



# "How to Find Start-Up Cash and Select a Winning Business Idea"

## ***The Six Filters You Must Know To Avoid Wasting Thousands of Dollars and Hours***

### **New Business Expert Anne Blum Hach Interview by Mimi Plevin-Foust**

Would-be entrepreneurs could not find a more practical, creative and experienced advisor than Anne Blum Hach. I've seen her system for choosing a winning business in action-- and it works. Look no further to discover the tips, tricks and traps every aspiring entrepreneur must know to survive and thrive.

*--Brad Kleinman, Director of Education, Online Marketing Institute*

On three occasions over the last ten years, Anne has guided me through the process of concepting, designing and launching a new business. She is an exceptional advisor. I would drive through a snowstorm to have time with her and her brilliant thinking (and I have!). *--Ruth Milligan, founder, ar.tic.u.lation President, Milligan Communications*

[www.TakeChargeBuildWealth.com](http://www.TakeChargeBuildWealth.com)

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*In a hurry to learn about finding Start-Up Cash? Go right to Pages 8-11.*

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## **"How to Find Start-Up Cash and Select a Winning Business Idea"**

### ***The Six Filters You Must Know To Avoid Wasting Thousands of Dollars and Hours***

*This interview with new business expert Anne Blum Hach is the first in the [Take Charge Build Wealth Expert Interview Series](#), dedicated to helping you take charge, build wealth and achieve financial freedom. Use this report to help you successfully qualify your business ideas, find the cash needed to launch your new business, and prevent yourself from wasting precious time and money on the wrong idea.*

Anne created her time-saving and accurate system for filtering business ideas to select the winners after literally counseling thousands of people starting new businesses for the Small Business Development Corporation. She was executive director of the Heights Regional Chamber of Commerce, assisting businesses throughout Cleveland's eastern suburbs for many years.

Now she's assisting corporate colleges around the globe to teach business skills to new entrepreneurs and experienced executives at a daily rate of \$2,500. So I am really delighted she's taking the time to share her expertise with us. Please Note: *There are NO affiliate links or sales pitches in this free report.*

### **[Why Using These Six Filters or 'Screens' Will Save You Time & \\$...](#)**

**Q. Anne, I'm going to start by asking you what might seem like a dumb question, but, just for clarity, how do you define 'screens' as it's used here – you don't mean window screens?**

A. No, certainly not. Although the screens that we're talking about really function in the same way that window screens do. When we're talking about screens, we're talking about ways to filter through all of the business ideas that are out there, to help you select the ones that make the most sense for you. We want to let in the air, but not the bugs.

**Q. What problems were you seeing among the many would-be entrepreneurs that you counseled that led you to create this system?**

A. One of the challenges I saw in what I would call pre-venture entrepreneurs, which is people who have a sincere desire to start a business, but maybe weren't sure exactly what the next step would be, is that it's hard to select what's next. When you think, well the world is my oyster, it's hard to figure out where the pearl is — and so what I devised the six screens to do is to help people solidify their thinking so that they weren't looking at the “world of small business”, but they were instead investigating 1, 2 or 3 ideas that made particular sense for them.

**Q. What benefit will people get from using these six filters?**

A. I think the biggest benefit that people will get is really focusing their energy. It's not easy to start a small business. If it was, everyone would do it. What we want to make sure is that people are channeling their energy in the right direction. It's important to think of these filters as questions that you should ask yourself that everyone is going to have different answers to, because the opportunity that makes sense for one person might not make sense for someone else. It doesn't mean it's not a good idea; it just means it is a very personal application.

**Q. What problems will they have if they don't use these filters?**

A. I think that one of the greatest problems that people have is false starts. They may poke around with different ideas. They may expend a lot of energy poking around to different ideas. They may spend a lot of money poking around to all their different ideas, especially where start-up costs or franchise fees get involved.

### **What Are "The Six Filters"?**

**Q. Why don't you tell us what the six filters are and then we can go back over the ins and outs of each one.**

A. The **first thing** we need to do is really understand what's involved from a cost perspective in starting the business. So....

**#1: What are our total start-up costs?** I want to really emphasize the word “total”. When we go back and talk about it some more, I’ll clarify what I mean by that.

**#2: Do you have the ability to access the money to cover those start-up costs?** Even if you don’t have it lying around in your back pocket, do you have a way to access the funds?

