

From Student To Entrepreneur

How to Generate and Evaluate
Compelling Business Ideas Quickly

By Neal Lurie

No part of this publication may be reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of the author.

“You need an idea that you’re so passionate about that you become lit up like a roman candle, that nothing will stop you. If you have that, the waters will part.”

- Brad Schell,
Founder & CEO of @Last Software

“If opportunity doesn’t knock, build a door.”

-Milton Berle

The Critical Role of Generating Business Ideas

One of the most overlooked aspects of entrepreneurship is the struggle aspiring entrepreneurs face in generating good ideas for new businesses. **Too many aspiring entrepreneurs fail to generate ideas that spark excitement, hold promise, and drive action.**

When aspiring entrepreneurs drown in a sea of empty ideas one of two things usually happens.

1. The lack of compelling ideas can become such an incredible source of frustration that it dissuades aspiring entrepreneurs from pursuing entrepreneurship as a career.
2. The aspiring entrepreneurs start businesses similar to the ones they see around them, yet another restaurant or retail shop that faces endless competition, often leading to a quick demise.

Either way the aspiring entrepreneur loses – loses interest, loses motivation, or loses money. An aspiring entrepreneur who does not have a compelling business idea to pursue is merely a dreamer.

Unfortunately, the huge majority of books on entrepreneurship almost completely ignore this all important idea-generating step. They

usually start off with the assumption that you already have a great idea and then walk you through a feasibility plan or business plan creation process.

In fact, this packet was created out of frustration about a lack of existing information available about how to generate new business ideas. The few books and magazine articles available with any information on the topic usually had one primary piece of advice, “look for customer needs.” But how does an aspiring entrepreneur really do this? To find customer needs, what is the first step, second step, and third step? What are the key considerations you should think about? Where should you begin? Too many questions remained unanswered.

The answers to these and other questions are clearly addressed in the pages that follow.

The first part of each strategy will walk you through an easy-to-follow, step-by-step process to help you quickly generate lots of new business ideas. The second part will show you a simple yet powerful way to evaluate your ideas so you can quickly identify which of your ideas hold the most promise. The more good business ideas you have the better the likelihood you can identify that compelling new idea that matches your goals and aspirations and compels you to take action.

That journey begins here.

Strategy #1: Can't Find It? Create It! Why Frustration is Good

Look around where you are. You are surrounded by business ideas. They are absolutely everywhere. Do you see them around you? No? That's ok, most people don't at first. But that doesn't change the fact that they are all around you right this very moment. The problem is that most good business ideas are hidden. If you seek business ideas directly they will often remain hidden. The trick is that you need to know what to look for.

PAIN POINTS:

The best business ideas represent solutions to pain points. Pain points can take the form of frustrations, annoyances, dissatisfaction, or even

anger – generally things that most people try to resist or avoid. If a person has a big enough pain point he or she will do anything to find a solution to relieve the pain. **Find a good solution to a pain point and you have a business idea worth exploring.** Since each of us has an unlimited supply of pain points, each of us has access to an unlimited supply of business ideas all around us.

What's an easy way to spot the limitless supply of pain points all around us to help us create new business ideas? The exercise on the following page will point you in the right direction.

KARMA: How did a 24 year old kid start one of the hottest nightclubs in Chicago? Rakesh Thakkar was volunteering as the social chair of a networking group for Indian professionals. "As social chair I worked out arrangements with nightclub and bar owners. I would plan events at their locations, which would bring hundreds of young professionals to their establishments," Rakesh explained, "they'd keep the generous bar tabs, and our networking group would get to keep the cover charges." These events made it easier for young professionals to meet and everyone had a blast. Months after his volunteer duties were done he continued to throw parties around town, and hosted huge New Year's Eve events, while collecting the cover charge. According to Rakesh, "It was all word of mouth," and he became known for hosting great parties. Hundreds of people kept coming. "But as I kept looking for new, fun venues for parties, I was often frustrated that I couldn't find just the right location," he said, "so I decided to create my own and open up my own nightclub." Rakesh and a business partner opened a new nightclub called Karma and before long they were seeing crowds of more than 1000 people a night. Not bad for a kid fresh out of college.

PLEASANT COMPANY: What do you do for Christmas gifts when you want to give each of your nieces a doll but you're dissatisfied with the current choices Barbie and similar dolls provide? Pleasant Rowland created her own line of dolls. Her idea was ignited during a visit to historic Williamsburg, Virginia. "I remember sitting on a bench in the shade, reflecting on what a poor job schools do of teaching history," she said, "was there some way I could bring history alive for them, the way Williamsburg had for me?" Pleasant Rowland came up with the idea for the American Girl line of historical dolls as a way to help bring history alive for girls 7-12 years old. Her idea worked. 7 million dolls and 82 million doll-related books later, her American Girl line has grown into a \$350 million American success story.¹

- 4) What are some ways an entrepreneur could relieve each of these four pain points in the years ahead? Write your proposed solutions below.

