

# CREATING A BUSINESS IDEA THAT WORKS

*Introduction to Entrepreneurship Course Series*



careers  
businesses  
neighborhoods

# Creating a Business Idea that Works

## Course Objectives

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By the end of this course you will have:

- **Defined** the market problem your business will solve
- **Defined** your target market
- **Gained** the tools and created the research plans to understand your customers and you competitors
- **Defined** your business' unique value proposition (UVP)
- **Developed** your business concept

## Course Summary

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Topic	Time (Mins)
Welcome & Introductions	15
Recognize the Opportunity	60
Evaluate the Opportunity	45
Develop a Business Concept	20
Lessons Learned & Next Steps	10
<b>Total Time</b>	<b>2 .5 hours</b>

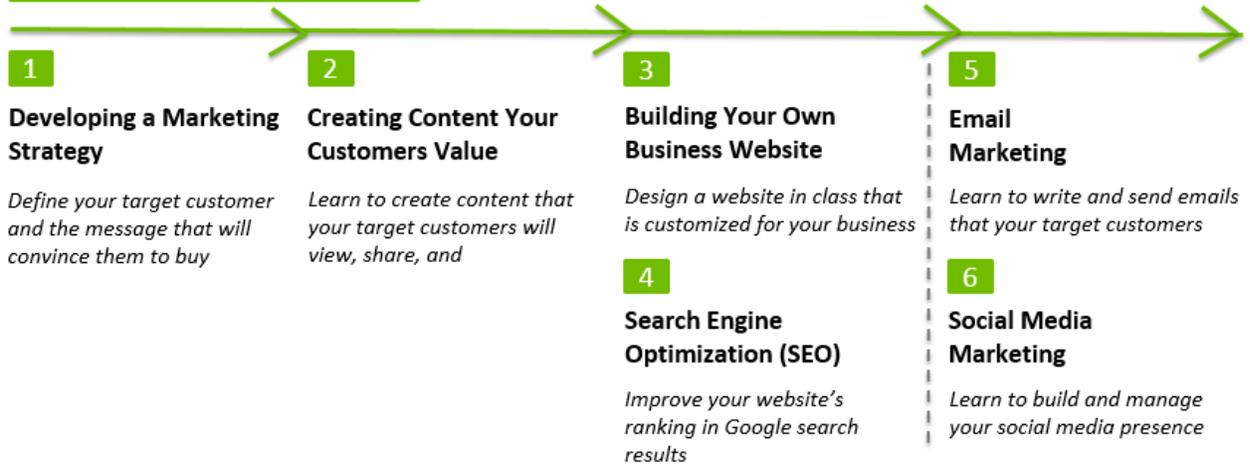
# Creating a Business Idea that Works

## SBS Business Course Pathway

### Introduction to Entrepreneurship Series



### Digital Marketing Series



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# Creating a Business Idea that Works

## Start with the Problem

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The first step in creating a business idea that works is to define the market problem you are trying to solve.

Consider:

1. Does the problem exist for customers (i.e. not just you)?
2. Is there value in solving it through a business?

Every entrepreneur answers these questions with *assumptions*. The challenge is to know:

1. *What* your assumptions are, and
2. *Whether* they are valid.

Answer the questions below to identify your assumptions:

*What problem will my business solve for customers?*

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*Who are the people who have this problem (i.e. my target customer)?*

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*How many target customers are there in the market?*

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*Why do my target customers buy these existing products/services?*

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*What is inadequate about these existing products/services?*

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*How will my business produce a product/service that better addresses this problem? Consider:*

- Customer experience
- Convenience
- Cost efficiencies
- Targeting new markets
- Strong team
- Operational excellence

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## Define Your Customer

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## Creating a Business Idea that Works

The first step is to define your target customer. Your target customer is the person who both *wants* what you are selling and is *willing* to pay a fair price.

Effective entrepreneurs pinpoint the target audience for their good or service. You can pinpoint your audience by creating **customer personas**.

A customer persona is a description of your ideal customer based on characteristics, such as:

### ***Demographics***

Age	Gender	Race/Ethnicity	Marital Status
Income	Education	Occupation	Location

### ***Psychographics***

Needs	Fears	Goals	Hobbies and interests
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Example:



### **Customers**

The Davidsons

### **Goal**

Seeking a reliable, affordable restaurant to eat at once a week within walking distance that can accommodate kids.

### **Demographics**

- Married
- 2 kids
- Household income: \$85,000
- High school + some college
- 1 spouse immigrated
- 1 spouse from NY area

### **Habits & Hobbies**

- Cook 5 times/week
- Eat out 1-2 times/week
- Like to try different foods, but stay within comfort zones: Italian, German, Spanish, American
- Like sports and live music

### **Biggest Fears**

- Spending too much
- Traveling too far
- Disappointing their kids
- Dissatisfied with meal

### **Challenges**

- Affordability
- Accessibility by walking

### **Common Questions**

- Average cost per person?
- Wait time?
- Accommodating of kids?