**#3: The third filter** separates a good idea from a good *business* idea: ***Can you charge enough for the product or service so that you make a profit?***

**#4:** The fourth filter is really a two-part screen:

**A. Does the opportunity that you settled on match something that you are interested in?**

**B. Does it leverage a particular core strength that you have?**

**#5: The fifth filter** is understanding what the competitive set is.

***Who are your competitors, and is there an opportunity in the market?*** Is there a gap, or a niche, or something that someone has overlooked where you can start to take a piece of that pie?

**#6: The sixth filter** is:

***Is there a sustainable competitive advantage that you can create? Do you have a winning edge?***

## **1. What Are Your Start-Up Costs?**

**Q. So let’s go back to the first question....**

A. ‘What are your start-up costs?’ The first question is to really be able to identify what are all of the start-up costs. When we say all of the start-up costs, there are really three buckets that you need to look into.

The first bucket that you need to look into is whatever all the stuff is that you need to start your business. If it’s a retail store, you might think of it as your inventory, your rent, your advertising, your signs that you are going to put out, your cash register, your equipment, all of your stuff.

The second thing that you need to consider when you're looking at your start-up costs are what are your operating costs for at least 6 months, ideally 12 months, which is to say, if I don't have one single customer for the first 12 months, do I have enough money to continue to pay my bills?

Then the third thing I encourage people to think about in their start-up costs, although not technically a start-up cost for your business, but the third thing that I encourage people to think about is, what is your opportunity cost? What are you giving up so you can do this? Are you quitting your job? If you are, then you need to consider that lost income as an opportunity cost.

Those are the three sorts of buckets of start-up costs that I think that people should really make sure that they've fully analyzed as their first filter to starting a business.

**Q. Who or where should you go for help figuring this out?**

A. There are a number of resources available, almost all for little or no cost. Most of my suggestions are for U.S. resources because I'm most familiar with them, but most countries as well as states, provinces or territories offer similar services because everyone wants to foster new business.

One of my absolutely favorite websites is the website provided for free by the U.S. Small Business Administration which is [www.sba.gov](http://www.sba.gov). The SBA has cost calculators for a number of different types of businesses where they've already really gone through and helped do some of that initial blocking and tackling in terms of figuring out the cost. Another great resource, and I'm from Ohio so my knowledge of resources is somewhat Ohio-centric, but the Ohio Department of Development has a great resource for people who are starting businesses. It's free, and it's not limited to people who are in the state of Ohio.

In Canada, check out [www.canadabusiness.ca](http://www.canadabusiness.ca) which offers many different resources and services for entrepreneurs. In Australia, go to [www.business.gov.au](http://www.business.gov.au).

I particularly like the Ontario Ministry of Economic Development's web resources for entrepreneurs and start-up businesses. You don't have to be from a particular country to use these web-based tools.

**Q. You talked before about the opportunity cost of, for instance, leaving a job. Should you include paying yourself in your start-up costs?**

A. Like every other business consultant, here's what I'm going to tell you — it depends. It's the kind of question that there is no one answer to, but what is important is that people include in that start-up cost whatever monthly figure they need to contribute to their household income in order to make things work.

So, if you are a single head-of-household, I don't know that you should include paying yourself, but you should certainly include paying your mortgage. You should certainly include whatever other costs you are responsible for. One of the things that I really encourage people to think about when they are starting up is, if your personal life isn't working, your business life isn't going to work either.

**Q. That's interesting. What do you mean by that?**

A. What I mean by that is, if you need to make a certain number of dollars to pay the mortgage, or pay the heat, or buy the groceries, and you need your business to be able to provide that, if your business is not able to provide that, that stress can't be contained just to your home life. That stress will creep its way into your business, so it's important that you consider whatever the costs are that you need to provide for your family, or whatever portion of that you have been responsible for, you either need to make sure that you can do that, or that those costs are being covered in another way.

**Q. How can people most easily chart their start-up costs? Are there forms online they can download from somewhere or should they just use a spreadsheet program?**

A. I would look at the tools that the SBA provides on their website. Again, they've got some great calculators, and what they've got as well are some realistic things to think about when calculating your start-up costs. One of the things that are so true when you're talking about starting a business, is that you don't know what you don't know. It's easy to think about the obvious costs, but there are a lot of other costs that you might not think about. That's why the tools that the SBA provides, where they really have thought about the things that you don't know, are wonderfully useful.