Solutions to
1st pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

Solutions to
2nd pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

Solutions to
3rd pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

Solutions to
4th pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

- 5) EVALUATE YOUR IDEAS: Each of these pain points & solutions are actually customer needs and business ideas. For each of these business ideas ask yourself the following key questions:
- Does my idea resolve an important customer pain point?
 - Does my idea sound exciting to me?
 - Does my idea offer a key advantage for customers over existing products or services available? (You should search the internet to see what similar ideas may already exist.)
 - Now rate your top solution for each pain point above. The best (Wow!) ideas must resolve a major customer pain point, sound exciting to you, and offer a key advantage over existing products or services available. Otherwise rate it lower than Wow!
 - Discuss your idea with a trusted friend. Does your friend agree with your rating? Ask your friend "how can I improve upon this idea?" then update your idea accordingly.
- 6) You now have several new business ideas you can revisit, update, and strengthen. Circle the top new business ideas in your list.

Strategy #2: The Real-World, Shortcut to Doing What You Love

Starting a successful new business takes time. Lots of time. So as you begin to think about compelling new business ideas, none are more important to consider than those related to your areas of passion.

If you're going to invest the long hours it takes to plan and successfully run a new business it is absolutely critical that you are passionate and excited about the business concept you ultimately embrace. Your passion naturally translates into every aspect of your business.

If you lack passion for the new business, your planning effort will almost certainly be stunted. Dispassion about your business will ooze out in nearly every area of your business – making it even harder for you to attract investment funding, hire good employees, and

earn revenue. In a competitive marketplace, dispassion can nearly condemn a new business to failure even before it starts.

Passionate entrepreneurs have an edge.

When you're passionate you'll be much more willing to invest the time it takes to create the right strategy and execute it successfully. Why not create a business that motivates you to wake up early, stay up late, and provides a sense of fulfillment? How do you identify your areas of passion and how do you turn that list into a business of doing what you love? The exercise on the following page will walk you through a simple, step by step format that will help you generate new business ideas that hone in on your top areas of passion.

BURTON SNOWBOARDS: It may be hard for some snowboarders to remember the days when skiers were the undisputed kings of the mountain. Thanks to Jake Burton, snowboarders can now claim a part of that kingdom. Jake's inspiration for developing the snowboard came as an improvement to a \$10 toy called the snurfer. "When I snurfed with friends, we modified the boards to enhance performance," Jake said, "I always thought I could turn my snurfing hobby into a business." While the snurfer was marketed as a toy, Jake was determined to market it as a sport. He purchased a saber saw and started making prototypes in his apartment. From those humble beginnings of turning his hobby into Burton Snowboards, Jake's initiative kick-started an industry and carved out a cultural revolution in winter sports.²

MOVIES FOR MOMMIES: One afternoon when Robyn Green went to the movie theatre she noticed a mom with a baby a few seats away. During the movie the baby began to howl. Robyn began to think what a pity it was that the mother was there alone and had to endure the scorn of other movie patrons who didn't appreciate the crying. "Wouldn't it be nice if she could come to the movie with all her friends and their babies too," Robyn said. She envisioned a place where moms (and dads) could watch movies with their newborn film critics and not worry about a little crying here or there. As Robyn walked around her community she stopped every mom she saw with a baby and asked if this concept would interest them and "99 moms out of 100 totally lit up and loved the idea." So she rented space in an independent movie theatre and started Movies for Mommies to make her baby-friendly, movie-going experience a reality – complete with stroller parking, bottle warming, and changing tables. Robyn has since turned her passion for movies into new locations all across Canada and beyond, to the delight of thousands of moms.

- 4) What are some ways an entrepreneur could relieve each of these four pain points in the years ahead? Write your proposed solutions below.

Solutions to
1st pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

Solutions to
2nd pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

Solutions to
3rd pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

Solutions to
4th pain point:

Rating: complete Step 5 (below) then rate your top solution for this pain point:
Weak / Ok, Has Potential / Wow!

- 5) EVALUATE YOUR IDEAS: Each of these pain points & solutions are actually customer needs and business ideas. For each of these business ideas ask yourself the following key questions:
- Does my idea resolve an important customer pain point?
 - Does my idea sound exciting to me?
 - Does my idea offer a key advantage for customers over existing products or services available? (You should search the internet to see what similar ideas may already exist.)
 - Now rate your top solution for each pain point above. The best (Wow!) ideas must resolve a major customer pain point, sound exciting to you, and offer a key advantage over existing products or services available. Otherwise rate it lower.
 - Discuss your idea with a trusted friend. Does your friend agree with your rating? Ask your friend "how can I improve upon this idea?" then update your idea accordingly.
- 6) You now have several new business ideas you can revisit, update, and strengthen. Circle the top new business ideas in your list.

Don't Stop Now!

Other Good Strategies:

Now that you've seen the important role pain points can play in driving new business ideas, you can apply this key concept to other contexts, as well. If you would like to generate some additional business ideas, you can analyze rapidly growing industries to identify associated pain points, combine two business ideas together to come up with a brand new approach, or you could work through these other strategies listed below.

