



## Don't Launch a New Business Venture Without a Trial Run

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It's not uncommon for Los Angeles and Southern California business owners and entrepreneurs to come up with great ideas for launching new businesses. After all, if someone has the intelligence, initiative and persistence required to start one successful business, there's a good chance they can probably start another one if all the pieces fall into place.

Unfortunately, many entrepreneurs make the mistake of falling in love with their new business idea and then plunging head-first into launching the business — without first taking the time to adequately vet their idea. This is true of both veteran and first-time entrepreneurs. Often, the result is a lot of wasted time and money on a new business concept that wasn't as brilliant as it seemed to be at first. Or, they are able to launch the business and get it off the ground, but it never gains the traction needed for permanent, long-term success.

### Test Your Idea First

The good news is that there are inexpensive ways to test out a new business idea on a small scale and gather critical intelligence about the product, industry, target market and future viability of the concept before committing significant amounts of time and money to the venture. For example:

**1. Conduct informal market research.** There are lots of ways to conduct market research without hiring an expensive research firm. Start by just asking people throughout the course of your normal daily interactions what they think of your idea. This can be while you're standing in line at the grocery store or coffee shop, or at business networking meetings and events. Remember, it's informal research, so try to make the conversations as casual as you can. But take careful mental notes, and jot them down as soon as you can.

Another way to conduct informal market research is to build a simple, no-frills website. Even if you're not very tech savvy, you can probably do it yourself using a program like Wordpress, Ektron or Kentico. Or you can hire someone to build a simple site very inexpensively. Be sure to include a response mechanism so you can gather feedback from site visitors about the business concept and the products or services you plan on selling.

Still another idea is to gather intelligence via email. Collect as many email addresses of prospective customers as you can by researching industry-specific sources like magazines and websites, and then carefully craft a message that solicits their input on your idea. It might be a good idea to hire a professional copywriter to craft this email, as you want to make sure it's worded properly while conveying the highest sense of professionalism in this communication.

**2. Start out small.** There's no rule that says you have to launch a new business venture at full capacity. This is especially true if yours is a manufacturing business, given the cost of ramping up full

manufacturing operations to produce and distribute a new product. It may make sense to have the initial phase outsourced before you commit to a facility, employees and inventory.

By starting out with a small quantity, you can derive valuable intelligence about the product itself, various price points, customers' buying patterns (for example, online vs. a bricks-and-mortar retail store) and motivations for buying, and the competitive environment, among other factors.

**3. Refine your idea and your pitch.** Based on the intelligence you gather in these first two steps, you can make adjustments and tweaks to your business idea and your products and services before a full-scale business launch. Or, you might decide after these steps that the business idea simply isn't feasible and pull the plug on it. If so, that's OK — you will have spent far less time and money on the idea than if you had performed a full-scale launch from the beginning.

### **Moving Forward With Your Idea**

If you do decide that your business idea has legs, then it's time to start moving forward with a full-scale launch. It might be wise to consider hiring an outsourced CFO services provider to help you with the following steps:

- Determining the appropriate entity structure.
- Planning your manufacturing and distribution strategies, based on the intelligence you gathered during your trial stage.
- Setting realistic timetables for start-up, production, procurement, delivery, hiring, etc.
- Constructing a pricing model and making financial projections.
- Lining up financing (either debt or equity).
- Establishing internal policies and procedures so you can set up the proper internal controls and best practices.
- Building the right kind of accounting and financial systems for your type of operations.

### **Concluding Thoughts**

Many executives have great ideas for new businesses, but often they fall in love with their new idea and plunge into it head-first without taking the time to adequately vet their idea first. There are inexpensive ways to test out a new business idea on a small scale and gather critical intelligence before committing significant amounts of time and money to the venture. An outsourced CFO services provider can help you with this vetting process, and with the steps you'll need to follow if you decide to move forward with a full-scale launch of your new business.

### **About CFO Edge**

CFO Edge, LLC delivers enterprise-class financial and operational performance solutions to executives throughout Southern California. Based in Los Angeles, our formerly-seated chief financial officers engage on demand as part-time CFOs, single-project CFOs, and interim CFOs to help business leaders successfully resolve pressing challenges and realize their financial and operational goals. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit [www.cfoedge.com](http://www.cfoedge.com) or call 800.276.1750 Ext 101.

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