

The **ENTREPRENEUR'S** Guidebook Series™

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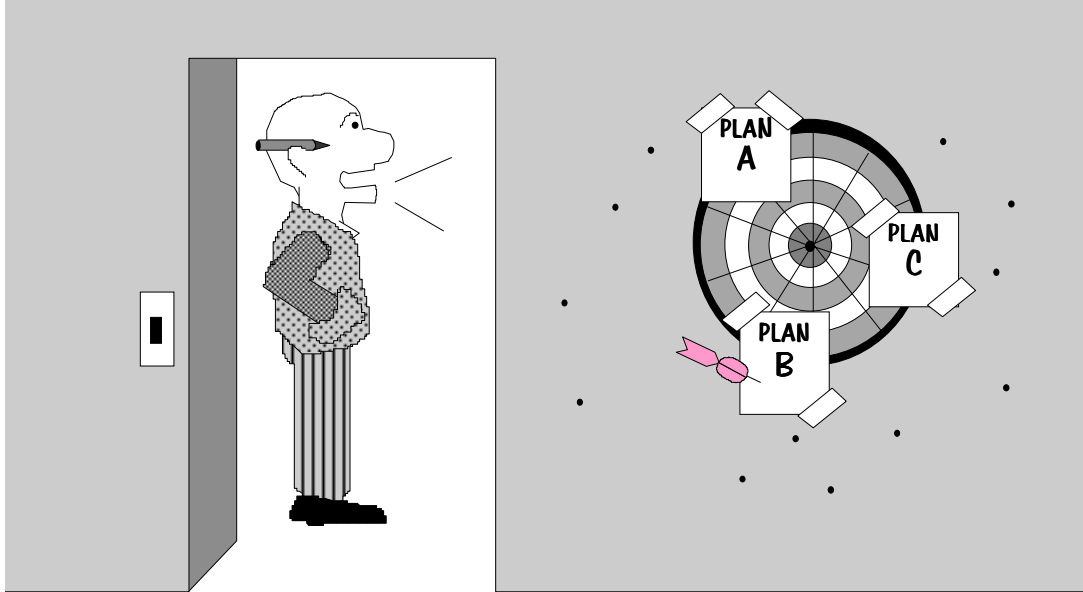
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PERSONAL PLANNING

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“After a careful analysis of all the possibilities, I’ve come up with the perfect business for us!”

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EVALUATING PROMISING PROJECTS

THE evaluation of a project or idea is a continuous deliberate process, not something you do once, after the fact, or whenever the mood strikes. Its purpose is to screen out potentially rotten ideas, before serious time, effort and money is wasted on them, and then *prioritize* the remaining ones – that is arrange them from the most promising to the least promising.

Consider the following: if evaluation doesn't inspire you then it bores you, and if it bores you, expect others to be bored by your results.

USING OUR EVALUATION FORMS

ON THE following pages, and at the end of this guidebook, you will find two forms. The first form is a “Project Priority” form. The second form is a “Project Evaluation Checklist.”

Both these forms can be used to help you evaluate your product and service moneymaking ideas. However, bear in mind that their design intended four different methods of evaluation, each giving you a standardized approach for determining which projects are worth considering and perhaps which ones should be placed on the back burner or dismissed completely. These four methods are explained below

*The unexamined
life is not worth
living; the unex-
amined product
is not worth
promoting.*
POWERPOINT

Evaluation Method #1 – Method #1 is the simplest and easiest. Using the “Project Priority” form, evaluate projects by scoring out of five, four basic categories: **TIME** – the faster a project can be completed, the higher its score; **DIFFICULTY** – the easier a project can be completed, the higher its score; **RISK** – the less investment capital needed or risk involved, the higher its score; and **PROFIT** – the greater the potential for profit or reward, the higher its score (total score out of 20).

Evaluation Method #2 – Using the “Project Priority” form, score out of five each of the following eight categories: *Market Demand, Product Value, Company Ease of Formation, Operations Ease of Set-up, Advertising Potential, Promotion*

Potential, *Expansion Potential*, and *Profit Potential* (total score is out of 40).

Evaluation Method #3 – Using the “Project Evaluation Checklist,” answer each “**DRILL QUESTION**” YES or NO (there are 80 questions in total). When finished, add up YES answers and divide total by two. Transfer results to the “Project Priority” form (total score out of 40). Repeat procedure for each project under evaluation.

Evaluation Method #4 – Using the “Project Priority” form, complete Evaluation Methods #1, #2 and #3. Total results and place in column 4 (total score is out of 100).

NOTE After each project has been evaluated to your satisfaction and standards, using any of the above evaluation methods, prioritize your projects from the most promising to the least promising (i.e., give the

PROJECT PRIORITY																		
Date: 2/21/94		Evaluation Method					#1								#2		#3	#4
Project Idea	Market	Time	Diff.	Risk	Profit	T	1	2	3	4	5	6	7	8	T	T	T	P
Health Cook Book	Single Men	2	2	5	3	12	4	2	4	4	2	2	2	5	25	20	57	B
Bicycle Horn	Bike Riders	4	4	3	3	14	3	5	4	4	3	2	2	3	24	23	61	A
Image Consultant	Busi. Women	2	2	3	4	11	3	3	4	4	1	2	3	3	23	22	56	C

project with the highest score a one or an “A,” the second highest a two or a “B,” and so on).