## **Finding Start-Up Cash for Your Business....**

### **2. Can You Access The Money to Cover Your Start-Up Costs?**

**Q. Let's go to filter #2: 'Can you access the money to cover those costs?' Where do people typically go to find start up money?**

A. Some of the things to consider are how do businesses get financed. Do you have the money in your bank account to start the business? If you do, that's terrific. Can you borrow from friends and family? That's also terrific. Are there other more creative ways you can think about accessing the funds to start a business? The Small Business Administration (SBA) is giving out micro-loans of up to \$35,000 to help small businesses get started. And the SBA has an investment division called the SBIC that provides loans to small businesses as well.

I think one of the things that are important to understand is that getting a bank loan is something that is very difficult these days.

One of the things that people ask me all the time is, if I incorporate will I have to sign personally? One of the things that I want to take the opportunity to be very clear about is, regardless of your chosen business entity, if you are fortunate enough to get a bank loan, you will be required to sign personally. I would say 9 times out of 10, you are going to end up needing to use your house or your primary residence as collateral. They will look for you to collateralize the loan with your biggest asset outside the business. It's a big commitment, and so that's why it's really important that you've done your homework before you go into this.

It is also important for people who have a spouse or someone else they share their home with, that they make sure everyone is on board for the business because even if that other person isn't going to be working in the business, they are committed.

**Q. What are some non-traditional choices people are making these days when banks are not making loans like they used to?**

A. Americans can now get micro-loans from groups like [www.Kiva.org](http://www.Kiva.org) that used to only loan to developing countries. They've teamed up with ACCION USA and are offering very small microloans from \$500 up to \$30,000 to U.S. start ups. You can go to [www.accionusa.org](http://www.accionusa.org) to learn more.



There are also certain web sites where you submit a business plan and actually borrow from people who might not be friends and family, but who are angel investors where you connect with them via the Web. And there are lots of groups of angel investors that you can find online. You can fill out their online applications and get money that way.

**Q. I have never heard of that. Do you have any idea of the names of those web sites or what people could Google to find them?**

A. You can Google “angel investor” and there are quite a few of them across the country. I think another interesting way that some people have gotten started in years past, and I have seen it come back in a couple of different ways that I’ll share, is where you can, if you have the type of business or service that’s possible, consider pre-selling to raise the money up front.

For example, we worked with an entrepreneur who was a hairdresser with a very, very committed following. She pre-sold gift certificates and by doing that she raised enough money to fund the start-up of her business, and she also guaranteed herself an initial book of business and great word-of-mouth, because it was a terrific story for people to be able to tell—I invested in this business, I got a great-looking hair cut, so how about that.

**MPF:** That is great. People do that also in the information services business, where they’ll contact their list and say what kind of information would you like, what do you need, and then if you pay me X-amount, it will be this much cheaper than if you pay me after I create it. Then they could go and create their product.

A. Exactly, through subscription-based market research. A group that has been particularly innovative in terms of how they do this is today’s trend in local farmers. Many people have really jumped on board and gotten involved with the community-shares investment where you pre-pay in the spring, you pre-purchase a share of a farmer’s crop for the summer, so it guarantees you fresh vegetables and it guarantees them enough money to start their planting season.

**Q. What types of businesses can people choose these days if they want low start-up costs?**

A. I think there are a number of businesses that are available and a number of options that are available to people if they want to help keep start-up costs low. Certainly people are more and more comfortable doing business over the internet, so all kinds of things that used to require a storefront are the kinds of things that are now routinely transacted via virtual stores and virtual communities on the internet.

I think another thing, for people who want to, say, dip their toe in the water of professional services — maybe they're not quite ready to go out and be a consultant on their own, but they want to test it out. There are a number of freelance web sites; Freelance Nation is one. Even Monster has some listings for freelance and contract work where you can bid on a project, bid on how much you would be willing to charge, and then it's really up to the customer to see if that's a price that they're willing to pay for it. So those would be two very inexpensive ways to get going.

### ***Testing Your Market Through eBay....***

A third way — we worked with someone a couple of years ago, and he is a really interesting story. They had developed a very innovative houseware product to be used in the kitchen. They were able to get a very short-run manufacture. They were able to manufacture 500 pieces of it, and what they did was they took it to market via eBay where you have almost no transaction costs.

