

Gut Check Questions Determine Concept Potential

Instructions:

There are five sections with questions that you should address. For each item circle the most appropriate answer and make note of the (-1), (0) or (+1) score. Add up the scores for all five sections. You should use this exercise to determine the initial feasibility of the concept, i.e. will or won't this work. A low overall score does not mean that the concept is not viable. Rather you should consider how it can be modified.

This is not intended as an in-depth analysis of the market or industry. It requires you to think about the key issues that your venture faces to become viable.

It would be a very unusual concept that would score at the extremes. If there is a section with a very high score, then this may be the core on which you build the business. A very low score requires you to rethink the concept. Can the product /service be redesigned? Is there a different target market? How can the concept be differentiated? You must be intellectually honest with yourself – do not try to force the answer that you would like to see. Is there a fatal flaw that no matter how much you would wish otherwise, the concept should not be pursued.

Note: Adapted from Bruce Barringer's Preparing Effective Business Plans, 2009, Prentice Hall

Part 1: Strength of the Business Idea

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Extent to which the idea: <ul style="list-style-type: none"> • Takes advantage of a trend • Solves a problem • Addresses an unfilled gap in the marketplace 	Weak	Moderate	Strong
2. Timeliness of entry to market	Not timely	Moderately timely	Very timely
3. Extent to which the idea “adds value” for its buyer or end user	Low	Medium	High
4. Extent to which the customer is satisfied by competing products that are already available	Very satisfied	Moderately satisfied	Not very or ambivalent
5. Degree to which the idea requires customers to change their basic practices behavior	Substantial changes required	Moderate changes required	Small to no changes required

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Part 2: Industry Related Issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Number of competitors	Many	Few	None
2. Stage of industry life cycle	Maturity phase or decline phase	Growth phase	Emergence phase
3. Growth rate of industry	Little or no growth	Moderate growth	Strong growth
4. Importance of industry's product/services to customers	"Ambivalent"	"Would like to have"	"Must have"
5. Industry operating Margins	Low	Moderate	High

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Part 3: Target Market and Customer Related Issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Identification of target market for the proposed new venture	Difficult to identify	May be able to identify	Identified
2. Ability to create “barriers to entry” for potential competitors	Unable to create	May or may not be able to create	Can create
3. Purchasing power of Customers	Low	Moderate	High
4. Ease of making customers Aware of the new product or service	Low	Moderate	High
5. Growth potential of target market	Low	Moderate	High

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Part 4: Founder (or Founders) Related Issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Founder or founders experience in the industry	No experience	Moderate experience	Experienced
2. Founder or founders skill as they relate to the proposed new venture's product or service	No skill	Moderate	Skilled
3. Extent of the founder or founders professional and social network in the relevant industry	None	Moderate	Extensive
4. Extent to which the proposed new venture meets the founder or founders personal goals or aspirations	Weak	Moderate	Strong
5. Likelihood that a team can be put together to launch and grow the new venture	Unlikely	Moderate	Very likely

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Part 5: Financial Issues

	Low Potential (-1)	Moderate Potential (0)	High Potential (+1)
1. Initial capital investment	High	Moderate	Low
2. Number of revenue drivers (ways in which the company makes money)	One	Two to three	More than three
3. Time to break even	More than two years	One or two years	Less than one year
4. Financial performance of similar businesses	Weak	Modest	Strong
5. Ability to fund initial product (or service) development and/or initial startup expenses from personal funds or via bootstrapping	Low	Moderate	High

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