PROJECT EVALUATION CHECKLIST		
Project Idea: <i>Import Unique Rubber Bicycle Horns from South Korea</i>	Date: 2/21/94	
Description: <i>Made with genuine rubber. Fits on handle bars. Colors: r, bl, blue, gr & ye</i>		
ACTION ONE: MARKET DEMAND	Y	N
Does the product or service have a definite targetable market?	✓	
Is the target market responsive?	✓	
Is the target market stable?		✓

WHICH METHOD SHOULD YOU USE?

IT DOESN'T matter which method you use – it's the process that counts not the approach. In fact, for some people, serious evaluation is counter productive, leading to confusion not insight. Ideally, you should try all four methods, make up some of your own, then go and find other methods (preferably those of successful entrepreneurs that really want to help you). You want to develop what is called “a nose for business” (i.e., “inner objectivity”); meaning you want knowledge unclouded by emotional attachments and passing interests.

Evaluation Method #1 is the least threatening and easiest to implement.

Bear in mind that no single method of evaluation can claim to be the final word, for evaluation is always influenced by other factors unique to each project.

However, as you become more proficient and aware of all the factors involved in marketing and developing a product or service, Evaluation Methods #2 and #3 might be more useful.

Evaluation Method #4 is an attempt to give you that much needed objectivity discussed above. However, don't be surprised when project opportunities start rolling in faster than you can handle, that you return to Method #1. Time consuming evaluation methods, although initially excellent learning tools, don't necessarily guarantee better results. Simplicity far more often than complexity, has created insightful decision-making.



80 PRODUCT & SERVICE “DRILL QUESTIONS”

THE FOLLOWING section offers insights into the eighty questions listed in the “Project Evaluation Checklist” form at the end of this Guidebook (see **page 37**). They are called “Drill Questions” because they should be answered quickly without second-guessing. Eventually, you should become so familiar with them that they become second nature (i.e., *drilled* into you).

MARKET DEMAND

1. Does the product or service have a definite targetable market?

Having a clear understanding of who will benefit from your product or service

Entrepreneurs don't sit around and dream, nor do they jump off mountains for the hell of it. They do one thing and they do it consistently – they add value to peoples' lives.
SUPERTIP

is essential. For if there is no clear target market or rather group of people with a substantial measurable need for your product or service, then don't fool yourself. Give it a big fat zero. Don't try and sell things to people they don't want or need.

2. Is the target market responsive?

If you can't answer this question 'yes' without reasonable confidence, then the answer is 'no.' A market can only be considered responsive if the majority of people who make up that market, have in the recent past purchased a product or service similar to the one you are considering. Even if everybody is telling you that your idea is the greatest idea

since sliced bread, this means nothing until cash ends up in your pocket.

In other words, all other things considered equal, it is better to choose a product or service with a proven track record than one without. Products and services with proven track records may not be as exciting as "new revolutionary" kinds nor as likely to generate huge sales, at least initially, but they won't fall flat on their face either.

3. Is the target market stable?

If your target market jumps on the "latest new product band wagon" at the drop of a hat, beware, your company could be in for one serious roller coaster ride. All

The 80 "Drill Questions" contained in the Guidebook are an excellent summary of business tips. Read them carefully even if you don't have any projects to evaluate. Read them for the fun of it.

SUPERTIP

successful companies have a high percentage of stable customers. They avoid seeking favor with the whimsical.

- 4. Is the target market growing?** Markets shrink and expand due to fads and trends. Markets that are growing because of the latest fad are never to be trusted. A fad is usually marked by extensive hype with no real change. However, markets that are riding the wave of a trend, are to be treasured. Trends are usually marked by a movement towards quality, innovation, or a better way of life.

5. Is the target market not yet saturated with competitive inter-

ests? If your market has a wide variety of choices from competitive companies, then chances are there is little room for you. While it is good to have a little competition (everybody can learn from each other), it is disastrous to have too much (e.g., price wars, higher overhead, lower profit, and customer disloyalty).

6. Do you have the appropriate experience and training to understand the needs of the target market?

There is nothing wrong with starting a business completely out of your field or experience. Almost 85 percent of all entrepreneurs do.

However, if you want to make money, DON'T. A higher percentage of these

While it is good to have a little competition (everybody can learn from each other), it is disastrous to have too much (e.g., price wars, higher overhead, lower profit, and customer disloyalty).

businesses end up in failure. Entrepreneurial success depends a great deal upon understanding the needs of your customers. Any experience you have going into a business, can prove to be substantially more valuable than financial assets. The bottom line is you need all the help you can get and who better else to get it from than yourself.

