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WOMEN IN BUSINESS

7 things to consider to ensure your business idea is profitable

By [Alan Manly](#) on July 21, 2017



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All new business ideas are good, especially in the mind of the originator. The perceived need is assumed and profits are inevitable. However, whether an idea can be converted into a profitable business requires some serious review. *Many great ideas have been devised but failed the business test. A case in point is the start-up Homejoy, a computer based booking system for domestic cleaners which raised forty million dollars in the US. The Homejoy system advertised domestic cleaners and matched the customer with the self employed cleaners, but when the customer liked the cleaner and the cleaner was happy with the customer, who needed the middleman? Great idea, but not an ongoing business. Here's 7 key things to consider to ensure your business has leongevity:*

Does anyone else care?

The first challenge for any business idea is to ascertain if anyone else shares your opinion that there is a problem to be solved. An exasperating experience for one person may not be an issue for anyone else in fact the same experience may not only be a non-event for someone else but possibly a happy experience. For instance, being delayed in the traffic



can cause one person to be virtually screaming for a solution, whereas, the same experience can be another person's quiet time to listen to music. Research needs to be undertaken to ascertain if enough people perceive a problem and the need for a solution.

Startup or spinoff

Startups are characteristically an entrepreneurial organisation introducing an innovative service or product that by nature will have a high risk, high return profile. Breaking into the market is a major challenge that causes the failure of many startups. This risk can be avoided if a spin off product or service can be developed. Spinoffs are usually created by person/s with a deep understanding of the current product and/or processes and can see how it can be improved, often at a reduced cost. Better and cheaper are two major characteristics of a great business idea. The advantage of the spinoff is that it seriously reduces to time to market as there is already a user base familiar with the product waiting for the new improved model.

Business plan

If it's not in writing, it will never happen. The great leveller of business ideas is the business plan. Fortunately there are templates readily available to provide a workable format. However, the greater the idea, the more work required to capture that greatness. Unfortunately it will still take time and patience to develop a great business idea into a plausible business plan. In this process many loose ends often left unchallenged in a verbal sales pitch will be addressed. The end result will demonstrate that your business idea is not only great but also profitable.

Is your solution credible?

Convinced by your research that others agree that the problem needs solving, that is there is a demand, the question is do others consider your solution viable. Identifying a problem and getting agreement that there is a problem is lot easier than getting people to agree on any one solution. Serious testing will be required along with a thick skin to accept the inputs from cynics and doubters. Assuming that your solution passes the test and is deemed credible the next step is to test it for its value proposition.

Commercial reality

As soon as mention is made of paying for a solution you have moved from a sympathetic fellow traveller sharing a poor experience into a salesperson with a product to sell. This is when you learn that the most enthusiastic supporter of the need for a solution to a problem turns into the most frugal of purchasers. People are naturally less enthused about any proposed solution they will have to pay for. Value for money is now the challenge.

Value proposition

Armed with the business plan it is time to get serious and take practical steps to ensure that your business idea is saleable. The product is now clearly described, production cost is known, the target market identified and the profit calculated. Whilst the numbers don't lie they will now need to be tested. The acid test is, would a total stranger really think that your product has value?

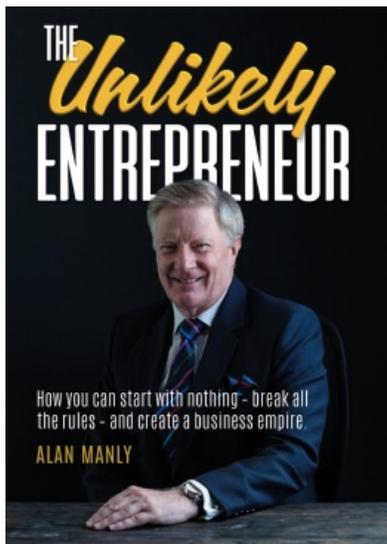
Get a customer

You only have a business when you have a customer. The best business plan in the world is all very well but until a person actually commits to the value proposition, by way of paying for the product or service you only have a plan, not a business. Whilst this concept may appear to be the reverse of conventional thinking, being a progression from market research to a business plan, I always like to see if there is a customer in the wings waiting

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for the new enhanced product or service before investing time and money in the refinement of a serious business plan. If you have a customer or two waiting, you are a lot closer to ensuring that your business idea is profitable.

This is an extract from Alan Manly's new book, *The Unlikely Entrepreneur*.



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ABOUT ALAN MANLY



Alan Manly is the founder of Group Colleges Australia and author of the new book, *The Unlikely Entrepreneur*. To find out more visit www.alanmanly.com.au



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