Advanced Money School Lesson 6: Business Brainstorm Worksheet

With the proper motivation, anybody can start a business. But, as you know, starting a successful business is a more difficult row to hoe. Just go watch a few episodes of the television show *Shark Tank* and note how many passionate owners with thousands of hours invested in their ideas fail to attract a single investor.

It takes more than a good idea to launch a successful enterprise. But a bad idea may fail to even get off the ground. Or, worse, it may lead you to invest a ton of money and time chasing an impossible goal.

We all know that perfection is the enemy of good. You do not need the “perfect business model” (if there is such a thing). But your idea needs to be a business that:

* You have the knowledge or skills to execute
* People want
* People are willing to pay for

Use the following exercise to brainstorm lots of business ideas and narrow the field into one or more high-value ideas.

**Step One: Brainstorm as many business ideas as you can.**

This is the fun part. Set aside a good amount of time where you can be alone. Bonus points if you can work on your brainstorm away from your desk – say outside or at a coffee shop. Take a notebook and just begin coming up with business ideas. Lots of them. Don’t worry about the other criteria at all. Just write business ideas. They can be mundane or as crazy as you want. Ideally, you’ll have a mix of both.

For the best results, stop when you’re having a difficult time coming up with new ideas. Try again the next day. You may find you’re able to come up with far more ideas if you do a little bit of brainstorming every day over a week rather than trying to do it all at once.

When you’re done, hopefully you have more than 100 business ideas. If not, you should at least have 20!

**Step Two: Eliminate ideas that will be difficult to execute**

Now it’s time to come back to earth and think about which ideas on your list aren’t suited to you, the entrepreneur.

Perhaps one of your ideas is to build an electric passenger aircraft. It’s an awesome idea. But if you’re not an aerospace engineer or you don’t have access to billions of dollars in capital, it’s an idea that’s unlikely to get off the ground.

Be liberal with your cuts here. If you have the skills to execute an idea, but you look at it and go “ugh, that wouldn’t be much fun”, strike it. I’m not necessarily a believer that your work *has* to be your passion, but I definitely don’t think you should pursue an idea that might make you miserable.

When you’re done, you should have a shorter list. But hopefully you still have a dozen or more workable ideas.

**Step Three: Find out if there’s a market**

There’s no need to do extensive market research yet. But do go find a few friends whom you can ask for feedback. Give them a 30-second pitch of each idea and ask them one simple question: Is this something you’d want? If they say yes: How much would you pay for that?

Now, it’s very possible that your friends may not be the target market for certain business ideas. You might have a great business idea to help elderly clients go through clutter and sell things they no longer use, but it’s not something your 30-something minimalist friend has any use for. If possible, try to find someone in your target market to ping for feedback.

Again, cross out any ideas that don’t pass muster with this test.

**Step Four: Determine your most profitable ideas**

Hopefully, at this point, you have a handful of business ideas that seem viable. If you don’t have at least a couple, it might be back to the drawing board. (Sorry, but trust me, it’s worth it to get this right!)

Your job now is to determine which of these ideas is going to be your “golden goose”.

All businesses have a potential value and a potential market. The larger both of these are, the more valuable the business. Consider Apple. They sell premium (high-priced) products to an enormous market (nearly everyone in the world wants a phone these days, and Apple has done a good job of making their iPhones highly desired). As a result, Apple often has the highest market value of any company in the world (nearly 1 trillion dollars).

On the flip side, consider a wild example on the other end of the spectrum: a business that designs and prints graphic tee-shirts nuclear physicists. Now, tee-shirts are not a high value product. Sure, you can make a small profit on each shirt, but probably only a few dollars. That might work if you’re selling shirts with mass appeal and you can sell tens of thousands of them. But if your target market only contains a few thousand people, there’s simply no way you’re going to build a killer business. This type of business is a labor of love. Essentially, a hobby.

Of course, I’m not saying you need to start the next Apple. You just want to avoid launching a business with a low-cost product to a too-small market.

Market Size -> Larger

Offering Price -> Higher

Target Zone

Take a look at the following chart. (I’m having flashbacks to Econ 101, eek.) The intersecting lines represent the market size (blue) and product value (red). Basically, you want to avoid starting a business with a low product price or profit margin (below the red line) or with too small a market (below the blue line).

The most valuable businesses will be in the target zone, above both lines.

That said, some business ideas will fall above one line but below another. You can start a tee-shirt business if you can reach a mass audience and sell tens of thousands of shirts. On the other hand, if you’re a nuclear physicist starting a consulting business, your market is still small, but can charge a ton.

Now, take all of your business ideas and place them in one of the four quadrants on this chart. Cross out any ideas that fall below both lines…trying to earn money from them is likely an exercise in futility. If you have an idea in the target zone, congrats! This is very likely your best idea. Finally, if you’re trying to decide between a low-priced mass market business and a high-priced niche market business, always go with the high-priced niche market. The reason? It’s usually easier (and far more profitable) to sell a high-priced product to a few customers than it is to sell a low-priced item to thousands of customers.