7. Are the strategies of other companies, who have already successfully catered to the target market, easy to duplicate?

Businesses spend more time stealing each other's ideas than trying to come up with their own ideas. In the consumer world, it's called *the keeping up with*

the Jones'. The point is, the easier it is for you to gain access to strategies that have worked for others, the more likely you too will succeed.

8. Can the target market be easily influenced by advertising?

It is well known that older people tend to mistrust advertising to a greater extent than younger people. Young teenagers can easily be convinced to spend \$80 dollars for a pair of designer jeans with Janet Jackson brandishing them, but wise Grandpa Jones wouldn't bat an eye. In a nutshell, if your target market hates or distrusts advertising, be prepared to periodically find your-

The process of evaluation seeks to develop an entrepreneur's management, decision making, motivation, and organizational skills. It does not however give one the ability to pull solutions out of a hat like a magician.

POWERPOINT

self a soft wall to bang your head on.

9. Is the target market more than large enough to make the project worth while?

It is important that you specialize to gain a market share, but that share must be large enough to keep your business profitable. Although, initially you may be interested in creating good will or making a name for yourself, eventually you need compensation for your efforts.

10. Are you genuinely interested in the typical customer, representative of the target market? A typical customer from your target market should be a person you want to get to know

better. You should feel comfortable talking to them, and proud to associate with them. Don't open a fast food joint near a high school if you think the youth of today are good-for-nothing societal leeches. They'll soon catch on.

PRODUCT VALUE

11. Is the product or service a quality product or service?

It is true that at one time you could sell junk and made substantial amounts of money doing so, because no one really knew any better. But the sophisticated consumers of today armed with *Consumer Reports* and product awareness never before seen, have no patience for shoddiness. It is true that large manufactures at one time purposely

Now, with the onslaught of global competition, if you can't swim, you'll sink and if you don't build quality you'll drown.

factures at one time purposely designed products to break down after so many hours of use just so customers would have to go out and buy new ones. But these monopolistic beasts have been buried under their own greed. Now, with the onslaught of global competition, if you can't swim, you'll sink and if you don't build quality, you'll drown. Strive to be the best not the slickest.

12. Is the product or service unique?

A product or service that offers customers benefits that are significantly different than other solutions to their problems, has a better chance of grabbing a market share than a product or service that is for the most part just like everybody

else's. Bear in mind though that being unique is not the same as being innovative. Innovation suggests improvement. Uniqueness is simply being different.

13. Is the product or service

competitive? Your product or service should be an honest bargain when compared to competitive offerings. Keep in mind though that bargains are not necessarily created by lowering prices. A bargain is created when you sell products or services at the same price as your competitors, except having added value through additional features, better guarantees, and better servicing.

Your product or service should be an honest bargain when compared to competitive offerings.

14. Is the product or service innova-

tive? Innovation is the ultimate tool of product and service development. To innovate, first copy successful products and services from other companies. Second, improve upon what these companies have accomplished in at

least one meaningful way (i.e., at some point explore new ground by taking a central principle of a successful product or service and coming up with at least one superior way of putting that principle into operation).

NOTE The concept of innovation can be applied not only to product or service offerings, but also to pricing, promotion, distribution, advertising, shipping, guarantees and customer service practices.

15. Does the product or service offer real value to its customers? Value is the combination of the best quality at the best price. Quality is perceived when customers imagine your product or service offering them many benefits; heavy utilization; multiple uses; worry-free daily operation; and superior construction.

16. Will the product or service be easy to sell? Ask yourself, is your product or service needed every day; is it used by young and old, males and females; and should no home be without one – preferably two – like soap is? As well, realize that real physical merchandise like clock radios are easier to sell than abstract or paper merchandise like books.

Never sell something you don't believe in or wouldn't buy yourself.

17. Does the product or service have one easily desirable benefit of incredible value? If your product or service has one easily understood benefit it will be easier to market. Products that are superior to others but whose benefits are complex and need a great deal of knowledge to understand, will not be perceived by the buying public as being that much better. Consumers thrive on simple solutions.

18. Will you have no fear of financial loss if you give the product or service an iron-clad guarantee? If you feel you would lose money selling a product or service with an iron-clad guarantee, than perhaps you should reconsider your selection.

19. Would you buy the product or service yourself? Never sell something you don't believe in or wouldn't buy yourself.

20. Does the product or service truly interest you? You could be shown the greatest idea in the world but if it really doesn't interest you, ultimately when the going gets tough and real commitment has to be made (i.e., mortgaging your house), you will not be willing to do so.

Your line of merchandise should be directed towards your talents, or built around the one special product that you have invented, developed, have a

Facts, as such, never settled anything. They are working tools only. It is the implications that can be drawn from the facts that count, and to evaluate these requires wisdom and judgment that are unrelated to the computer approach to life.

CLARENCE B. RANDALL

special pipeline to, or have an exclusive on. It is also in your field of interest, that you be able to do the best purchasing (i.e., if you hate sports don't sell hockey sticks).