What they were able to do by taking to market via eBay was two things: One — they were able to raise a little money and sort of dip their toe in the water of business, but more importantly, they were able to develop a track record of sales and to really then be able to understand who was buying their product and why. They used that to then go forward and really approach investors for their real business launch.

**Q. So it seems like creativity and flexibility are really key qualities to help people get started in innovative ways.**

A. Yes, absolutely.

**Q. So what action step would you give people to start the process of getting start-up money once they've figured out what business they want and how much they need?**

A. The first step I would encourage them to think about is, who might have a vested interest in their success? If you are a hairdresser with a committed following, those are people who want to not only see you succeed, but who want to know where you are so you can keep cutting their hair.

Another innovative place that many people go is to their upstream vendor. For example, if you are looking at developing a product that uses raw materials or uses the manufactured product in a different way, you may think about going to the business that produces that raw material, because they've got a vested interest in your success, so that you're able to say to them, "I've got a great way that I can help us both earn an income." They might not invest with dollars, but they might invest with a favorable term on materials or the equipment that you're looking to purchase.

**Q. Do you think people should just take a piece of paper and write down every possible place that might have money for them?**

A. Before I started thinking about who had money for me, I would really mine the field of who could win from my success. Who are all the people with whom I can think of my business as a win-win proposition? I'd work backwards from that list. I think all too often we think about who has money. Was it Jesse James who said, when they asked him why he robbed banks, he said very candidly, "Because that's where the money is."

I think if you start your thinking by 'who has money', you are less likely to come up with a list of people who have something to gain by your success. On the other hand, if you can think about who has something to gain by my success and with whom can I share my gain — use that old expression, "A rising tide lifts all boats."

### **3. Can You Charge Enough to Make a Profit?**

**Q. Let's go to Filter #3 ...'Can you charge enough to make a profit?' Give us an example of how people figure this out. You can't go to your potential competitor and ask to see their books.**

A. No, although you'd be surprised. You'd be surprised what kinds of information are out there and available. Again, I think that this is a really good place to leverage published information, to leverage the information that is available through the SBA. One of the key metrics that you want to

understand about the industry or the business that you're getting into is, what is the average cost of goods sold? What is the average cost of goods sold, and the average price per product which then allows you to understand what is the average profit margin?

The most important thing that you can understand about your business is, what is the difference between the cost to produce my thing, my widget, my service, and the price at which someone is willing to buy it? Then you need to understand that whatever that difference is, whatever that profit margin is, that's got to pay all of your other bills. That's got to pay all of your overhead. It's got to pay whatever you need to take out of the business, and so it's a very, very important number to understand. The calculation of that is what's called a break-even analysis, and I think that it is the single-most important thing that someone can do to verify their business idea.

**Q. Do you need to factor in a certain additional percentage to your costs to cover unexpected contingencies? If so, how much?**

A. There is certainly the rule of thumb that my contractor always tells me. He always says, "Oh, Anne, don't worry. It's always twice as long and three times as much." This is not really what you want to hear from the guys working in your house, but I do think what's important to understand is it's not so much in terms of covering an additional percentage to your cost to cover unexpected contingencies, as much as it is to make sure that you have a cushion — one of the expressions that they use in business is a "runway" — less around managing your costs and more around managing fluctuations in your income.

So, if it takes longer than you expect for your idea to get traction, how will you pay your bills in the interim? I generally recommend that people get a runway of no less than 6 months. In today's economy I'd be more comfortable saying 12 months.

(TCBW Note: This advice is for people who will be quitting their jobs to start their businesses, not necessarily for those starting a side business.)

**Q. Is this the time to think about how you can set your products or services off from your competitors to be able to charge more?**

A. There are two spectrums of every market. There is the high-value, high-cost, and you think of that as a luxury item, or an additional service or benefit that you can provide to make your product more valuable. Then there is the low-value, high-quantity metric or construct of doing business. There is certainly opportunity to earn substantial income and substantial customer loyalty really at either end of that spectrum.

The thing that you want to consider is that a customer or potential customer won't consider something to be expensive if it is of value to them. So what you need to think about is not just how you are going to differentiate your product or service, but is the way that you're going to differentiate it from your customers, something that is of value to your customers, and is it sustainable, so that if you are going to provide an additional service, especially if that additional service changes your cost structure of delivery, you really want to make sure that you've done your homework to understand that your potential customers value what you're selling.

