**CONCEPT to REALITY CHECKLIST**

This checklist is designed to help the pre-business person determine whether his/her idea represents a valid business opportunity. It is a tool that can help the entrepreneur determine if there are any major obstacles that will prevent the business from becoming successful. Each **NO** answer should be carefully reviewed to determine how great an impact it will have on the business and to consider whether anything can be done to correct the problems the impact may create.

* Identify your **Core Competency**: a special skill, technology, process, knowledge, expertise, or ability that is unique to your business and done better than your competitors. A core competency may be:
  + - *Valuable* – a large revenue generator
    - *Rare* – not easily found in other businesses
    - *Non-substitutable* – it’s cannot be replaced by any of your other capabilities.
    - *Costly to imitate* – it will be expensive for your competitors to try to duplicate

**Preliminary Analysis**

You should realize your personal limitations and seek assistance from a BOI/CIWBC Business Counselor and other service providers (i.e., marketing, legal, financial) where necessary. This concept to reality checklist involves gathering, analyzing and evaluating information by answering: "Should I go into business?" Answering this question involves a preliminary assessment of both personal and project considerations. Financial statistics are available from most businesses, trade and industry associations, private companies, banks, universities, public libraries and government agencies.

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| **I. PERSONAL CONSIDERATIONS:** | **YES** | **NO** |
| 1. Do you understand that owning your own business may mean working 12-16 hour days, possibly six days a week and holidays? |  |  |
| 2. Do you have self-discipline & willpower? |  |  |
| 3. Do you work well under pressure? |  |  |
| 4. Do you enjoy competition? |  |  |
| 5. Can you take advice from others? |  |  |
| 6. Can you adapt to changing conditions? |  |  |
| 7. Do you have the physical stamina and emotional strength to handle a business? |  |  |
| 8. Does your family support this venture? |  |  |
| 9. Are you prepared to lower your standard of living for several months or years? |  |  |
| 10. Do you understand that you could lose your savings? |  |  |
| 11. Will this business opportunity effectively meet your career aspirations? |  |  |
| 12. Do you have a back-up plan? |  |  |
| **II. EXPERIENCE AND SKILLS:** | **YES** | **NO** |
| 1. Do you know which skills and areas of expertise are critical to the success of your business? |  |  |
| 2. Do you possess these skills and know how to effectively utilize them? |  |  |
| 3. Can you find personnel who have the skills, abilities, and expertise you lack? |  |  |
| 4. Do you have managerial experience? |  |  |
| 5. Are you able to interpret financial data? |  |  |
| 6. Do you know bookkeeping and accounting or are you prepared to learn? |  |  |
| **III. PLANNING AND PREPAREDNESS:** | **YES** | **NO** |
| 1. Are you aware that there is less than a 50-50 chance that you will be in business two years from now? |  |  |
| 2. Have you written a formal business plan? |  |  |
| 3. Do you know exactly what services or products your business will offer? |  |  |
| 4. Do you know what customers to target? |  |  |
| 5. Do you know the geographical areas from which you can realistically expect to draw customers? |  |  |
| 6. Do you know the makeup of the population in these areas: average family size, age distribution and per capita income? |  |  |
| 7. Can you appeal to the entire market? |  |  |
| 8. If you appeal to only a portion of the market, is that segment enough to be profitable? |  |  |
| 9. Have you considered a business location? |  |  |
| 10. Have you created or considered a list of potential suppliers? |  |  |
| 11. Do you know your competition and their strengths and weaknesses? |  |  |
| 12. Do you know the sales, market share and profit levels of each competitor and whether they are increasing, decreasing or stable? |  |  |
| 13. Have you investigated insurance needs and costs? |  |  |
| 14. Have you investigated advertising costs and do you have a plan to advertise/promote your product/service? |  |  |
| **IV. REQUIREMENTS FOR SUCCESS:** | **YES** | **NO** |
| 1. Does the product/service/business serve an under-served need? |  |  |
| 2. Does the product/service/business serve an existing market in which demand exceeds supply? |  |  |
| 3. Can the product/service/business compete with existing competition due to better price, location, service, etc.? |  |  |
| **V. DETRIMENTAL FLAWS:** | **YES** | **NO** |
| 1. Are there any causes (i.e., restrictions, monopolies or shortages) that may prevent you from obtaining necessary components (i.e., unreasonable cost, scarce skills, energy, equipment, technology, material, process, or personnel)? |  |  |
| 2. Are capital/expenditure requirements for starting up or continuing operations excessive? |  |  |
| 3. Is adequate financing going to be difficult to obtain (i.e., due to bankruptcy, bad credit)? |  |  |
| 4. Will your business adversely affect the environment? |  |  |
| 5. Is your business completely legal? |  |  |
| 6. Are there any factors that would prevent effective marketing of your product/service/business? |  |  |