COMPANY EASE OF FORMATION

21. Is the product or service compatible with your current mission statement and company philosophy? As a company, it is imperative that your buying public have a clear image of who you are. Your job

is to find not just one product but a selection or related products and services to market to your client base. You need more than one product, because it is a

cardinal rule, never to be broken, that you should make a merchandise offer, with every package, every letter, every communication you send out.

22. Does the product or service easily lend itself to a catchy name?

A product or service that can be easily identified from the competitors' will leave an impression of greater longevity in the consumer's mind. It is these impressions that build up and eventually create a desire in the consumers to be associated with your company.

23. Does the product or service easily lend itself to a catchy slogan?

A good slogan, just like a good name, can make or break a product or ser-

A good slogan, just like a good name, can make or break a product or service.

vice. Your slogan should be targeted towards the interests of you market, not your own company ego.

24. Can the product or service be trademarked or branded by your company?

In order to build company recognition, ideally all your products and services should be trademarked and branded with your company name or logo. Selling products and services under different brand names, should only be considered if that company complements your offerings rather than directly competing with them.

25. Will your company logo look impressive attached to the product or service?

If your logo is dazzling

when attached to your product or service, customers will be more inclined to show off their purchase (this is particularly true when dealing with clothes).

26. Is the product or service photogenic?

If it looks good, than it probably is good. People buy with their eyes. Not only should your product or service look good on paper, but it should also look good in real life.

27. Can the product or service be easily packaged?

The easier a product or service is to package, the easier it can be distributed, the less damage will occur during transportation, and the more company recognition will be created during distribution.

Innovation is desirable, but wild outlandish, never before seen product development, is dangerous.

28. Is the product or service not too revolutionary?

Innovation is desirable, but wild outlandish, never before seen product development, is dangerous. People don't buy what they don't understand. It is better to sell similar products with a unique twist, not completely new out of the world products.

29. Will the product or service unlikely create customer apprehension?

If your customers will not buy your products or services unless they see the results, try it on, or see how it looks, you will lose a substantial amount of sales. A product or service that does not leave a whole lot of questions in a consumer's mind is more likely to sell than one that does.

30. Does the product or service fit in with your own personal image?

Don't sell fitness equipment if you are a little portly and love to dine in expensive exotic restaurants. Likewise don't sell, exotic meat products, if you are a diehard vegetarian.

**OPERATIONS
EASE OF SET-UP**

31. Can a company be set up to sell the product or service with little capital investment?

Lack of money or the perceived lack of money has kept many people from taking the entrepreneurial plunge. If you are in the same boat, then the less money you need to invest in a company up front, the more likely it will actually take birth.

A product that is in demand or is desired is said to have market-ability

POWERPOINT

32. Will the product or service generate a return on investment fast, so you won't suffer cash flow problems?

It is advisable to undertake projects in which results can be produced early. Cash flow problems are one of the biggest reasons for business failure. Avoid projects where it is difficult to accurately predict revenue for the first three months, year and second year.

33. Is there little red tape in setting up a company to sell the product or service?

When driving a car, red means stop, green means go. It's the same in the business world. Red tape can easily suffocate a business, and the less you see of it the better.

34. Can the project be completed in a short period of time? Not being able to see the fruits of your labor can be very discouraging. Great risk occurs when you undertake projects that take years to complete. Avoid time consuming projects, which offer little potential for reward.

35. Will you be able to convince a bank to lend you money for the product or service if you need it? Banks don't like risk and neither should entrepreneurs. If you can't convince a bank to lend you money, then chances are your idea isn't that good, the bank doesn't think you have enough of your own capital invested to stay committed to the business, or they

People who are close to you can either inspire you, or suck the energy and life out of you quicker than a match can light a stick of dynamite.

just wouldn't know a good idea if it smacked them in the face and sat on their head.

36. Will you be able to convince friends, family, relatives and your spouse to support the product or service? People who are close to you can either inspire you, or suck the energy and life out of you quicker than a match can light a stick of dynamite. There usually isn't any middle ground. Concerning your spouse, if your spouse doesn't like your idea you have only three choices, scrap the idea, learn to live with a near impossible situation, or get a new spouse.

37. Do you know people who would

be willing to help you set-up a company to sell the product or service? If you have an Uncle Bob who is willing to give you a \$200,000 line of credit interest free, just because he likes your idea and wants to help you get started, then this is a definite plus to getting your business started.

- 38. Can you accumulate resource material on the product or service?** If you can learn from others you can save yourself an enormous amount of headaches. A good book targeted towards your needs is worth a thousand times its price.
- 39. Does the product or service allow you to take advantage of ad-**

Being able to start your business slowly without, jumping into it all at once is a tremendous advantage.

vanced technology? There is no doubt computers have increased individual productivity. It would be a shame if your business could not take advantage of their many uses. Likewise, it would be a shame if your business could not profit from the global communication systems and information explosion.

- 40. Can you run the product or service business part-time so you don't have to quit your regular job?** Being able to start your business slowly without, jumping into it all at once is a tremendous advantage. It reduces the pressure to succeed and it means that you don't have to commit yourself until the business is actually producing.

