I make about \$300 a day after taxes, five days a week. With all the extra business, I have to pay three local kids ten dollars an hour for three hours a day.*

*This brings my income per day down to \$210, but that's okay. I'm making \$4,200 a month to work outside on nice days, and watch my son grow up. As far as I'm concerned, I'm rich!*

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## What You've Learned

This session explains how important it is to take a good, hard look at your business idea, and ask yourself:

1. What kind of business is best for you? Why?
2. What is your business niche?
3. Who are your target customers?
4. What do you need to find out about your business before you continue?
5. What are your contingency plans for failure, and for success?

Once you've completed the worksheets for this session, you may decide that your business idea isn't viable, or that this isn't the right time to pursue it. That's a good thing. It gives you a chance to come up with new ideas, or to prepare to launch your business when the time is right.

But more likely, you've decided that your idea really does look promising, and just needs a bit more research and preparation. In the next sessions, we'll take a more in-depth look at your business idea, and begin developing your Business Plan.