

## How to know how likely your business idea will succeed

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How likely is it that my start-up idea will succeed? What can I do to make my business more profitable? How will changes in my department affect the rest of the company? These are just a few of the questions that business people, executives, and heads of departments ask themselves every day. The responses to these questions tend to be highly specific for individual businesses. In one situation what works doesn't always work in another. But what if anybody could apply a methodology to their business at any time? [Matt Watkinson](#), the author of [The Grid](#) has found ways in which business people can immerse themselves and find out what it is and what it can be done for them and their businesses to thrive.

Even the most unlikely cases, if you are open-minded and pay attention to what is happening around you, you will uncover essential truths. One of the most impactful lessons about business the author, [Matt Watkinson](#), had in his life came from something deeply personal: his chronic knee pain. After all the specialists he visited, none of them seemed able to relieve his pain. That is why there was a good reason - they focused on treating his symptoms, not the underlying cause. Eventually, the author agreed to surgery on both knees, after months of pain. Yet even this drastic action did not evoke any relief. His knees kept making his life so hell.

Six months after this operation he wanted to pursue another method. He spent hours talking to physiotherapists and osteopaths on foam rollers, but that did not help either. Then, just as he was about to call it quits, and resign himself to a life of debilitating pain, he met Nicole Parsons, a sports rehabilitation specialist. Like other experts, Parsons was not only looking at the knees of the victim – she was analysing his whole body. The real cause of the issue was this systemic approach: a muscle mismatch between his shoulders and his toes that pushed his hips out of alignment and put extra pressure on his knees.

Having found the true cause of the author's problems, Parsons could administer an appropriate cure. After the author put in a few months' work to strengthen the rest of his body, his knees did not cause him any more pain and he was able to start jogging again. There were for a long time almost no trainers trained in the industry version of Parson's systematic approach to sports injuries. Certainly, there were plenty of experts who could tell you how to repair individual parts of a failing company, but hardly anyone looked at the whole picture.

That is a shame because companies succeed when you solve problems much like human beings, by looking at how different pieces work together and connect. That means it is time to take a new approach to fight businesses. Fixing our ultimate goals is the best place to continue. This can be represented in all kinds of ways but all companies share three similar goals when you get down to it. First of all, any undertaking must be desirable. If you want your company to prosper, put it differently, you need people interested in your product.

Secondly rentability, it is not enough for customers to be interested in what you are selling – they have got to be interested enough to pay a sum that will help you remain in business. Eventually, corporations need sustainability. For that, there are two explanations. Firstly, the longer your business exists, the more profit you will generate. Second, the longer you have been around, the more clients trust you. Conversely, it is incredibly hard to persuade people to buy your product when you are a very young business.

Take an upmarket wheelchair business the author worked with a couple of years back to see how this works out in reality. This company's research suggested that there was a lot of demand for well-designed, sleek wheelchairs. But here is where things have gone wrong. Instead of concentrating on all three targets, it was concerned with one attribute-desirability. The company has settled on carbon fibre as its material of choice in its quest for perfection. Nonetheless, only one firm made the kind of carbon fibre required, so the wheelchair business had no bartering power and ended up spending massive amounts of cash on materials.

These costs were then passed on to consumers, who were now being asked to pay as much for a wheelchair as a small car would. This was neither profitable nor sustainable, and the enterprise was going bust. Imagine being at sea on a ship. The waves drag it one way; it blows another by the winds. To sustain its course, these considerations must be taken into account, and its sails modified accordingly. This, though, is a good-run ship's mark: the captain and crew know the currents and listen to the waves.

Businesses are a little like ships because they are also buffeted by forces beyond their control, which they have to learn to navigate. The three main factors that they need to consider are their customers, their organization and the market. All of those are highly unpredictable. Let us just continue with the clients. Their needs and wishes constantly change. Say parking in a city is getting more expensive. Suddenly, people don't want to buy a car of their own – they want to rent cars by the minute or the hour. The organisation's strengths and weaknesses are just as changeable. A start-up with five employees will rapidly turn into a major company with a hundred workers. The start-up may have had less cash, but the larger company will likely be a whole lot less flexible.

Then there is the notoriously fickle market. Between one day to the next, businesses can unexpectedly come up against new rivals or struggle to comply with new regulations. Failure to handle these three variables may yield catastrophic results. Taking it from German Volkswagen carmaker. The corporation admitted in 2015 that it used malware in its diesel engines to cheat on emission checks, triggering an international scandal. Why was Volkswagen cheating then? Well, it chose to abandon the hybrid model solution in the early 2000s, and instead build "pure diesel" vehicles. They were intended to combine low emissions, high fuel economy, and high performance. Volkswagen found in 2008 that its vehicles were not able to meet American emissions requirements, and were thus uncompetitive. Cheating was the only alternative to introducing an uncompetitive product, its directors concluded.