ADVERTISING POTENTIAL

41. Can you use inexpensive advertising to market the product or service? Although selling your product or services through glitzy full page magazine ads and TV commercials is good for your company ego, it can quickly destroy your profit margins and eat up all your investment capital without producing much of anything in return. Ideally, you would like to build your advertising strategies as you do your company. You want to invest money only where there is a profit and you want to be able to test that medium inexpensively to find out the extent of the profit. If your product or ser-

If people have to touch, handle or see results before they buy, it will be more difficult to market your product or service and close a sale.

vice can be initially sold through classified ads, one-page flyers, or newsletters, the better off you are.

42. Can you take advantage of as many forms of advertising as possible to market the product or service? Although in many cases there are no limits to how you can promote a product, other than the limitations posed on you by the actually target market and where they can be reached, the more profitable and proven advertising mediums you have the better. Proven advertising mediums are mediums your competitors have found profitable.

43. Can the product or service be ex-

plained easily through words in advertising? Ideally, the idea behind your product should be easy to communicate, easy to describe on paper, have a strong easily understandable benefit, and should be self-explanatory in a catalog, brochure, newsletter or article. If people have to touch, handle or see results before they buy, it will be more difficult to market your product or service and close a sale.

44. Can the product or service be explained easily through pictures in advertising? Not only should your product be easily described in words, but it should also be easily describable with one or several related pictures. Having a vast amount

If your product or services takes a 30-page manual to understand or describe it, then you will have difficulty marketing it.

of computer clip art, access to cheap product photos without having to hire a photographer is also advantageous.

45. Will the product or service live up to its advertising? Some products or services easily lend themselves to being oversold. When the customer usually sees them or uses them for the first time they are disappointed. It can be argued that the creation of unwarranted expectations is the fault of an advertiser who has taken too many liberties. It can also be argued that the fault lies in the quality of the product or service. If you think a product or service will not live up to the promises you need to make in order to market it, then you should consider redesigning

or moving on to something else.

46. Will the product or service give your customer, not just what they expected, but something a little better?

As stated above, advertisers tend to oversell themselves resulting in consumer always being a little disappointed. However, some products end up being better than expected.

These are the products and services that have so many good things going for them, that its impossible to describe their benefits in a few words.

47. Can the product or service be promoted well through direct marketing channels? Direct mail promotion is one of the toughest stan-

The cosmetics business is the nastiest business in the world.

ELIZABETH ARDEN
CEO of Cosmetics Firm

dards to pass. If you can sell your product successfully through direct mail, than chances are it will sell in almost any medium. Ask yourself this, if you received a letter in the mail about

your product or service would you quickly toss in the garbage or actually read it? If you can't sell yourself, you certainly won't be able to sell others.

48. Can the product or service be made to appeal to a customer's basic instincts, desires and drives?

The more emotion and raw feelings you can attach to your product to complement its benefits the more likely you will close a sale.

49. Will it take only a little advertising

before the consumer overcomes reservations about the product or service?

If your product or services takes a 30-page manual to understand or describe it, then you will have difficulty marketing it. As already discussed, your product or services should have easily understandable and advertisable benefits. Remember, if you're product or service cannot be advertised without creating more questions than it answers, then perhaps this is a sign that your product is too revolutionary and the public is not ready to accept it.

50. Will you be able to copy your competitor's advertising with little difficulty? Just as it is advantageous to copy competitors products and ser-

The more ways you can test market your product or service the more accurate and objective your results will be.

vices, it is also advantageous to copy their advertising. If you have access to 100 award winning advertising campaigns related to your product, your advertising campaign has more potential to be highly successful.

PROMOTION POTENTIAL

51. Can the product or service be tested without investing a large amount of capital?

When testing products and services you always want to minimize the downside risk while maximizing profit. This can be achieved if your product or service can be promoted through free advertising channels, such as product, news and media releases, or if you have access to free market research done by other

companies on the same or related product or services.

52. Does the product or service lend itself to a wide variety of market testing strategies?

The more ways you can test market your product or service the more accurate and objective your results will be. If you have only one method to rely upon, your results could be misleading, affected by factors you were not aware of.

53. Will the results of the product or service market testing be accurate? Bear in mind that some methods of market testing are more accurate others. Doing a market survey of one thousand

You look at any giant corporation, and I mean the biggies, and they all started with a guy with an idea, doing it well.

**IRVINE
ROBBINS**

*Co-founder of
Basking-
Robbins*

people is more accurate than surveying your office staff and their immediate family members.

54. Can your friends or family test the product or service for you and give you accurate feedback?

Having your friends test your product may not be the practice and vision of corporate America but it certainly is convenient and inexpensive for the budding entrepreneur. It must also be kept in mind that the feedback has to be judged differently than from strangers. Friends and family usually tend to be overly negative or positive and will base their opinion not only on that actual product or service but what there past and pre-

sent impressions about you.