I think about an experience I had last weekend when I was driving from St. Louis, Missouri to Cleveland, Ohio with myself and my 9-year-old daughter in a driving rainstorm. My windshield wiper broke. The reality is, I probably paid twice as much for the convenience of purchasing that windshield wiper at the little stand off the highway, but on the other hand I probably would have paid three times as much because I wasn't going to get home without it. On the other hand, had it been a beautiful, sunny day, I never would have stopped and never would have bought it. But, they saw me coming; they had my number.

**Q. It reminds me of all the guys on the streets of New York City selling umbrellas when it starts raining. No matter what they charge, those umbrellas get snapped up pretty fast.**

A. That's exactly right. I always remember when I lived in New York and if you wanted to know what the weather forecast was, don't bother to turn on the television, just look outside. Even if it looks overcast, if the guys are selling sunglasses, it means it's going to burn off.

**Q. Are there standard forms for each type of business that people can access online or from the SBA?**

A. There are not standard forms. There are certainly metrics, and those are things that are available through the SBA.gov, where they'll give you a range of profit margin that you can expect for different types of industry. Through either your local SBDC or, again in Ohio through the Ohio Dept. of Development, one of the types of forms that they'll give you, based on the type of business that you have, is all the required licensure. This is a critical thing that you need to look into as you consider starting your business.

**Q. What if you're an artist or a massage therapist or a writer and doing numbers like this just hurts your head? Who do you ask for help?**

A. I would give you two separate answers to that, or potentially three separate answers. Certainly I think that the Small Business Development Centers, which are generally all operated for free, are a wonderful resource and have people who will sit down with you and help you work through these numbers. The SBA also offers a service through an organization called SCORE which is the Senior Council of Retired Executives. Every community in the U.S. has a SCORE chapter through which you can access help in preparing this.

As you become established, you can certainly look at engaging an accountant and/or a bookkeeper to help you do these kinds of numbers. I say all this, however, with a tone of caution, which is to say, I certainly appreciate that the numbers can be a bit of a bore, and I certainly appreciate that they can give you more than a headache, but I would submit to you that even if you are a therapist, or a writer, or an artist who just hates the numbers, it is fundamentally important that you understand how the numbers work so that you at least understand how to value your own time.

**Q. So many people do undercharge for their time, and then they wonder why they have no money or are never making any money.**

A. Exactly.

#### **4. Does This Business Opportunity Match Your Passion?**

**Q. Now this next filter, #4, is so important...Does this business match your existing interests and/or strengths (talents + experience)? Why does this matter so much?**

A. The first thing I tell people is you've got to love it. If you don't love it, don't do it. One of the stories that I tell frequently is the story of a guy who came to me, and this is going back some years. This is in the late 80's when digital voice recording, the technology first became commercially available. He had an answering service which leveraged this. This was in the days before we all had cell phones and if you were going out you would roll your phone over to his answering service and it would take a message for you.

His business got off to sort of a slow start. He came to me and was looking for some advice. I suggested to him that one of the things that he might want to consider doing is actually making phone calls to encourage people to use the service.

I will never forget this as long as I live. He looked straight at me and he said, "Are you kidding me? Talk on the phone? I hate talking on the phone." I said to myself, You're kidding me; you own a phone business — couldn't stand the phone. So this is clearly a story of someone who not only doesn't have a passion for their business, I think they have an abject dislike of their business. I surely don't recommend doing what that guy did.

I do recommend that you consider something that can keep your interest and hold your interest. It may not be your passion. I applaud anyone who has found a way to leverage their passion into their business, and that's certainly the best of all possible worlds. You talk about the artist, the writer and the massage therapist. I think about a woman I know who is not only gifted at floral arranging, but it is truly her passion. I think that she lives and breathes flowers; I think she dreams in flowers. For her to spend her days working on centerpieces for weddings is truly a joy and a passion. I think that being able to leverage your interests is important.

This is an area where there actually are quite a number of resources on the web where you can take — and they seem a little silly sometimes, but they are called "interest inventories". They can help you think about some of your interests in ways that perhaps you hadn't before, and then provide suggestions, based on your interests, what might be different business ideas that might be intriguing.

**Q. If people Google "interest inventories" they could find these tests on the web?**



A. Yes, and almost all of them are for free. One website that has a pretty well-developed group of them is actually, of all things, the Canadian Small Business Administration and the Economic Development Department of Ontario. They don't call them "states" in Canada, but Ontario's Economic Development Department has done a great job in terms of leveraging some free resources.

