

TIP OF THE WEEK

Test Before You Launch

You will increase the effectiveness of your marketing strategy if you actually test your concepts first. A successful test will also greatly increase the confidence potential investors will have in your plan. This test could take the form of a small mailing to prospective customers asking them if they would order your product once it's available, or making sales calls on prospective customers and seeing their reactions.

Remember that your plan must convince readers of the efficacy of your idea. There is a Harvard Business School case study on the startup of Parenting Magazine, which shows the plan that the founder of the business, Robin Wolaner, used to attract investors. The plan is thorough and sensible, but the most convincing part is the results of the test mailing to young parents describing the magazine and asking them to subscribe. These results clearly showed that a larger mailing would attract enough subscribers to make the magazine successful, which is exactly what happened. In the Parenting Magazine case, the mailing was itself a significant expenditure. If your budget doesn't allow for that, there are still many alternatives:

Arrange to put sample products in stores to see how they sell.

Make sales calls on prospective clients or customers and ask them if they will commit to buying as soon as your business is up and running.

Interview potential customers and industry experts to solicit their opinions of your business idea.

Study the performance of close competitors. This can include counting the foot traffic into their stores, estimating their revenue from public databases such as Dun and Bradstreet, or from private sources such as lawyers, accountants, or past employees.

Run your own research program with focus groups, consisting of approximately a dozen consumers in your target group, at which you discuss your proposed products or services.

Talk to customers of a business you are planning to buy to find out how satisfied they are with the products or services they currently receive, and what ideas they have for improvements.

Careful testing will give you useful information about how the market will view your product or service, and it will add considerable credibility to your plan.

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