55. Can strangers test the product or service for you and give you accurate feedback?

If you can find strangers who will actually give you their time and patience to test your product or service, the quality of feedback should be quite high, especially if they have expertise in the area of question.

56. Can recognized institutions test the product or service for you and give you accurate feedback?

You in the West think of [consumer electronics] products as consumer durables, things which last. For you consumption is an act which you undertake in bursts, periodically. Japanese consumption is a continuous cycle of new products replacing old products, everything is in a process of change, nothing endures. We do not seek permanence.

MASATOSHI NAITO

Chief of Design, Matsushita

tutional feedback is useful when trying to get and impress others about the soundness of your venture. However,

bear in mind that institutions are filled with “thinkers” not “doers.” This will color their impressions and tend to make them a little conservative.

57. Can you find a good mailing or customer list for the product or service in which to test market re-

sponse? Having access to a good mailing list not only is an excellent tool for sales and expansion, but also gives

you the opportunity to randomly survey potential buyers.

58. Can you promote the product or service at a trade show? Trade shows can usually be entered with little capital up front when compared with full-page advertising. Trade shows also give you actual customer interaction and opinion. People are more willing to tell you what they think of your product at a trade show than in a shopping mall.

59. Will you be able to test the product or service within a short period of time? That last thing you need is for a long drawn out testing procedure. You need accurate results right away.

The success of a product or service is often at the mercy of seasonal shopping patterns.

60. Is the market timing of the product or service right? The success of a product or service is often at the mercy of seasonal shopping patterns, which can vastly influence your results. Don't ask people about skiing in the summer when they're thinking about camping.

EXPANSION POTENTIAL

61. Will the product or service contribute to long-range growth of your company?

One of the most important things to consider in evaluating a product or service, is how it will allow your business to expand. One product will not make you rich, but a carefully chosen line of products and/or services can. When evaluating a new product or

service, ask yourself how it fits in with your other product and services. Does it complement or confuse the focus of your company?

62. If the product or service takes off, do you have the resources to capitalize on it?

Business expansion works like compound interest. Initially you don't see much profit or growth, then all of a sudden, your business grows and before you know it, hits momentum. When it hits momentum, sales seem to double, triple and then quadruple overnight. Your company must have sufficient production capacity to handle increased sales.

63. Will it be easy to find the right

One product will not make you rich, but a carefully chosen line of products and/or services can.

kind of skilled labor if your company needs to hire due to growth?

If you experience rapid growth you'll likely need more help, and fast. However if that help is of a highly technical nature and thus difficult to find your company will experience growing pains.

64. Can you easily train others to promote and sell the product or service?

If you can easily train new employees quickly, then it is more likely you will be able to meet increased demand of your product or service with confidence.

65. Can the product or service be sold through regular distribution channels? If your product is easy to

ship or mail, you will have access to greater expansion potential. Products that are light in weight (less than 1 lb. — so they can be shipped third class), and not be too large in volume, are easier to sell than larger products of similar value.

66. Would the government or large corporations be interested in the product or service? Governments and corporations are the largest buying forces in the world even though they are difficult and time consuming to deal with.

67. Can you sell the product or service internationally? Some products and services cannot be sold across borders due to trade regulations. The

If your product is easy to ship or mail, you will have access to greater expansion potential.

less trade and distribution regulations on your product or services the more likely you will be able to expand into this area.

68. Will the product or service have a long sales life? It is better to sell

products that will be in demand three years from now than ones that will lose their appeal after only a few months. Riding the wave of a fad can be profitable, but also disastrous if you over estimate demand and end up with large amounts of leftover inventory (when the market collapses).

69. Can you improve upon or broaden the product or service at a later date if the need arises? Some products and services, even if rea-

sonably successful at first, cannot be easily innovated, broadened, nor changed with the times. Since consumers like to see change or at least think your trying to improve your products and services, if you don't offer broader selections, different colors, or improved, upgraded, revised, made faster, and larger models etc., you will likely gradually lose their business. The more choices you give your customer the more likely they will be asking themselves not whether they should buy, but which one.

70. Will you be able to sell the product or service business idea to other entrepreneurs? As your company expands you may want to

The price of the product or service should be enough to cover expenses, create a profit and at the same time keep you competitive with other companies.

give others a piece of the action for a percentage of their profits. Different products and services lend themselves more or less easily to expansion techniques like franchising and licensing. The more easily you can get other people interested in selling your product or service the more potential it has.

PROFIT POTENTIAL

71. Does the product or service have a high mark up that people are willing to pay for? The price of the product or service should be enough to cover expenses, create a profit and at the same time keep you competitive with other companies. If your product can be sold with a high mark-

up, the more potential for profit. High mark-up however, can usually only be justified by increased quality and benefits to the customer, or in the case of high-priced cosmetics, *perceived* quality and benefits.

72. Will company overhead be low? The lower your overhead, the more likely you will be able to respond to the ups and downs of business cycles. Low overhead is a result of low costs for production, distribution, and storage. If you do choose a product or service with a high overhead, the significantly higher risk must be balanced by a significantly higher potential for profit.