Draft a customer persona for your business.

### ***Demographics***



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<u>Age</u>	<u>Gender</u>	<u>Location</u>	<u>Marital Status</u>
<u>Income</u>	<u>Education</u>	<u>Occupation</u>	<u>Hobbies/Habits</u>

### **Psychographics**

<u>Goals</u>	<u>Challenges</u>
<u>Fears</u>	<u>Common Questions</u>

# Creating a Business Idea that Works

## Customer Research

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Every entrepreneur completes a customer persona with assumptions about their target customer. You must test and validate these assumptions through research

### Primary Research

*Speak directly to your customers*

Methods:

- Surveys
- Questionnaires
- Focus groups
- In-depth interviews

### Secondary Research

*Read existing customer research*

Methods:

- Internet
- Libraries (Science, Industry and Business Library)
- Business-focused organizations

### **Create a Survey:**

A survey is one tool you can use to test whether a business idea will be successful in the market. While secondary research can give you an overview of the market and potential customers, surveys let you understand the details of your target customer's experience. Creating a survey consists of 4 steps:

1. Set clear objectives
2. Determine your target audience
3. Turn your objectives into questions
4. Put your results into action

#### 1. Set Clear Objectives:

A clear survey objective is informed by knowledge of the market and specific answers you want from your target customers. Possible survey objectives include:

- What types of customers are most likely to purchase my product or service?
- What qualities of a product are important to my target customer?
- Are your core products or services priced appropriately?

You can use surveys to test your customer personas and gain deeper insight into the market you wish to enter.

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**Example:** Health Food Store in East Harlem

**Market Trend:** Based on the key findings from the *SBS Neighborhood 360° Commercial District Needs Assessment (CDNA)* I know that a lack of health food is a challenge in East Harlem, and there is a demand for health food and groceries. There is a retail leakage of \$109 million when it comes to grocery stores, which means that people in the neighborhood are spending money outside of East Harlem to buy their groceries.

**Objective:** Understand if my target customer would buy from a health food store on a weekly basis.

### 2. Determine your Target Audience

Your target audience for your survey should be based on your customer persona. Taking the ideal customer from page 5 look for real people that fulfill those characteristics and ask them to fill out the survey.

**Example:** Health Food Store in East Harlem

**Target Audience:** Working mothers with young children who live within East Harlem

### 3. Turn your objective in questions

When turning your objectives in questions there are qualities you can ask your target audience that will help them answer your main question. When testing concepts or initial products/ services the following qualities will help you create questions for your survey:

- Uniqueness
- Appeal
- Likability
- Believability
- Relevancy
- Demand
- Most and least- like attributes
- Likelihood to buy
- Expected price
- Accessibility

Survey questions can be asked as questions, or statements. When using statements in your survey you can ask your target audience to evaluate how true they find the statement:

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**Example:** Health Food Store in East Harlem

**Qualities related to my objective:** accessibility (language), appeal (child-friendly), convenience (location)

**Survey questions:**

1. I would like to travel no more than three blocks to shop at a health food store.
  - i. Strongly agree
  - ii. Agree
  - iii. Neither agree nor disagree
  - iv. Disagree
  - v. Strongly disagree
2. My preferred language when shopping is Spanish.
  - i. Strongly agree
  - ii. Agree
  - iii. Neither agree nor disagree
  - iv. Disagree
  - v. Strongly disagree
3. I would prefer to shop in a grocery store that is child-friendly.
  - i. Strongly agree
  - ii. Agree
  - iii. Neither agree nor disagree
  - iv. Disagree
  - v. Strongly disagree

#### 4. Put your Results into Action

After putting in time and effort into your survey, you want to make sure that the data helps you make decisions about your business. Once you have collected all your data and understand what it says, you must analyze how it impacts your business. From there you can take actions that will help improve your plan or idea.

**Example:** Health Food Store in East Harlem

**Question:** I would like to travel no more than three blocks to shop at a health food store.

- i. Strongly agree
- ii. Agree
- iii. Neither agree nor disagree
- iv. Disagree
- v. Strongly disagree

**Record:** 15 out of 18 working mothers surveyed strongly agree that they would prefer a health food store within 3 blocks of where they live

**Analyze:** Location is important when determining how often customers would visit the store

**Action:** Using census data determine where the highest concentration of families live in East Harlem and look up commercial leases in the area

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## Create your Own Survey

### 1. Objective:

Market Trends:

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Objective:

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### 2. Target Audience:

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### 3. Turn your objectives into questions:

Qualities related to your objective

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

Question 1:

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Answers:

Question 2:

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Answers:

Once a survey is created you create a logistics plan to determine the steps below:

- How to distribute it to your target audience
- How many people you want to complete the survey
- How you will collect the data
- How you will analyze and use the data.