**Q. So if people wanted to complete this filter accurately, would you send them to one of those sites and tell them to take that inventory?**

A. I would, if they are struggling with it. Some people — it's intuitive. My friend who loves flowers — it was intuitive that this was something she could develop into a business. For others, it may take a bit more mining.

**Q. You've used the word strengths, also, interest and strengths. I heard an interesting definition of strengths, that strengths are your talents plus your experience. Strengths are the talents that you've developed.**

A. That's a wonderful way to put it.

**MPF:** I have lots of interests, but that doesn't mean that I have developed them or could use them to make money properly.

A. Right. I also think about the fact that I, too, am interested in gardening. However, I'm horrible at it, so I certainly wouldn't consider it a strength. It's important that if you're going to look at something based on your interests that it is also something that is a strength.

I also think that people — an expression some people may have heard is something called a 360 degree evaluation where you ask for feedback about your strengths from a variety of sources. Ask people from various aspects of your life what they consider to be your strengths. So, if you have current colleagues, ask them.

I would especially ask if you are in an environment where you have current customers or current people who you provide service to now, what they consider to be your strengths. I think that can be an important step in validating what you believe about yourself.

## **5. Who Are Your Competitors?**

**Q. Let's talk about the 5<sup>th</sup> filter - Who are your competitors? What are the different ways to research that question?**

A. Let me start by saying, if I had a dollar for every person who told me, "My product is different; my service is different; I don't have any competitors," I could retire tomorrow. We all have competitors. For many, many businesses, the biggest competitor is someone's choice to do nothing, and that's certainly a competitor.

What I encourage people to do is to think about their competitors in concentric circles. Your first concentric circle would be businesses that functionally look very similar to you. They offer a similar product, they service a similar market, and they have a similar degree of resource that they can throw out at a problem. Those I would consider to be your direct competitors.

Then I would start expanding the service, and I would expand the circle by asking myself the simple question, how do people fill that need now? Before, we were talking about the farm shares. Certainly the most similar competitors in the farm share market are other farmers. So I have signed up to buy my share through Fancy Farmer, and maybe you've signed up to buy your share through Farmer Joe. Fancy Farmer and Farmer Joe are direct competitors.

At the next level — the next concentric circle out — it might be the weekly farmers' markets that are around town. These competitors, these people need to think about not just how they compete with someone who is exactly like them, but how do they compete with someone who provides a pretty similar product.

Then the next concentric circle out from that might be your grocery store where you can buy — now admittedly, they don't taste as good, they're not grown local-- but you can buy a carrot at the grocery store. Even further out from that, you might consider a competitor to be frozen carrots. It's certainly not as good as a fresh carrot, but it's a carrot. You really want to think about being expansive in terms of how you think about competitors.

Once you've been expansive about how you think about competitors, you then want to be narrow about how you think about competitors. When I say you want to be narrow about how you think about competitors, once you've made your concentric circle, you then want to divide it up like a pie. What you want to think about is, who are your target markets and how do each of your competitors across that concentric circle, how do they serve your various market segment.

Again, looking at the farmer example, a market segment that the farmer might look at is someone like me, who is the mother of a growing family who likes good food. I'm a market segment. They might also think that another market segment is the restaurant business. We are going to buy in different ways, and we're going to have different needs. That means that we're going to open up a different competitor set, but also we're going to open up different opportunity.

For example, if one of the competitors to the farmer is the farmers' market, a huge advantage to offer to someone like me is if you deliver. Hands down, I'm picking you over the farmers' market just because I'm lazy. I don't have time to go to the farmers' market. I want to in my heart, but I don't really have time.

If you think about who are your competitors, you want to be as expansive as you can, and then you want to narrow that by segment. By doing that, patterns of opportunity will start to emerge.

**Q. Isn't it better to go into an area where you definitely see competitors than to go into an area where there are no competitors? I'm thinking about when you Google your intended market. Sometimes you see lots of Google ads. Sometimes there are a few and sometimes none. If there are no Google ads, you have no competitors, but what does that say about the market?**

A. There are a couple of business truisms. Certainly one of the business truisms is you always want to be the second guy on the block. Let somebody else, ideally someone bigger than you with deeper resources than you, spend their money and energy developing the business.