73. Does the product or service lend

Being able to change horses in mid stream is better than being strapped to a raft approaching Niagara Falls.

itself to repeat sales? While a one-shot “grab and run with the profit item,” can make you money, it won’t build a company. Repeat line businesses require more courage and capital to get in, but for that very reason, are more profitable.

74. Is the product or service unlikely to be returned? You should sell quality products, having quality workmanship, and made out of quality material. If you sell JUNK not only will your customer never buy from you again, but they will likely return it along with a nasty letter.

75. Will it be easy to transfer profits into other investments? Instead of tying up money in inventory or other

company assets it would be better if you could invest surplus cash in short-term deposit accounts or mutual funds to get a higher rate of return.

76. If you grow bored with the business will it be easy to sell to someone else?

Some businesses are very difficult to sell because they have few real assets and markets highly dependent on their present owners. A business that has a high perceived value to other entrepreneurs is more advantageous.

One good product or service can support you in style for the rest of your life.

**E. JOSEPH
COSSMAN**

77. Are their tax advantages selling the product or service? Tax advantages and incentives can turn a barely profitable business into a real winner.

78. Will you be able to build owner's

equity by buying good quality commercial land? One the best ways to build owner's equity is by purchasing land and buildings that can be used for purposes other than those specific to your company. This gives your business a higher liquidation and balance sheet value over the long run.

79. If sales start to lag, will you be able to quickly cut your losses and start another project?

Being able to change horses in mid stream is better than being strapped to a raft approaching Niagara Falls. If a product or service requires a heavy investment that cannot be easily liquidated or used for other means, this reduces its appeal.

80. Will the product or service be easy to protect? The business world is ruthless. It is not enough to trust in everyone's sense of goodwill – you need legal protection. The easier it is to protect your intellectual property by trademarks, logos, copyrights, patents, license agreements etc., the more profitable and secure your business will be.



SUMMARY OF PROFITABLE PRODUCTS & SERVICES

PROFITABLE PRODUCTS: interest you, are cheaper and better than the competition, and are convenient to use, and come complete with everything you need. Furthermore, profitable products:

*Criticism comes
easier than
craftsmanship.
ZEUXIS*

- are durable preferably unbreakable
- are easily understood through its advertising
- are easy to mail and ship
- are easy to maintain
- are fully guaranteed
- are hard to find in retail stores
- are made out of quality materials
- are necessary to enjoy sports or other past-time activities
- are novel and unusual
- are recommended by experts or authorities
- are safe to use
- are scientifically constructed
- cost three to four times less than its selling price
- have a definite targetable market
- have no moving parts to break down (and if it does these moving parts are hermetically sealed against the probing

- fingers of three-year olds and other would-be adjusters of fine mechanisms)
- have sold well previously through mail-order and retail
 - have universal appeal
 - satisfy real customer needs
 - will generate repeat orders
 - will not demand more time than they are worth to develop or market

PROFITABLE SERVICES: interest you, are cheaper and better than their competition, and are easily understood through their advertising. Furthermore, profitable services:

- have a definite targetable market
- have done well previously as a home

If we hadn't put a man on the moon, there wouldn't be a Silicon Valley today.

JOHN SCULLEY CEO,
Apple Computer

business or service business

- have general appeal
- have not saturated the market
 - keep customers coming back
 - lend themselves to the merchandising of related products
 - produce long lasting results
 - satisfy real customer needs
 - will not demand more time than they are worth to develop or market



PROJECT PRIORITY

Date:	Evaluation Method		#1					#2								#3	#4	
Project Idea	Market	Time	Diff.	Risk	Profit	T	1	2	3	4	5	6	7	8	T	T	T	P

Method #1	Method #2	Method #3	Method #4
<p>TIME - The longer the project will take, the lower the rating.</p> <p>DIFFICULTY - The greater the degree of difficulty, the lower the rating.</p> <p>RISK - The greater the risk (cost of venture) the lower the rating.</p> <p>PROFIT - The higher the potential for profit, the higher the rating.</p> <p>Give a rating (between 1-5) for each of the above categories.</p>	<p>1 - MARKET Demand 2 - PRODUCT Value 3 - COMPANY Ease of Formation 4 - OFFICE Ease of Set-up 5 - ADVERTISING Potential 6 - PROMOTION Testing Potential 7 - EXPANSION Potential 8 - PROFIT Potential</p> <p>Give a rating (between 1-5) for each of the above categories.</p>	<p>Complete EGB's Project Evaluation Checklist (form #4) for each project idea. Transfer results to this form.</p>	<p>Sum totals from Evaluation Methods #1, #2, and #3. This final total will give you a final project score out of a hundred.</p> <p>NOTE: After using any of the four evaluation methods, prioritize projects by giving the highest score a number 1, the second highest a number 2, etc.</p>

PROJECT EVALUATION CHECKLIST (1 - 4)