TAPPING INTO YOUR VAST EXPERIENCE:

One of the best places to look for new business ideas is in an industry where you have previously worked. Work experience provides a window into an industry that is much harder to see through by those outside of that industry. In fact, *Inc* magazine conducted a survey of CEOs from America's fastest-growing private businesses and found that **57% of the CEOs "got the original idea for their business by spotting an opportunity in the industry they worked in."**³ Have you worked in a few companies before? If so, then think about each company's products, services, or processes and ask yourself 'what did customers or employees not like about these products, services, or processes?' This will help you identify pain points. Come up with a good solution to relieve

a fundamental pain point and you have a new business idea worth exploring.

RECYCLING A BUSINESS IDEA FROM ANOTHER COMMUNITY:

There are thousands of businesses located across the country and across the world that don't plan to target customers in your community. If these far-away businesses address customer pain points that are not being sufficiently met in your community, why not consider recycling some of these good business ideas by bringing them to your community? You can improve upon these business ideas, learn from a company's strengths and weaknesses, and introduce the best ideas in your community. You can even target a completely different type of market segment. Just start with the pain point and customize the solution for your community. Where can you find these far-away businesses? Try searching the internet for business newspapers located in another country or another state. They are often packed with stories of entrepreneurs who started interesting businesses. Some good websites with interesting business newspapers that you may want to check out include: www.bizjournals.com/headlines.html and www.mondotimes.com

PAYCHEX: What should you do when you bring a good idea to your boss and your boss says "no thanks"? When that happened to Tom Golisano he decided to start his own company. He was originally working for a company that provided payroll processing services to mid-sized companies. With that narrowed target market they were ignoring the small business market which represented 95% of all businesses. Tom approached several executives where he worked to discuss a proposal to start targeting small businesses. They each said no. Tom said goodbye to the old employer and started Paychex to provide payroll processing services to small businesses. It turned out to be a good idea. Paychex is now the second largest payroll processor in America.⁴

WILLIAMS-SONOMA: Even though Chuck Williams started his first gourmet kitchen specialty shop in Sonoma, California the idea was actually imported from Paris. During a European tour with some friends Chuck became fascinated with Paris. "I spent about two weeks there, sampling small restaurants and seeing all the wonderful cooking equipment that was available to the French home cook. There were so many things we didn't have in this country." After a few years of planning he decided to open a store in Sonoma in 1956 to start selling some of the products he had seen in Paris. Recently, Williams-Sonoma's 478 stores generated sales of \$2.3 billion.⁵

A journey of a thousand miles must begin with a single step.
- Lao-Tzu

Ok, Now What?

Generating new business ideas is a highly iterative process. By looking at each idea again from a fresh perspective you can always, always, always improve it. 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 address customer pain points. So keep looking at, thinking about, and talking through your ideas.

Remember, the best idea fills a big, nagging, aching customer need 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.

Now that you have a compelling new business idea or two, pause for a moment to see how far you have come. You have now gone through a series of steps to help you generate a good number of business ideas and quickly evaluate them. You have finally scrambled over the obstacle that thwarts so many others.

What should you do now? Celebrate, of course. Then the hard work really kicks in.

But before you invest what could be a substantial amount of money or time to launch any idea here is a sampling of questions you would be wise to consider for each of your top ideas:

KEY QUESTIONS TO CONSIDER:

- Who would your primary competitors be and what would your competitive advantage be?
- Would this competitive advantage be sustainable?
- How would people learn about your product or service?
- How would people purchase your product or service?
- Who would be the key members of your management team, what are their backgrounds, and what skill gaps would still need to be addressed?
- How much money would you need to get started and how much money would you need to cover your expenses during each of the first few years?
- How much revenue would you expect to generate during each of the first few years?
- How long would it take you to reach profitability?
- Is there a way you can start small focusing on a targeted niche, as a proof of concept, to reduce any potential risk?

About the Author

Neal Lurie is President of Telluride Research, an organization dedicated to boosting the number of successful entrepreneurs across the world by decreasing the complexity around starting a new business. Neal is an insightful presenter, consultant, and author. He lives in the United States in Colorado and enjoys hiking, bicycling, and learning from entrepreneurs.

To contact the author with additional ideas and insights, or to request permission to reprint, he can be reached at: neal_lurie@yahoo.com.

Sources and Other Helpful Resources:

- ¹ "How We Got Started," *Fortune Small Business*, October 2002, pp 70-72
- ² "How We Got Started," *Fortune Small Business*, October 2002, pp 64-66
- ³ "Where Do Great Ideas Come From," *Inc*, October 15, 2002
- ⁴ "How We Got Started," *Fortune Small Business*, September 2003, pp 81-82
- ⁵ "How We Got Started," *Fortune Small Business*, September 2003, pp 32-34

NOTE: *Fortune Small Business* is a good magazine for aspiring entrepreneurs, filled with entrepreneurial role models and helpful tips. Check it out.

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.

Various Authors. Harvard Business Review on Entrepreneurship. 1999. Harvard Business School Press: Boston.

rev C-071805