

The Five O'Clock News[®]

from America's Premier Career-Coaching and Outplacement Service

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"One organization with a long record of success in helping people find jobs is The Five O'Clock Club."

FORTUNE

Celebrating 25 years—
America's Premier
Career Coaching and
Outplacement Network for
Professionals, Managers
and Executives

The One-Hour Business Plan

Making Sure Your Business Idea is Viable

by Kate Wendleton

*Take up one idea. Make that one idea your life
— think of it, dream of it, live on that idea.*

*Let the brain, muscles, nerves, every part of your body, be full of
that idea, and just leave every other idea alone. This is the way to
success, that is the way great spiritual giants are produced.*

Swami Vivekananda

Jared had an idea a week. "My girlfriend and I make soap at night. We want our own soap business." Later, he mentioned ideas for a tourist business, then a dating service: "Some people are making a lot of money running dating services. I like people. I could do that." And on it went.

Jared is just one more American with loads of ideas. But it would take very little to make him someone more serious. It would take a one-hour business plan written on one page. He just needs to write down the key elements of his business idea, and he will actually have a chance of doing something and succeeding at it. Here's the process you can follow with every business idea that occurs to you.

At the top of the page, succinctly write down the business concept. Is Jared thinking about a computer-based dating service, a one-on-one matching service, or one of those "meet a person every three minutes at a party" kind of service? What does he mean by "a dating business?" He needs to be more specific, and it will take only a sentence or two.

In the top third of the page, describe the market need or want. If no one needs or wants your product or service, it will be difficult to convince anyone to buy. Here, list everything you can about the market: whom you would target, how you would market to them, how you would price your product or

service, and so on — including more about your competition.

In the middle third of the page, describe your product or service and how you see it as being different from your competitors'. You don't need to write much, but you do need to fill up one-third of a page. And while Jared's doing this, at least he's not blabbering on about another business idea.

In the third third, analyze the idea's profit potential. What would you charge? What would your expenses be? How much would you actually make per customer? How many customers do you need to have to make a decent profit from this idea?

Now, that's not hard. *Whenever* you have a business idea, do this quickie analysis and decide whether it's worth your while to go further with the idea. What you write within one hour on one page will not be entirely correct: it's merely a hypothesis. But it will move you from idea to reality. As I always say: "Ideas are cheap. Execution is everything." Jared will now have to spend a lot of time — the average person spends two years — researching his market and further developing his idea before he is ready to hang out the "open for business" sign. During those two years, he will continually test his market, perhaps even matching up a few people to test his hypothesis and develop his systems.

If you have dozens of ideas, narrow *Continued on page 3*

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- ◆ Together at Last: Retirement Planning
- ◆ Magnifying Customer Focus

down those that are worth exploring by developing a one-hour business plan. Then select three of them and conduct more intensive research.

And if you meet someone like Jared, who comes up with one brilliant business idea after another, just hand him the worksheet and ask him to fill it out.

An idea that is developed and put into action is more important than an idea that exists only as an idea.

Buddha

Often the difference between a successful person and a failure is not one has better abilities or ideas, but the courage that one has to bet on one's ideas, to take a calculated risk — and to act.

Andre Malraux

Adults are always asking little kids what they want to be when they grow up because they're looking for ideas.

Paula Poundstone

Whenever you have a business idea, do this quickie analysis to see whether it is worth pursuing.

Your All-Important Notebook and Hanging Files

The One-Hour Business Plan Worksheet is the exciting beginning of developing your business concept. Remember, you may wind up exploring three, four or even more business concepts before you pick the one you actually want to implement. That's okay. The process of exploring is worth it and will save you a few failures later.

As you start exploring business ideas, you can become more organized. Carry around a notebook like the favorite one you used in school. Ideally, it should be bound, not loose-leaf and small enough to carry — perhaps 5" x 8". Carry it with you everywhere. Jot down things people tell you, ideas that you think of to make your product or service better, even the kind of lifestyle

The Business Idea:

The Market (everything about the market for your product or service):

The Product or Service (everything about your product or service):

The Proof of Profitability (everything about the dollars):

you want to lead, the way you want to treat employees, how people should dress, what the office layout will look like, and the kinds of customers you think you want to work with. When you go to a trade show, chat with people in the subway, see a shop that presents a product the way you want to present yours, jot down your thoughts.

Your notebook will prove invaluable to you in the start-up years of your business. Later on, you will never remember the conversations you had — or find the scrap piece of paper you wrote them on, unless you write these down in your notebook. Then, you will be able to refer to your notebook for ideas and inspiration.

In addition, gather literature, newspaper and magazine clippings and Internet print-outs. Organize this part of your research as well: use hanging file folders! One file could be for your competitor's brochures, another for other marketing ideas. One could be for trade show literature having to do with some aspect of your idea. Another could contain sources of inexpensive office furniture, equipment or supplies. Others could have to do with small business management, such as licensing and other legal requirements, managing people, financing sources, and so on.

You don't need a formal business plan at this point.

Build on Your One-Hour Business Plan

Spending one hour to actually think about a business idea is a good start and should fill you with excitement and eagerness to go to the next step. Now you need more. Unless you want outside financing, you don't need to develop a formal business plan now, but you do need to formally think through much more than one hour's worth. That hour was just to get you over the hump. Most people hate the thought of doing a business plan, but none of my

clients has resisted the idea of writing down just one hour's worth. Now, research more and write more.

Here are some thoughts to inspire you.

Description of the Market Need or Want

- What evidence do you have that there is a market need or want? (Answer in as much detail as possible.)

- o What problem will your product or service solve?