For example, think about the idea of selling books online. If I said to you 16 years ago, I have this great idea: I'm going to sell books on the internet. You might have thought that's a little crazy. On the other hand, because Amazon who has done a great job in really developing that market and really helping people understand some of the advantages of buying in that way, they've really made great strides in developing the market. So you're right. That is a great way to think about a market.

Another thing that you need to ask yourself, if there is no one else in that business — this is what I call the riddle of the square wheel, which is, certainly you could probably own a good deal of the square wheel business. The reason is, it's just fundamentally not that great an idea.

If you've got an idea and you say to yourself, "Gosh, I don't think that there is anyone else in that business," before you go much further, I would really encourage you to do some market research on is there a market for it. Just because it's a great idea doesn't necessarily mean there is a market for it.

**Q. What action steps can people take to answer this question quickly and accurately?**

A. There are really three different steps in this:

1. The first step is what I had suggested which is the idea of the concentric circle. Talk to as many people in what you perceive as your target market as you can. Talk to people who would be either probable customers or potential customers so that you can understand from them how they are filling that need now.
2. The second thing to do in terms of verifying the idea or the veracity of the idea, is through a focus group.
3. The third thing I recommend people do, if they have the opportunity — and again, this is a place where the internet can be a great source, is benchmark against a like organization in a different geographic market.

To use the example of Farmer Brown, I'm never going to buy a farm share from a farmer in Oregon, because that's just too far away from Ohio. On the other hand, if I was Farmer Brown, I would think talking to someone in Oregon about their experience could be a pretty good source of information.

## **6. What's Your Winning Edge?**

**Q. The 6<sup>th</sup> filter is 'What's your winning edge?' What's your competitive advantage? Can you give us some examples of 'winning edges' you've seen in successful businesses?**

A. When I think about the different filters, the thing you really want to think about is, what is your sustainable competitive advantage? What's the thing that you're going to do, or that no one else can do as well as you?

Generally, I don't recommend that people compete on price because that can start a downward spiral — especially if you've got a competitor who is bigger than you — that's usually a game that you can't win.

I generally recommend that people don't compete on quality. I know that sounds counter-intuitive to say don't compete on quality, but the reason I tell people don't compete on quality is because, honest-to-Pete, if you don't think you have the best quality in the market, then why are you in business.

What you need to think about is-- what's the thing that's going to be my competitive advantage? Then you need to go back to identifying that target market. You need to make sure that it's something your customer values.

**Q. Can you give us some examples of winning edges that you've seen in successful businesses?**

A. One thing is, and if you can sustain it, it's great — but one thing is speed of delivery, or speed of service, or speed to market where, what you're providing is for some sustainable reason, you can do it faster than your competitors, because one of the things about that is, especially in a business-to-business environment, people will pay for that. People will pay to have something faster. We're all impatient. We are a nation of impatient people, so people will value that. That can be a winning formula.

If you can make it convenient for people. If you can deliver it in a different place or space, that can be a wonderfully useful tool. I recently switched printers. I switched printers for one reason. The new printer we have gone with will drop ship anywhere in the country at no additional charge. Because we do training all over the country, that was it.

Even if he charges me a bit more for the printing, the convenience for me of never, ever having to think about shipping logistics is worth it. So that's his competitive advantage. Interestingly, the way he is able to do it sustainably is he set up his printing presses literally on the grounds of the FedEx facility in Tennessee where he has generated a competitive advantage.

So what I encourage people to think about is, what is something that their customer base will value, and then how can they structure their business to sustain that advantage.

**Q. Would this filter include the ways a new business can carve out a niche for itself by serving a unique demographic or a certain geographic area or a unique price point in a market?**

A. Certainly the geographic. Possibly the demographic, but demographic is dangerous. The reason that demographic is dangerous is with very few exceptions, there is not a demographic that can't be served by multiple people. It's an interesting thing in terms of global business. For many, many years Coke and Pepsi both focused on what one could think of as second world countries. The developed countries around the world, is where they wanted to promote their service.

Then as the emerging markets became too large to ignore, they certainly went there. Coke has been in China for years, as has Pepsi. But, what's interesting now is when they went to those emerging markets, they started by serving really the upper reaches of those markets, the affluent people in those emerging markets. What they've realized now is that there is tremendous potential at the bottom of the pyramid. One followed the other right away in terms of that demographic. Now if you can serve a geographic market in some unique or compelling way, I think that is a great way to create a sustainable advantage.