# Creating a Business Idea that Works

## Analyze Your Industry

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Industry trends can be the defining factors in a business's success.

Entrepreneurs seize opportunities and avoid risks in their industries by understanding these trends.

The key factors by which you should analyze your industry are:

- **Industry Performance**
- **Operating Conditions**
- **Competitive Landscape**

### Industry Performance

Industries perform, and are projected to perform, at different rates – in terms of revenue, customer demand, and more. Factors include:

- |   |  |
|---|--|
| <ol style="list-style-type: none"><li>3. <b><u>Current Performance &amp; Industry Outlook</u></b><ol style="list-style-type: none"><li>a. Market size and share</li><li>b. Industry revenue, costs, profit margins</li><li>c. Customer demand</li></ol></li><li>4. <b><u>Life Cycle Stage</u></b><ol style="list-style-type: none"><li>a. Start-up</li><li>b. Growth</li><li>c. Maturity</li><li>d. Decline</li></ol></li></ol> | <ol style="list-style-type: none"><li>3. <b><u>Key external drivers</u></b>, led by:<ol style="list-style-type: none"><li>a. Customers</li><li>b. Technology</li><li>c. Capital</li><li>d. Competitors</li><li>e. Government</li></ol></li></ol> |
|---|--|

### Operating Conditions

Before you enter an industry, you must what is required of the current businesses operating in it. Operating Conditions include:

- |   |   |
|---|---|
| <ol style="list-style-type: none"><li>1. <b><u>Technology &amp; Systems</u></b>, such as:<ol style="list-style-type: none"><li>a. Inventory management systems</li><li>b. Customer management systems</li><li>c. Payment processing</li></ol></li><li>2. <b><u>Revenue Volatility</u></b><ol style="list-style-type: none"><li>a. Discretionary demand, vs.</li><li>b. Non-discretionary demand</li></ol></li></ol> | <ol style="list-style-type: none"><li>3. <b><u>Regulation &amp; Policy</u></b><ol style="list-style-type: none"><li>a. Industry-specific</li><li>b. Location-specific</li></ol></li><li>4. <b><u>Industry Assistance</u></b><ol style="list-style-type: none"><li>a. Subsidies</li><li>b. Tax breaks</li><li>c. Public/nonprofit services</li></ol></li></ol> |
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# Creating a Business Idea that Works

## Competitive Landscape

Every business has existing competition before it enters its industry. You must understand your competition to know if it is possible to make space for your business. Factors include:

1. **Market Share Concentration:**
  - a. % of industry revenue going to top firms
  - b. Size of firms controlling major market shares
  - c. Whether there are niche markets by location
2. **Key Success Factors,** such as:
  - a. Skill level of workforce
  - b. Proximity to certain markets
  - c. Quality control
3. **Basis of competition,** such as:
  - a. Price
  - b. Product variety
  - c. Customer Service
  - d. Brand Awareness
  - e. Store Location
4. **Barriers to Entry,** such as:
  - a. Industry competition
  - b. Regulation
  - c. Operating expenses

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## Analyze Your Competitors

## Creating a Business Idea that Works

Analyzing your industry and competitors is complex. Creating a plan of action helps. The steps below can guide you in creating a competitive analysis:

### Step 1: Define Your Competitors

1. List three of your key competitors
2. What are their key success factors?
3. In what way(s) do they compete with your business?

*Example for an Italian restaurant in Brooklyn*

Your competitors	Their key success factors	Bases for competition
<i>Olive Garden</i>	<ol style="list-style-type: none"> <li>1. <i>Price point</i></li> <li>2. <i>Brand awareness</i></li> <li>3. <i>Customer service</i></li> </ol>	<ol style="list-style-type: none"> <li>1. <i>Price</i></li> <li>2. <i>Availability</i></li> <li>3. <i>Customer service</i></li> </ol>

Think through your competitors:

1. Your competitors	2. Their key success factors	3. Bases for competition

### Step 2: Research Your Industry & Competitors

- Through the Science, Industry, and Business Library (SIBL)

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- Independent online research – research through [libguides.nypl.org/marketresearch](http://libguides.nypl.org/marketresearch)
- Webinar consultation – book a consultation for entrepreneurs at [nypl.org/quick](http://nypl.org/quick)
- In-person visit – go to SIBL (188 Madison Ave, New York, NY 10016)

You can fill in the chart by going to SIBL and using the **IBISWorld** tool.

