#5: How to Quickly Evaluate New Business Ideas

After you generate a good number of new business ideas you’ll need to determine which ideas hold the most promise and which ideas to cross off your list. Worthwhile business ideas must fill a customer need – but not just a little need. The best ideas fill a big, nagging, aching customer need, one where the gap of dissatisfaction is so huge that the customer will do almost anything to obtain the solution you’re offering. That’s one of the fastest ways to motivate a person to trade some money for your goods or services.

FED EX: Fred Smith identified the need for an overnight delivery system was first raised an undergraduate term paper in 1965. He predicted that as companies became more dependent on computers the cost of computer downtime would become more expensive. Keep in mind that back then there wasn’t a reliable overnight delivery service available to get computer parts shipped across the country to a malfunctioning computer. When Fred returned from Vietnam some years later, where he served as a military platoon leader, he quickly discovered that his term-paper predictions turned out to be true. Careful evaluation confirmed that there was truly a compelling need for a reliable, overnight delivery service. Existing companies were running into difficulties getting parts from warehouses to satellite offices. So he leveraged the logistical insight he gained from the military to create the hub and spoke delivery system that became FedEx, the overnight package delivery giant.

WEBROOT SOFTWARE: Years ago David Moll was a professional evaluator of entrepreneurial ideas. He was one of the early members of Ernst & Young tasked with interviewing entrepreneurs to determine who should receive the prestigious Entrepreneur of the Year award. The more insight he gained when evaluating entrepreneurs and their ideas, the more confident he could be when leading his own entrepreneurial firm. When David was offered the CEO role at Webroot Software, makers of software that removes spyware from PCs, it didn’t take him long to evaluate the opportunity. “The company’s products filled an important business need, and I liked the business model from a cash-flow perspective,” he said. Sales have been booming ever since. What advice does he have for aspiring entrepreneurs less experienced at evaluating good business opportunities? “Never forget the value of learning about entrepreneurship on someone else’s dime,” he quipped. Of course, a business idea isn’t worth the paper it is written on if you don’t have a customer. So who are the target customers for each of your business ideas? This is a critically important question to answer. The more you know about the ages, preferences, interests, and motives of your target customers the more effectively you can tailor your goods or services to meet their needs. Only then are you in a position to find a way to reach and educate them about the solutions you provide to the problems they face. The following activity will walk you through an easy way to quickly evaluate new business ideas.

How to Quickly Evaluate Ideas

1. Write each of the best business ideas you circled on the previous pages of this packet in the BUSINESS IDEA sections of the following pages (one idea per section). This will make it easier to evaluate each idea quickly.

2. In the section below, write your answers clearly and concisely to the three key questions listed about your first business idea:

a. What is the compelling need that is not currently being met?

b. Who is the target market who has this need (demographics, characteristics, etc?)

c. Does this idea sound interesting and exciting to me, if so, why?

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| Business Idea #1 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc.): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

3. Then rate each of your answers from 1 – 10 in the “Rate each answer from 1 – 10” column on the right. An outstanding idea with a compelling need should be rated a 10; an idea with a clearly defined target market should be rated a 10; an incredibly interesting and exciting idea should be rated a 10. Anything less should be rated lower. A rating of 1 is the lowest rating. Most ideas will likely fall somewhere in the middle. You should make an effort to be as accurate as possible.

4. Add your three ratings together to comprise your total score (maximum total score is 30) which you should write in the shaded TOTAL SCORE section above for future comparison.

5. Repeat this process of answering the three key questions, rating each answer, and compiling a total score for each of your business ideas listed on the following pages.

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| Business Idea #2 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #3 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #4 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #5 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #6 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #7 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #8 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #9 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

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| Business Idea #10 – Clearly describe the idea in a few sentences: | Rate each answer from 1-10: |
| 1. What is the compelling need that is not currently being met: |  |
| 1. Who is the target market who has this need (demographics, characteristics, etc): |  |
| 1. Does this idea sound interesting and exciting to me, if so, why: |  |
| TOTAL SCORE (a+b+c): |  |

6. Review the TOTAL SCORE for each of your business ideas. Did you rate a TOTAL SCORE of 26 – 30 for any of your ideas? If so, circle these top rated idea(s). Congratulations! These ideas may very well be worth launching into a real business and certainly warrant careful consideration.

7. Did you rate a TOTAL SCORE of 15 – 25 for any of your ideas? Don’t give up on these ideas yet. These ideas may have some interesting components but there is something about each of these ideas that probably needs to be addressed. Review each of these ideas once again. Is there some way you could strengthen, add clarity to, or otherwise adjust any of these ideas to make them worthy of a 26 – 30 TOTAL SCORE? Is there some way you could build on any of these ideas to make them better match your own personal goals? Adjust your idea(s) accordingly.

KEY POINT: Generating new business ideas is a highly iterative process. By looking at each idea again from a fresh perspective you can always improve it. Always! The idea you thought of today can be targeted to a better niche, packaged with a better feature, or bundled with a better service to better solve customer problems. Discuss your ideas with a trusted friend. It can be a powerful way to take a good idea today and turn it into a compelling business idea tomorrow. So keep looking at, thinking about, and talking through your ideas. You may be able to start your new business sooner than you think.

Sources:

“How We Got Started,” *Fortune Small Business*, October 2002, pp 64-66

“How We Got Started,” *Fortune Small Business*, October 2002, pp 70-72

“Where Do Great Ideas Come From,” *Inc*, October 15, 2002

“How We Got Started,” *Fortune Small Business*, September 2003, pp 81 – 82

“How We Got Started,” *Fortune Small Business*, September 2003, pp 32 - 34

“How We Got Started,” *Fortune Small Business*, October 2002, pp 85-88

“How We Got Started,” *Fortune Small Business*, October 2002, pp 30-31

Other Helpful Resources:

Bhide, Amar V. The Origin and Evolution of New Businesses. 2000. Oxford University Press: New York.

Edwards, Paul & Sarah and Economy, Peter. Why Aren’t You Your Own Boss. 2003. Prima Publishing: California.

Timmons, Jeffrey A. New Venture Creation. 1999. McGraw – Hill: Boston.

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