Project Idea:	Date:
Description:	
ACTION ONE: MARKET DEMAND	Y N
Does the product or service have a definite targetable market?	
Is the target market responsive?	
Is the target market stable?	
Is the target market growing?	
Is the target market not yet saturated with competitive interests?	
Do you have the appropriate experience and training to understand the needs of the target market?	
Are the strategies of other companies, who have already successfully catered to the target market, easy to duplicate?	
Can the target market be easily influenced by advertising?	
Is the target market more than large enough to make the project worth while?	
Are you genuinely interested in the typical customer representative of the target market?	
ACTION TWO: PRODUCT VALUE	Y N
Is the product or service a quality product or service?	
Is the product or service unique?	
Is the product or service competitive?	
Is the product or service innovative?	
Does the product or service offer real value to its customers?	
Will the product or service be easy to sell?	
Does the product or service have one easily desirable benefit of incredible value?	
Will you have no fear of financial loss if you give this product or service an iron-clad guarantee?	
Would you buy the product or service yourself?	
Does the product or service truly interest you?	
ACTION THREE: COMPANY EASE OF FORMATION	Y N
Is the product or service compatible with your current mission statement and company philosophy?	
Does the product or service easily lend itself to a catchy name?	
Does the product or service easily lend itself to a catchy slogan?	
Can the product or service be trademarked or branded by your company?	
Will your company logo look impressive attached to the product or service?	
Is the product or service photogenic?	
Can the product or service be easily packaged?	
Is the product or service not too revolutionary?	
Will the product or service create unlikely create customer apprehension?	
Does the product or service fit in with your own personal image?	
ACTION FOUR: OFFICE SET-UP COSTS	Y N
Can a company be set up to sell the product or service with little capital investment?	
Will the product or service generate a return on investment fast, so you won't suffer cash flow problems?	
Is there little red-tape in setting up a company to sell the product or service?	
Can this project be completed in a short period of time?	
Will you be able to convince a bank to lend you money for the product or service if you need it?	
Will you be able to convince friends, family, relatives and your spouse to support the product or service?	
Do you know people who would be willing to help you set-up a company to sell the product or service?	
Can you accumulate resource material on the product or service?	
Does the product or service allow you to take advantage of advanced technology?	
Can you run the product or service business part-time so you don't have to quit your regular job?	

PROJECT EVALUATION CHECKLIST (5 - 8)

Notes:		TOTAL		
ACTION FIVE: ADVERTISING POTENTIAL			Y	N
	Can you use inexpensive advertising to market the product or service?			
	Can you take advantage of as many forms of advertising as possible to market the product or service?			
	Can the product or service be explained easily through words in advertising?			
	Can the product or service be explained easily through pictures in advertising?			
	Will the product or service live up to its advertising?			
	Will the product or service give your customer, not just what they expected, but something a little better?			
	Can the product or service be promoted well through direct marketing channels?			
	Can the product or service be made to appeal to a customer's basic instincts, desires and drives?			
	Will it take little advertising before the consumer overcomes reservations about the product or service?			
	Will you be able to copy your competitor's advertising practices with little difficulty?			
ACTION SIX: MARKET POTENTIAL			Y	N
	Can the product or service be tested without investing a large amount of capital?			
	Does the product or service lend itself to a wide variety of market testing strategies?			
	Will the results of the product or service market testing be accurate?			
	Can your friends or family test the product or service for you and give you accurate feedback?			
	Can strangers test the product or service for you and give you accurate feedback?			
	Can recognized institutions test the product or service for you and give you accurate feedback?			
	Can you find a good mailing or customer list for the product or service in which to test market response?			
	Can you promote the product or service at a trade show?			
	Will you be able to test the product or service within a short period of time?			
	Is the market timing of the product or service right?			
ACTION SEVEN: EXPANSION POTENTIAL			Y	N
	Will the product or service contribute to long-range growth of your company?			
	If the product or service takes off, do you have the resources to capitalize on it?			
	Will it be easy to find the right kind of skilled labor if your company needs to hire due to growth?			
	Can you easily train other to promote and sell the product or service?			
	Can the product or service be sold through regular distribution channels?			
	Would the government or large corporations be interested in the product or service?			
	Can you sell the product or service internationally?			
	Will the product or service have a long sales life or is it just a fad?			
	Can you improve upon the product or service at a later date and offer a better version?			
	Will you be able to sell the product or service business idea to other entrepreneur's.			
ACTION EIGHT: PROFIT POTENTIAL			Y	N
	Does the product or service have a high mark up that people would be willing to pay for?			
	Will company overhead be low?			
	Does the product or service lend itself to repeat sales?			
	Is the product or service unlikely to be returned?			
	Will it be easy to transfer profits into other investments?			
	If you tire of the product or service business will it be easy to sell it to someone else?			
	Are their tax advantages in selling the product or service?			
	Will you be able to build owner's equity by buying good quality commercial land?			
	If sales start to lag, will you be able to cut you losses and start another project?			
	Will the product or service be easy to protect?			