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### Overview

You need to check a new business idea to see if it will succeed. This will:

1. help you know that an idea is worth developing further; and
2. stop you wasting time and money on an idea that will not succeed

You might do this if you are:

1. setting up a new business or social enterprise
2. expanding your business or a social enterprise
3. changing or adapting the products or services offered by your business or a social enterprise

This unit involves checking the likely success of a business idea:

1. looking at your business idea as a whole, in an open-minded way and identifying how it will work in practice
2. developing a clear understanding of your customers' needs, your competitors activities and the market for your business idea
3. identifying the implications of any laws you will need to meet, resources you will need to buy and skills you or others will need to develop
4. deciding whether your business idea is likely to make you enough money to cover your costs and any profits that you need to make

# CFABD1

## Check the likely success of a business idea

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### Performance criteria

*You must be able to:*

- P1 describe your business idea and why it will be successful
- P2 understand the kind of market your business idea will be in
- P3 research to make sure there is room for your business idea in the market
- P4 find out who your competitors would be, what their strengths and weaknesses are and how you might compete with them
- P5 check up on market trends, business trends and anything else beyond your control that might affect your proposed business idea
- P6 check what laws and regulations would affect your business idea and how you would meet them
- P7 identify what skills, abilities or knowledge you or other people will need to deliver your business idea
- P8 identify what equipment, tools, materials or additional people you would need to deliver your business idea and how much they would cost you
- P9 find out how much it is likely to cost you to deliver your business idea, how you will pay for it and how you will pay early running costs
- P10 work out how much you can charge your customers to cover your costs and meet your profit targets
- P11 judge your business idea and decide whether you should pursue it, adapt it or discard it

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## Check the likely success of a business idea

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### Knowledge and understanding

*You need to know and understand:*

#### **Business focus**

- K1 how to identify a business idea's unique selling point and why it will be successful
- K2 how to judge whether a business idea is worth developing or adapting

#### **Market research**

- K3 what you need to research, how you can get hold of published market research and how you can carry out your own
- K4 how customers' actions and choices might affect the success of your business idea

#### **Competitors**

- K5 how you can tell if your competitors will affect your business

#### **Market and business trends**

- K6 what political and commercial changes could affect your business idea
- K7 what local, national and international events could limit or improve your business opportunities

#### **Law and regulations**

- K8 what laws will affect your business idea and how

#### **Skills and abilities**

- K9 how you can judge your own and other people's skills, abilities and knowledge
- K10 different ways that skills, abilities and knowledge can be developed

#### **Resources**

- K11 how to identify resource needs and how much they will cost

#### **Finances**

- K12 how much profit you hope to make, how to cost a product or service and how to work out a selling price
- K13 how to understand and use cash-flow forecasts and profit and loss accounts and what information you would need to produce them

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## Check the likely success of a business idea

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### Additional Information

#### Links to other NOS

1. WB1 Check what customers need from your business
2. BD2 Define the product or service of your business
3. BD10 Get support for a creative business idea
4. YS3 Improve your business skills
5. OP1 Review the skills your business needs
6. OP6 Develop people's skills for your business
7. BS1 Identify needs and suppliers for your business
8. MN4 Manage cash flow in your business
9. LG2 Keep up to date with current legislation affecting your business

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