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| **VI. INCOME/EXPENSES:** | **YES** | **NO** |
| 1. Do you know your necessary expenses, i.e., rent, wages, insurance, utilities, advertising, interest, cost of sales etc.? |  |  |
| 2. Do you know which expenses are direct, indirect or fixed? |  |  |
| 3. Will your business provide you with your desired level of income? |  |  |
| 4. Are you prepared to earn less than your desired level of income in the first 1-3 years? |  |  |
| 5. Do you know your industry's averages - including gross profit, expenses, and net profit as a percent of sales? |  |  |
| 6. Have you prepared an income statement to determine the level of sales necessary to support your desired income level? |  |  |
| 7. From a practical standpoint, can you support the level of sales posed in question 4? |  |  |
| **VII. VENTURE FEASIBILITY** | **YES** | **NO** |
| 1. Are you aware of the major risks associated with your product/business/service? |  |  |
| 2. Can these risks bankrupt you? |  |  |
| 3. Can you minimize these major risks or are they beyond your control? |  |  |
| 4. Are there major questions remaining about your proposed venture? |  |  |
| 5. Do these questions arise because of a lack of data, management skills, or a "fatal flaw" in your idea? |  |  |
| 6. Can you obtain the additional data and management skills needed or correct the "fatal flaw"? |  |  |

* Develop a **Concept Test**: a process of showing a representation or proto-type of the product or service to prospective customers with the purpose to gauge customer interest, desirability, and purchase intent.
  + - *Identify a preliminary target market…and Survey at least 25-30 people about their needs and how your product/service provides the benefits they seek.*
* Conduct **Market and Industry Research:** Obtain information about the current market by researching trends and analyzing the competition.
  + - *What is the estimated size of the market for your product/service?*
    - *What is your projected market share?*
    - *Is the current market attractive for your product/service?*
    - *Are there any predictions for future trends?*
    - *Based on research refine your target market*
* Conduct an **Organizational Feasibility Analysis:** determine whether the proposed business has sufficient management expertise, organizational competence, and resources to be successful.
  + - *Evaluate Management Expertise* – the ability of the entrepreneur and management team.
    - *Designate Responsibilities* – determine whether the responsibilities are too great or too small for the entrepreneur. Do any of the duties need to be outsourced?
    - *Evaluate non-financial resources –* is there a sufficient labor pool (quality and quantity), availability of office space, protection for property, patents, etc.?
* Prepare a **Financial Feasibility Analysis:** evaluate start-up and other capital requirements, your projected rate of return, and the overall attractiveness of the investment.
  + - *Estimate Sales on monthly and/or annual basis -* Do not count on promises; be conservative; estimate sales using different methods and compare figures (both in units and dollars).
    - *Estimate Costs -* Identify both fixed costs and variable costs.
    - *Estimate Break-even Point and Profitability*

After completing the Financial Feasibility Analysis, think about your personal income and financial needs. For example, if you need at least $30,000 annually to keep you and your family financially stable, will the new venture be able to provide you with $30,000 of profit in the first year? Even the best business ideas often require several years to take off and reach a desired profit. It may be best for you to allow time to work while starting your business or put off the start-up until sufficient resources are on hand to give you a regular source of income.

* Identify the **Strengths, Weaknesses, Opportunities,** and **Threats** (SWOT Analysis) of your idea.
  + - *What are the strengths and weaknesses of your business or potential business?*
    - *Who are your competitors and what are their strengths and weaknesses?*
    - *What is your competitive advantage over your competitors?*

**What’s next?**

If your business and/or business idea…

* + - Has a core competency
    - Passes the concept test
    - Would be a timely and attractive entry into the market
    - Has a competitive advantage over your competitors
    - Is organizationally cohesive

And is financially viable. . . . then it’s time to move forward!

But wait! I HAVE A LOT OF “NO” ANSWERS ON MY CHECKLIST!

Don’t panic, that is why we are here. Work with your BOI/CIWBC Business Counselor and use their training programs to turn the NOs into YESs. It may take a little longer to get your business off the ground, but you are much more likely to be successful if you follow through with this checklist and analysis to get your business moving in a positive direction!