

A photograph of a man with glasses and a beard, wearing a white shirt, working behind a counter in a restaurant at night. The word "RESTAURANT" is visible in large letters above the counter. The scene is dimly lit, with blue and white lights. A large, stylized number "2" is overlaid on the left side of the image.

2

Putting Small Business Ideas Into Action

How do you come up with a small business idea and how do you decide if it's any good? Can you do your own research? When will you need to get professionals involved? Here's how to put your business idea into action.

Where do good business ideas come from?

Not many businesses start with a eureka moment. Some don't even start with an idea at all. A hobbyist, for example, might just fall into business by doing what they love.

Most other businesses are built around very simple ideas. It might be an old concept in a new location. Or an old service delivered online. You don't need to be touched by genius to come up with something. You just need to be able to spot an opportunity.

Brainstorming business ideas.

It's hard to sit down and think up a business idea through sheer willpower. For most people, business ideas form slowly, in an unplanned way. But that shouldn't stop you from brainstorming.

In fact, a brainstorming session now could help you have a 'spontaneous' idea later. Many psychologists believe that when you give your brain a job to do, it keeps working on it even when you've stopped paying attention. This is called the Zeigarnik effect and it may explain why ideas often come to us when we're out running, in the shower, or lying in bed, rather than when we're actively thinking about problems.

So even though a series of brainstorms might yield nothing in the short term, they could still set your mind on the path to a big idea.

What products to sell, or services to provide?

A lot of people try to come up with business ideas by thinking about products or services first.

- **What are people buying?**

There are techniques (and apps) for estimating what's selling on Amazon, for example.

- **Which products or services have the best margin?**

It's easy enough to compare retail prices to the costs of delivering goods or services.

- **What products or services would be costly to produce and sell?**

Common sense will tell you what products spoil, go out of date, or are hard to ship. Likewise, you'll have a sense of what services might become dated or difficult to deliver efficiently.



These are great questions to ask when doing a formal business plan. But don't overcomplicate it when first considering business ideas. Start by looking for a gap in the market – preferably one that you would enjoy filling. You tend to learn faster and network better when working on something that interests you.

Good business ideas can be bold or traditional.

An idea that's really original will present different challenges to one that's been proven before. Where is your idea on the originality scale? Does your personality and skill set suit one type of idea more than the other?

New ideas often involve more:

- trial and error,
- difficulty finding suppliers,
- hand-holding with lenders and investors,
- educating the market, and
- uncertainty.

Tried-and-true ideas involve more:

- convention,
- supply chain politics,
- price competition,
- difficulty standing out, and
- limits to expansion.



Lifestyle business or world domination?

Your approach to business will be affected by your end goal. If you're aiming for high growth, you'll need:

- plans for ramping up production when things take off,
- access to a lot of money (probably through equity investors), and
- a long-term view of profitability (as short-term revenue will be reinvested).

Is business right for you?

You may be buzzing about starting a business when you first come up with an idea, but think about the bigger picture. Most business owners work long hours and still end up wishing they had more time. They don't enjoy all the jobs they have to do either (like chasing late payments). Consider everything that small business entails before charging in.

How to start a business using someone else's idea?

Franchises can be a good way to get into business. Some come with a very specific manual on how to operate and succeed, plus guidelines for your forecasts and budgets. It takes away a lot of the trial and error that you'd go through if you were starting from scratch. Franchises differ a lot in the level of support they give you and the expectations they have of you. Do plenty of homework.



Testing business ideas.

To help organise your earliest thoughts, think about starting a business from three angles.

1. Customers

Who are they? How will you reach them? Why will they choose you, and what will they pay?

2. Resources

Can you get the supplies you need? What tools will you need? Will you need contractors or staff?

3. Finances

How much will you have to charge? What will it cost to launch? Where will that money come from?

Keep an eye on the future too.

When will you break even? Could competitors undercut you in the meantime? Will there be enough after-tax profit to reinvest in the business? Don't focus solely on how to start a business. Think about what comes next.

Customers are the most important thing.

Unless someone will pay money for your goods or services, then the rest doesn't really matter. It's vital to find out if there's a market. Market research needs to include your customers and competitors. You don't have to do full-scale studies straight away, but it pays to start testing the waters as soon as you can.

Why you're not the best judge of your idea?

Coming up with an amazing idea for a business might feel like you've hit the jackpot, but beware of overconfidence. We're all naturally attached to our ideas and we have a hard time accepting their flaws.

A study at the Gustavson School of Business and Washington University found that people are hung up on their own ideas and become emotional when faced with negative feedback.

The value of good business advisors?

You don't have to go through all this thinking on your own. In fact, it's not recommended. Find yourself:

- **a mentor**

Meeting someone who's already in business can help you avoid the mistakes they made.

- **an accountant or bookkeeper**

Get a professional to check your numbers and help with things like finance. Learn about all the things an accountant can do for you.

Enquire how we can help you today.



Business viability checklist.

To help you remove your own biases, work through this exercise.

1. Is your product or service solving a real problem for users?

A. Yes, we've checked with the target market.

B. I think so, but haven't done any research yet.

C. I think so, but the research doesn't support that yet.

2. Will your target market change their behaviour (and pay the required amount) to get your solution?

A. Yes, I've asked them.

B. I'm not sure yet.

C. It's probably going to be a difficult decision for them.

3. Have you done any competitor research?

A. Yes, I know their strengths and weaknesses.

B. A bit, but I'm only getting started.

C. No, I'm not even sure who my competitors are.

4. Do you have access to money?

A. Yes, I think I can get what I need.

B. I'm figuring that out now.

C. I don't know what I need.

5. Do you have the time and resources to put into your business?

A. Yes, I have a plan to bring it to life.

B. I think so, but there's just so much to do.

C. I don't know. I haven't found time to think about that yet.

6. Have you written a business plan?

A. Yes, and it's been reviewed by an accountant.

B. I've started it, but it needs work.

C. No, I've just got a ton of notes



Mostly A's:

It sounds like you know what you're doing. Keep going!



Mostly B's:

You've made a start but things are stalling. It's time for some homework.



Mostly C's:

Your idea needs some work. Do some more research and think through things in more detail.

What if my business idea doesn't seem viable?

You don't have to give up just because your idea fails some of these tests. You might be able to resurrect it with a few tweaks. Maybe your target market is wrong. Or your price. Think creatively.

If it still doesn't stack up, then file away your notes and move onto something else. But don't throw anything away. You might come up with the perfect way to make it work in a year, or 10 years from now. Ideas are never over.





**FINANCIALLY
SORTED**

NORTH MELBOURNE

Ground Level
124 Errol Street
North Melbourne VIC 3051

WHEELERS HILL

Level 2 Suite 10
622 Ferntree Gully Rd
Wheelers Hill VIC 3150

Ph: 03 9888 3175

E: info@financiallysorted.com.au

W: www.financiallysorted.com.au

