

The YEBDC Small Business Information Column

by Sue Gingerich, Business Advisor

"Assessing the Viability of a Home-Based Business"

Some ideas for new business ventures are truly brilliant, yet never make any money. Then there are those other business ideas that seem only mediocre, but here it is ten years later and those businesses are still surviving. How is this so? How does a great idea fail and a poor one survive? Simple, a great idea may be a great idea, but that is all that it is. Just because the idea or the concept is brilliant, doesn't mean that it is actually a viable idea. Viable in the business world means being able to actually make a profitable income and survive.

So just how can an idea be assessed to determine if it is viable? First look at the potential customers; Who are they? Where are they? How many are there? How much will they spend? How often? When will they spend?

One of the problems with this analysis is that many people with a great idea, mistakenly believe that everyone is their customer. If this is your problem, then you need to back up a step. Look at exactly what it is you are selling and what kinds of individuals it will appeal to. An example of this might be if you plan on selling bubble gum. Most of your TARGET MARKET is likely to be between the ages of 5 and 15, with teeth -- although they could be missing a few! They most likely enjoy sugary, sweet products and they most likely frequent convenience stores daily, on the way home from school. This doesn't mean others wouldn't buy your gum, it just means your most likely customer falls into this category. What it allows you to do is focus your research. Are there enough of these customers out there that will buy your product to ensure profitability and survival?

Another thing to find out is, will these individuals ever stop buying this product for any reason? In the above example they might, one, out grow it, or two, find it harmful to their teeth and give it up.

The other great threat to viability is competition. Who are they? Where are they? What are they good at? What are they not good at? The biggest mistake made in researching the competition is that you overlook a competitor OR you think a particular business is not a competitor, when they most indeed are! REMEMBER, indirect competition is anything that fights with you for the same dollar the customer is spending. Also, what competition could come along after you and take customers away? Closely related to this is, could your customers switch to a substitute product if something new comes along?

The other areas to assess when determining viability are: technology changes - economic changes - political/legal (legislation or regulations, existing or anticipated) - environmental (i.e. weather, seasons or climate). What impact could any changes in these areas have on your customer or your product?

If the time is taken to seriously study all of these areas and find the answers and it still looks like a great idea, then chances are you have more than just a great idea, you have a viable idea, with real market potential.

If you have a small business and have a question that you think The Y.E.B.D.C. could help you with, please call or write to: The Yellowhead East Business Development Corporation, Box 249, Sangudo, AB T0E 2A0
Phone: 1-800-556-0328 or 1-780-785-2900 / E-mail: yebdc@yebdc.ab.ca

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