

Basics of Business

Turning Your Idea into a Business

Here are three usual paths to starting a business – The Idea, Buying an Existing Business and Buying a Franchise.

The Idea – You have an original idea or you have an idea to improve on an existing business model. If you have decided to start your business from "scratch" you need to know how to find a good idea and turn it into a business opportunity. Business opportunities usually develop from simple ideas that come from ordinary sources. They do not have to be sudden flashes of inspiration. Many very good ideas have come from frustrating experiences as a customer, suggestions from friends or business colleagues, or from personal interests.

To find a good idea and turn it into a business opportunity, it is critical you focus your idea, set a goal and then secure information and feedback on your idea.

Focus on Your Idea

A business idea should be well focused, straightforward and easy to understand. You should be able to explain it clearly and simply to potential customers, future employees and investors. If you are unable to describe your business idea in less than fifty words, you may need to take another look at your idea. Perhaps your idea is not clear and needs more thought.

Set a Goal

Once you have focused your idea, set a goal that fits your idea. Think about where you want your business to be in one to three years. Make sure the goal is ambitious yet achievable, and, most of all, keep it simple. Like your idea, your goal should be easy to explain to potential employees, financial sources, etc. The easier your idea is to explain, the easier it will be to achieve.

Get Information and Feedback on Your Idea

Now that you have set a goal, you must learn as much as possible about the industry and the market. You can do this by examining your competition, talking to potential customers and taking advantage of the many other sources of information available such as SCORE, Chambers of Commerce, Libraries and the like. And, don't forget family and friends: Ask your family, friends, and co-workers, "What do you think of this?" Most of the time, they will be glad to help you.

Examine Your Competition

Finding out what your competition does to stay in business can be one of the most important forms of market research you will ever conduct. Find out how they present themselves to potential customers. Look at their website, social media posts, any articles in the media, and check their reviews and Google/Yelp/etc. reputation.

Your competitors are in business for a reason. You must find out what that reason is and what is going to make the competitors' customers come to your business and buy your product or service. You do not have to reinvent the wheel. If your competitors are doing a good job, why not take the best of their ideas and throw in a few of your own?

Seek out the competition and find out what you are up against in the marketplace. Is there room for another competitor in your community? Is there a potential for profit?

Talk to Customers

Successful businesses seem to have at least one thing in common. Business owners continually conduct the most basic of all forms of market research: they talk to customers. Talk to potential customers about your idea. If you speak enough with potential customers, you will develop a vision of what is needed in the community. You can tailor your product or service to meet that need. You really need to tune into your customers— where they are, who they are, and what makes them buy. You need to know why they are buying, what they are buying now, if they will actually buy your product or service, and how that fits into your scheme of things. If you do not attract and hold customers, you are not going to be in business very long.

Other Sources of Information

For you to gain the knowledge necessary to turn your idea into a successful business opportunity, you must get feedback. Before starting your business, you should get additional information:

- Talk with suppliers.
- Attend trade association shows.
- Contact SCORE Our experienced business people can help you evaluate your idea, share marketing experience, help you formulate a business plan, and offer workshops on topics that can improve your start-up experience.

Buying an Existing Business – You have expertise or a strong interest in a type of business and you are looking to find one for sale. We suggest you contact your accountant or business broker if you are interested in buying an existing business. A thorough knowledge of the business you are buying is mandatory and having some years of experience in that kind of business is necessary—just a "good feel" is not enough.

Selecting a Franchise - You have expertise or a strong interest in a type of business and you are looking to find one to start with help from a franchisor. If you do not have such expertise, you could depend on a franchisor to give you that business knowhow.

A franchise is a form of licensing. It is a method of distributing products or services. A typical franchise is simply an agreement between a seller and a buyer that permits the buyer (franchisee) to sell the product, method or service of the seller (franchisor). The seller's knowledge, image, success, manufacturing and marketing techniques are supplied to the buyer for a royalty fee and often an initial payment.

Advantages

- Proven business methods and services: i.e. location analysis and counsel; store development; advertising; merchandising counsel and assistance; and financial assistance in the establishment of the business.
- Initial employee and management training, and continuing management counseling.
- Established reputation.
- Reduced risks.

Disadvantages

- Lack of independence.
- Continuing obligation to the franchisor.
- Lack of individual identity.
- Contract agreement is often difficult to cancel.
- Failure of franchisor to provide contracted services.
- High costs for product.

You may want to contact the following for assistance:

International Franchise Association (IFA) www.franchise.org

American Association of Franchisees & Dealers (AAFD) www.aafd.org

The Next Step

We suggest you read Personality ([insert link here](#)), the next chapter in the Basics of Business. Now that you have thought long and hard about whether your idea can be turned into a successful business, you need to ask yourself why you want to go into business. Do you have the characteristics necessary to become a successful business owner? Have you realistically looked at the rewards and challenges of owning a business? Are you aware of the common problems faced by small business? These are questions you should ask yourself before, not after, the business has begun.