

# Do you know that your business idea is viable?

## Viability check – is there a market?

### Market research

It's always worth [conducting market research](#) to make sure that there are enough potential customers out there for your business to survive and grow.

To do this, you will need to work out some rough numbers on your market size. Key questions to ask of your business:

### How many customers do I need to be profitable?

For your product or service, you first need to work out roughly how many transactions you will need to make a profit, and how many customers you will need to generate those transactions.

For example, for a cleaning business, maybe you need 100 cleaning jobs a month to be profitable, but if customers will be weekly, then you need a minimum of 25, and then a few more to allow for churn.

### Are there enough potential customers?

Do a rough pen portrait of the type of customer who is likely to be interested in your offering, including elements like their work, age, gender and income. Then look at [Statistics Jersey](#) or go to the [Jersey Library](#) to get a feel for some numbers.

For example, if you are setting up a cleaning business, you'd check if it's realistic to find enough customers who need and can afford a cleaner.

Or, if you are creating a product or service for new born babies and you know you need to sell thousands before you are profitable, it is handy to know how many babies are born in Jersey each year. If, realistically you would only convert a small percentage of these, you might need to widen your market across the UK or internationally to be able to sell the volume you need to.

## **Does this market exist just now?**

If you can easily identify direct competitors, then it will be obvious there is an existing market and you can **undertake competitor analysis** to identify how to stand out.

Remember, if there are many competitors, then the market could be saturated, and you will need to stand out enough to encourage customers to switch to you instead.

## **Sense check – do people want my product or service?**

### **Customer insight**

If you're confident you could have a market, it's sensible to speak to potential customers to see if your offering could be a good fit and to get other ideas about how to sell it.

It's almost guaranteed that a few well planned conversations or surveys will give you fresh insights! You should cover the following areas:

- What do your customers actually want or need?
- Does your proposed product or service meet that need for them?
- If so, what are the features and benefits of your offering that they like the most and why?
- How do they want to buy? Online or in person? On certain days or times?

Before you start, make sure you can communicate your proposed offering in a concise way people can instantly understand (in other words an elevator pitch). This is

never easy but always worth the effort.

## Who to ask?

This is another hard step for many businesses, but push on – if you can't find people to ask about your business, then you won't be able to find people to buy from you!

- Ask friends and family, and ask them to put you in touch with anyone they know who fits your target audience.
- Post on all of your personal social media accounts asking for feedback.

If you ask in the right way, most people are flattered to be asked for their opinion so will often happily participate with no other incentive. You'll often find that after 10 to 20 conversations you will have flushed out most of the insights you need to help you shape your offering.

## How to ask

### Direct

If you have permission, then phone, private message or email contacts to ask them their opinion.

### Surveys

[Survey Monkey](#) or [Google Forms](#), can be linked to from social platforms or in an email. Include some open ended questions (with room for comments) and these could help you gather insights and ideas you may not have thought to ask about.

### Social media polls

Facebook or Twitter polls work well if you are testing preferences for a couple of options – e.g. would customers prefer to collect their order or have it delivered, or would more people prefer the t-shirt design in blue or red.

## Will customers actually Test your idea

## **buy my product or service?**

Surveys are good but take survey responses with a pinch of salt. Speaking to people and carrying out surveys adds real value, however it can't be completely relied on when making business decisions because people sometimes don't actually do what they say they will do. So, you might also use insights gained from low-risk tests of the idea rather than heading straight to a launch.

### **Simplify and prioritise**

The good news is that to test your business idea, you don't need a stunning online shop listing hundreds of products, or to go to market with a whole suite of services. Instead, simplify and prioritise and use your research to narrow down a few things to test first, to help you focus. For example:

#### **Online shop**

Start with a handful of the top products you think people will be most likely to buy. This gives you the opportunity to test some basic advertising, web design, fulfilment and delivery and see if there are any issues before increasing your product range or switching to something else.

#### **New product**

Try a limited number of designs, sizes or versions initially, informed by your research.

#### **Services**

If you are launching a new service, consider focusing on a small number of key services to start, and even consider taking on a small number of clients initially, to test your pricing against how long the job actually takes.

If you are delivering online, there are many different platforms to use so shortlist them and test your delivery. For example, if you are delivering training courses, before creating a whole end-to-end series or selling tickets for a huge one-off event you can test the format with a short session for a small group.

Similarly, if you are delivering in person, create one course to start with and test the market to see how people respond to the subject matter, the depth, the visuals. Once you have feedback on the first one, you can develop more courses to be in line with your findings.

## Identify low cost options

## Flexibility and value

Consider what you will need to spend money on to deliver your product or service and then see how you can find low cost solutions as you test and launch your business.

Unless you really need to, resist committing to big, ongoing costs at the start and instead see how you can start small and then grow.

If you need premises or equipment that requires up-front financial commitments, get advice to make sure you are getting as much flexibility and value for money as possible.

## Working out my likely cash-flow

## Cashflow forecast

As you start your business, you need to understand what money you will make and what you will need to spend each month. It's important to do a **Cashflow forecast** so you can see what this pattern is likely to be and when you need the money to be available.

Doing this will help you work out if your business will have enough income at the right time to allow you to pay your bills and to pay yourself too. If the cashflow tells you that your business will run out of money you need to think if you have other sources of income or even whether you should start the business at all.

## Download our checklist to help with your business idea



This checklist will help you **check the viability of your business idea.**

## Relevant Links

> [Guide to Conducting Market Research](#)

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> [Guide to Competitor Analysis](#)

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> [Statistics Jersey](#)

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> [Jersey Library](#)

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> [Survey Monkey](#)

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> [Google Forms](#)

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> [Jersey Business Start Up Journey Booklet](#)

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