- o Have you found any research to substantiate this? (If so, print it out and put it in the appropriate hanging folder.)

- Is the timing right? Do people need it now, or are you too late or too early?

- o What do people do *now* to solve this need or want?

- o What's wrong with that?

- o How will your product or service better solve their need or want?

- Who will buy your product?

- o Will you target the corporate or the retail market or some other market?

- o Specifically, who is your target?

How will you identify them?

§ For example, if corporations — what kind? What is the title of the decision-maker or influencer? If you want to target, for example, "companies experiencing extreme growth," can you identify the likely purchaser?

§ If individuals, who are they?

Are they identifiable? For example, if you say, "People who want a cleaner house," how will you find them?

- Who is your competition? Can you compete against them?

- Is the customer able to buy?

- o Is this something they can afford or justify?

- o Is the market already saturated — or is there room for you?

- What is your targeted geographic area?
- What is the market size and potential?
- What effect will the economy have on buyers' decisions?

- o Is your product or service more likely to sell in a down economy or an up economy?

- o Will you market or price your product differently under different economic conditions?

Write about the market, the product or service and the potential profit picture.

- Can your prospective customer afford to buy it? If, for example you target administrative assistants within organizations, will they be able to get approval to purchase your product or service? If you target kids, will they be able to get their parents to buy it? Who might you target instead?

- o Is your product or service going to be a difficult sell? What logic would the influencer have to use to get someone else to approve this purchase?

- o How will the influencer or purchaser be able to overcome budgetary restrictions? How can you help with this?

- Is the customer likely to buy?

- o What other priorities must the customer consider before spending money on your product or service?

- o What will influence them to buy?

- What are the perceived benefits of your product or service?

- o How will customers see your product or service vs. your competitors?

- How will you make people aware of these differences?

- o What kinds of promotional techniques will you use? Which are the least expensive, and most effective?

- o Which techniques do your competitors use? Should you do the same or something different?

- How will you price your product or service for various markets?

- Are there other products or services you could develop or offer to the same customer base?

- What else should be covered in



this “marketing” section?

Description of Your Product or Service:

- Is there a real product or service here? (Many people come up with “ideas” that can’t happen in real life.)
- What, in detail, is your product or service?
- Is it something that can actually be made?
 - o How will it be made?
 - o What goes into making it?
 - o What are the roadblocks — legal, economic, pragmatic — that could stand in the way of actually making or developing this product or service?
- What don’t you know that you ought to know more about?
- Do you have the resources to build and /or deliver the product or service?
 - o Do you have experience with this product or service? Can you get the experience? Have you been involved with virtually all areas of knowledge required to build or develop this product or service? What will it take?
 - o Are you committed to this concept and do you have the commitment of other necessary people?
 - o Do you have the financing or can you finance it yourself as you go along?
 - o How long will it take to develop the product or service — to the stage where you can go out and sell it? (You can start selling it before you have it.)
- Will the market be satisfied with your product or service?
 - o Can you verify this in the market by testing the idea, the price, the delivery mechanism, and the product literature?
 - o Will the market find it cost-justifiable?
- Can you support the product or service once it is sold? How?
- What other concerns will the customer have about the product or service? (For example, tangibles such as security, upgradability or integration with other products or intangibles such as prestige, comfort, appearance.)

Profitability Analysis (price, cost, no. of customers needed, etc.):

- Develop your price list.
- Develop a projected P&L for a sensible number of years: Project revenue and expenses as well as overhead.
- How much will the average customer spend? Will you have repeat sales or will a customer buy only once?
- What’s your profit margin/customer?
- How many items do you need to sell to make a living?
- Include here all other financial considerations, such as quantity discounts, cost of supplies and price-breaks on purchasing quantities.
- Develop your start-up costs and sources of funding.
 - o If you need a million dollars, for example, is there any chance you will ever be able to raise that money? Would investors give you a million dollars? (I’ve had too many clients who came up with idea that required serious money, but they had no background in the area. No



“I’ve learned how much self-discipline I have. I’ve played 358 rounds of golf in the 2 weeks I’ve been self-employed.”

one would ever invest in them. Even if you have a very credible background, it could take two years or more of constant work to find investors. And then they wind up being your boss! Some businesses sensibly need outside funding, but most businesses are bootstrapped (that is, starting a business with little or no external financing). Don’t automatically jump to thinking you need investors. It’s great having no one to answer to and you keep all the money yourself!

How will you make people aware of your product or service?

- o Can you bootstrap the financing?
- o Can you sell your product or service before you actually build it and tell the customer that you will have it for him or her in two months (or whatever time it would take)? That way, you won’t have upfront development costs, and will have tested your market. If no one is interested in your product, don’t invest money in it. Instead, rethink your product offering!
- Now, can you make a living at this?
 - o What kind of income do you expect to have?
 - o How long will it take you to get to this level?
 - o Do you have the mindset to live frugally for many years while you work this out?
 - o Is it workable? Will this idea ever make money?

You need real, live customers to take this idea out of the theoretical and into the real world. If, for example, you want to have a cleaning service aimed at small businesses:

- Gather competitive information,
- Perhaps even go to work for one (not a future competitor) for a little while to see what it is like on the inside,
- Call small businesses to ask how they like their current cleaning service,
- Don’t be put off when they say they already use someone (*everyone* you will try to sell to already has a cleaning service),
- Tell them how you are better than their current service, and
- See how they respond.

How much do you know about the current market?

Now you are in business without having invested very much at all. You are now *marketing*, and without customers you have no business.

Focus on marketing and developing a product or service the market wants and is willing to pay for. Good luck. ●