With the price point, again I think the price point can be dangerous. If it's just on price, if you have a fundamentally different business model that allows you to do it, like my printer by setting up his printing operation on the grounds of FedEx — he has got a fundamentally business model, and that is what allows him to sustain that price point. So, I would say price as long as it's done in a sustainable and responsible way.

**MPF:** The example I'm thinking of was in a book I read by Dan Kennedy about entrepreneurs. He was giving the example of services to chiropractors to help them build their businesses. In that market there was either an extraordinarily expensive coaching program that cost thousands or something that cost \$20 per month. Someone else came in there and carved out something in the middle that provided more services than the cheap one, fewer services than the high end, and everybody grabbed it.

A. So then that's not a competition on price. That's a competition on value, which I think is absolute. They've created a fundamentally different business model which, I think as long as there is a market for it, can be a great strategy.

**Q. What action steps can people take to find their winning edge?**

A. *I think that discovering what your winning edge is comes from understanding your competitors and your target market.* It's really in understanding that you will be where you can start to see the patterns where you can think about how to create that winning edge.

**Q. Anne, I wonder if you can give people a time frame for going through these filters with their business ideas, and in a way that can ultimately lead them to success.** I know there are people who are very hot on starting their business. Maybe they can devote all their time to this and conceivably get it all done in a week or two, and then there are other people who are always on the border and never jumping off, always researching forever and ever. What makes sense? What gives people the chance to explore in depth, but after a certain amount of time they can say to themselves, "Okay, now I'm taking too long; I've got to start."

A. I recommend that people don't do it in fewer than 90 days. Certainly everyone can tell a story of someone who got the whole thing figured out in a week or a weekend and those stories are sort of legendary. But I think that what I find to be useful is, even if you get it all thought out in a week, is to let it stew for a minute or two. I find the germination time to be right around the 75 to 90 day mark.

In terms of it taking longer than that, what is important is for people to give themselves a deadline. That should be the deadline they feel comfortable with based on their reality and what else they have going on in their life, and



just say ‘I’m going to spend 30 days on thinking of three ideas, and then I’m going to spend another 30 days assessing the start-up costs for each of them’, and work themselves through the steps by creating milestones.

If they are missing their milestones, then they need to ask themselves, ‘How committed am I to doing this?’ I think it is more appropriate to look at it in terms of that then it is for me to opine on a particular time frame.

**Q. The next step after people decide what business they want to do is usually to create an action plan or business plan.** I’ve read that people spend from 160 to 640 hours creating a business plan which seems as if it would leave them with no energy to actually launch their business. I know you came up with a way to save people hundreds of hours on creating their business plan. Could you mention what that is and how you developed it? How can someone know when it’s time to move from research to deciding on a business to move forward with, creating an action plan, and plunging in?

A. What I developed was a system that I call the ‘Business Plan on the Back of an Envelope’. The idea is that you should spend a great deal of time thinking about your business and a great deal of time considering strategies and action steps for that business, but it’s not important that you spend a great deal of time on the word craft of that business plan. A business plan that needs you to spend 600 hours to create a perfectly spaced, neatly bound volume that sits on your shelf, isn’t really going to be that useful.

The system we’ve developed looks at helping people identify four objectives for their business:

1. To look at a top line or a sales objective;
2. To look at a bottom line or a profit objective;
3. To look at a customer-focused objective, something around quality or repeat business; and then
4. To look at an intrinsic value objective — what are they doing to build the value of their business, the value of their brand.

By identifying those four objectives and then strategies against each one of them, they can quickly sketch out how to build and maintain a sustainable business.

**MPF:** Hopefully, we will have that system available to folks very soon so please look for it at Take Charge Build Wealth.

**Q. So, Anne, if you were going to leave people with one action step to take when they finish listening to this call, what would that be?**

A. The one action step that I would take after listening to this call, is I would think about reframing my thinking. I would ***start to think of myself and my strengths as assets***, and I would start to think about ***how I could begin to leverage those assets***. By doing that, your business ideas and business opportunities will begin to emerge.

**MPF:** Thank you so much for taking the time to share this information with us today-- I think it is going to be invaluable to a lot of people.

**ABH:** Well, it's my pleasure and to all the listeners, I wish you good luck.

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**Print and post the checklist on the next page to help you start selecting your new business.**