Industry Factor	Industry Lens	Status	Key Details
<b>Industry Performance</b>	Current Performance		
	Industry Outlook		
	Life Cycle Stage		
<b>Operating Conditions</b>	Technology Change		
	Revenue Volatility		
	Regulation Level		
	Industry Assistance		
<b>Competitive Landscape</b>	Market Concentration		
	Key Success Factors		
	Basis of Competition		
	Barriers to Entry		

### Step 2 (Cont.)

Other research methods include:

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- Go to message forums for your industry. Read what consumers are saying.
- Sample their products/services.
- Review their marketing (e.g. website, social media).

### Step 3: Synthesize Your Research

- Fill in gaps in who your competitors actually are
- Refine the success factors for these competitors.
- Refine the bases by which they compete.
- Identify their target customers
- Determine their competitive advantage

## Define Features & Benefits

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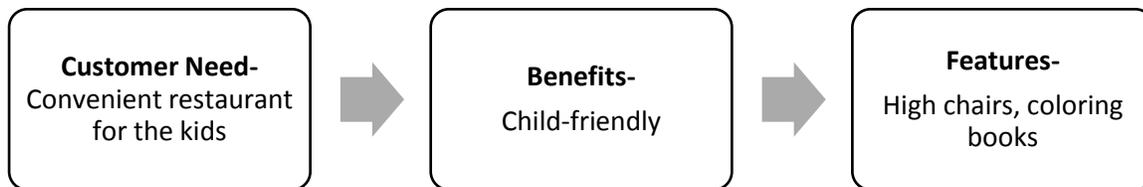
Customers seek products and services for the sake of their *features* and *benefits*. Effective entrepreneurs know that they are selling features and benefits, not goods and services.

A **feature** is an objective characteristic of a product or service. A common feature of smartphones is touch screens for example.

A **benefit** is the value of a product in service in addressing a customer's problem, need, or desire. A common benefit of smartphones are their ease-of-use and convenience.

Features and benefits should directly relate to a customer's needs which are defined in the customer persona.

*Example for an Italian Restaurant:*



Consider the features and benefits for up to two of your products/services.

What are the **key features** of your primary product/service?

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What are the **key benefits** of your primary product/service?

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## Unique Value Proposition

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## Creating a Business Idea that Works

Now that you know (A) your target customer and (B) your product's features/benefits, you now need to connect the two.

The challenge is that your competitors are drawing the same connections between (A) and (B). How do you differentiate your business?

A *unique value proposition* (UVP) is a one- to two-sentence statement that explains what you do better than your competitors.

### Example competitive advantages:

- Better price
- Higher quality product
- Better customer support

### Sample UVP:

Ria Bella is the highest rated Italian-family owned restaurant in Greenpoint serving up traditional and non-traditional pizza and pasta for families since 1989. Stop by tonight.

### To create a UVP:

1. *Prioritize one to two customer needs from your Customer Persona.*

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2. *Identify one to two of your product's/service's benefits that address these needs.*

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3. *What is the greater benefit your product/service will offer that better addresses the needs?*

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4. *Write a UVP statement*

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## The Business Concept

## Creating a Business Idea that Works

The **Business Concept** describes how your product or service addresses your target customer's needs *in a way that creates value in the market.*

It includes components you defined earlier this this course:

- What your product/service is
- The target customer, including their identity and needs
- Your competitive advantage / unique value proposition
- Where and when the product/service is available
- How the product/service is promoted

### A sample Business Concept statement follows below:

*Your Accounting Translator (YAT) is the full-service accounting firm that helps you understand your business's accounting and finances.*

*Our goal is to provide clients with an understanding of the financial terms and statements that affect their business. We "translate" financial lingo into everyday language that everyday people can use.*

*Located in Crown Heights, we serve businesses in all five boroughs of New York City and the surrounding suburbs. We specialize in businesses with revenues of \$100K to \$2M.*

*We offer both in-person and online consultations. Our staff include experts fluent in Spanish and French.*

*We are the future of financial management support for New York's small businesses.*

### Write your own business concept statement


## Creating a Business Idea that Works

### Next Steps

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1. Build out and refine your customer persona.
2. Refine and execute your survey
  - Find more Commercial District Needs Assessments- <http://bit.ly/SBSCDNA>
3. Refine and execute your competitor research plan
4. Refine your UVP and your Business Concept statement
5. Complete our next *Introduction to Entrepreneurship* course – “Setting Up Your Business Operations”

### Post Course Survey

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Please fill out our survey at [bit.ly/sbsfirst](http://bit.ly/sbsfirst). You can complete the survey on your phone or using one of the tablets provided.

### Stay Connected with SBS

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