

Test the market*

Although there's room for intuition in business and starting your business on 'gut instinct' is usually the right thing to do, it's wise to test the feasibility of your idea before you make a start.

Investing time in careful analysis will help to confirm your assumptions. Working through this process methodically will give your business the best possible chance of success.

Your business feasibility study should focus on:

- Exactly who will buy your product or service, and why.
- If anyone will pay you money for what you want to do.
- The market share you can capture.
- The price customers are willing to pay for your product or service.
- Identifying strengths and weaknesses of any direct and indirect competitors.

Find out what potential customers think

Before you ask people for their opinion, clarify exactly what you are trying to find out from them and then decide how you can best collect the information.

Use an online survey or in-person questionnaire to ask potential customers these three key questions:

- 'What do you like about (your business product or service)?' This is a good question to identify any product improvements required.
- 'What would you pay for it?' Gives you a first glimpse of an acceptable market price.
- 'Would you buy it?' Tests buying intention.

Other research options include:

- Trial marketing in a limited area to determine the larger market potential.
- Interview several potential customers to hear their thoughts about the product, price, business location and competitors.

Trial marketing

Trial marketing can be one of the most reliable ways to test your market potential. If you are introducing a new product or service, can you:

- Set up the business part-time while still working.
- Test the response by selling at trade fairs, weekend markets or short-term contracts, depending on the type of business you're running.
- Launch a limited marketing campaign in a selected town or area.

The larger your sample size the more accurate your market predictions are likely to be. Specific market information is always superior to guesswork. It will convince you and any investors, lenders or partners, that your market potential is based upon solid research rather than wishful thinking.

Profile your ideal customer

Researching the market enables you to steadily build a profile of your ideal customer. This is important for two reasons:

- The more precisely you can define your ideal customer the more accurate your analysis of market potential is likely to be.
- When you start your business, you can focus your marketing far more effectively.

Create profiles

If you are planning to sell to different types of customers, create an individual profile for each category. Be as specific as possible. Gender, age range, location, income level and profession.

If relevant, you can then drill down into more detailed information such as their interests, family status, personal beliefs and values. For example, do they make choices and buying decisions with a sense of social responsibility? How can you build this into your business operations or marketing materials?

Test the market

Use any external data to see how many ideal customers live in your area and estimate your market share. It will give you some idea of potential customers.

Business or organizational profiles

If you plan to deal with other businesses or organizations (including resellers), list their characteristics. This could be their type (reseller, service provider, manufacturer, or non-profit), industry sector, location or annual revenue.

If you think it's relevant, your target market might support a particular commercial philosophy, environmental or community cause.

Use existing information

Much of the information you need may already be available.

- Local economic development organizations offer valuable market research information to anyone interested in opening a business in a certain area.
- The US Department of Labor has information about most industries from the [Bureau of Labor Statistics](#) that provide a snapshot of data from surveys and programs.
- Libraries stock trade directories, magazines and journals that can be a rich source of information. Find a list of the main US libraries [here from usa.gov](#). They are no longer solely book-based resources.
- The internet is a rich source of information, including online directories, magazines and useful articles.

Try to use a variety of sources and research methods to gather your information and remember that research is constantly being updated and reworked.

Avoid over-analysis

To keep your project moving forward, avoid spending an excessive amount of time on your position. Conduct thorough research, but be careful of becoming swamped by too much information.

- Set a feasibility study budget.
- Identify the key information required.
- Decide on your research methods.
- Specify a timeframe for completion.

Make sure you allow some time after you have collected all your research. Ask yourself if you want to proceed.

Next steps

- Complete a Cash Flow Template to see if your business can make a cash surplus.
- If your information points to a viable business, download our Business Plan Template and write up a proper business plan.
- Ask as many people as possible what they think about your idea.
- Start to collect market research and try and estimate the possible demand.
- Use our [location finder](#) to visit a Store, call us on 1-855-278-8988 or [schedule an appointment online](#).

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