The fallout was huge. Once the facts came out, Volkswagen had to build an emergency fund of \$18 billion for salvaging the image of the company. It is a good example of why handling change is so critical. While deciding for a clean diesel model, Volkswagen focused on producing a successful product without taking into account the trend towards rising emission standards. And by cheating, it focussed on

short-term gains and ignored its long-term consumer image. The desirability of a product is determined by three important elements:

1. Wants and needs
2. Rivalry
3. Offerings

In general, wants and needs are determined by customers' values and beliefs. These aren't written in stone, however. The beliefs and values guiding customers are constantly changing. Take the diamond market. Diamond prices were down in the 1930s, and the entire industry suffered. That's when a marketing campaign was initiated by the diamond company De Beers that implied that a man's affection was expressed by the size of the diamond he gave his wife. The campaign was a spectacular success and changed the view of diamonds in America. Diamonds instantly became associated with an everlasting love. Gradually, this latest idea ripped out into the wider world too. For example, in Japan, back in 1967, only 5 per cent of men suggested getting a diamond. This was 60 per cent by 1981!

A product's desirability also depends on what alternatives rivals are selling in a given market. Alternatives also become accessible as the barriers to entry – something that obstructs market access – shift. Note Airbnb. Hotels must own or lease land, pay workers and abide by regulations. Airbnb, on the other hand, has all of those costs or questions about compliance. Put differently, it was able to flood the market with cheaper – and therefore more attractive – accommodation by eliminating these entry obstacles and beat its old-school rivals out. That brings us to the third element – offers. It's all about providing a good experience to customers which in effect makes the product desirable. To do so, you need to consider how you find your clients.

This just goes to show this desirability is significant. However, this is only a path to a particular target – productivity. Profitability is achieved by increased sales, the maintenance of bargaining power and cost savings. It can be divided into three variables, including desirability, each of which we can add to the Grid. Let's get started on the price. To put it plainly, one of the most successful ways to increase your sales is to lift the price of a given commodity. Take McKinsey for it. In a 2010 survey, the management consulting firm found that if demand stayed stable, a 1 per cent price hike would raise income by 11 per cent.

If that sounds rather abstract, then imagine a candle company. Each candle it manufactures costs \$8 and is sold for \$10, leaving the company with a profit of \$2 per candle. Selling one million candles at that price would, therefore, make a profit of \$2 million. But what if the firm raised its prices and began selling candles at \$10.10 per unit? Okay, the revenues will go up by \$100,000. Nevertheless, if it were to raise its production by 1 per cent and sell 1,010,000 candles instead of 1,000,000, its income would only rise by \$20,000. The explanation for this is simple: the production costs always rise as you increase the volume, meaning you have to make more to sell. By contrast, when you increase the price the production costs remain the same.

Within 24 hours Apple's approach had changed. Apple wisely agreed to protect its reputation and make a strong ally in Taylor Swift, to maintain its negotiating power. This takes us to the third and final element-

through setting strict goals, keeping costs down. Find SpaceX in the rocket market. To keep their prices down, Creator Elon Musk developed comprehensive spreadsheets to predict the lowest possible cost to maximize profit and enforced a policy that he had to sign off on \$10,000 on any purchase. The rigorous approach paid off, and the company beat its goal of \$5,000 to build a component to guide its rockets. To put that into perspective, a manufacturer had originally projected \$120,000 in expense! Protect your customer base if you're in it for the long haul, maintain your originality and remain adaptable.

Now that we have covered desirability and profitability, we are going to have to look at the factors that decide the sustainability of a company. It will allow us to add three additional elements to our grid-customer base, imitability and adaptability. Let's get started with the client base. It's an ironclad market law that a company can't thrive if the customers don't know it exists. To put it another way, survival depends on knowledge. Take it from Marc Barros, the founder of Contour, a business. Or you never heard about it? Okay, that is more of a suggestion. Contour was one of two companies which created wearable cameras for action sports back in 2004. The other one was on GoPro. While Contour was fascinated with the design of the best product, GoPro concentrated on marketing. The former is going bankrupt when the other was going on to make billions.

The hard lesson this had taught him was, as Barros later put it, that "the best product does not always succeed, the product that everybody cares about does." This being said, longevity depends on the quality of the goods of a company-at least to some degree. The more original a commodity is, or the less imitable it is, the more longevity the manufacturer would have. Nonetheless, this does not mean you will be seeking to patent your invention. Trade secrets are typically far more effective in avoiding imitation. That is because the valid patents expire and are costly. In comparison, trade secrets cost nothing and last forever. Even still, non-disclosure clauses will make them enforceable.

In Italy and Britain, after a Ferrari designer shared a trade secret with one of the company's key competitors, McLaren, Ferrari successfully brought charges against McLaren, and the latter was fined at over \$100 million. Adaptability is the third element shaping durability-the ability to remain one step ahead of the rivals. This is particularly important in an age of constantly changing technology, regulations, and consumer needs. Neither company is eternal today, and only the most creative companies are flourishing. One strong example of one such organization is Framestore, which produces visual effects for movies such as Gravity. Framestore has continuously pushed the envelope ever since it was established in 1986.

As a result, it was able to move from visual effects to advertising and create pioneering motion-capture facilities, as well as being one of the first companies to open a studio for virtual realism. In other words, the company has stayed adaptable and improved its durability by remaining tuned-in to technical advances. We have now identified the three priorities, three factors and nine elements that relate to all businesses. But remember at the beginning what we said-these cannot be handled in isolation. Every element is important, and any other element will influence changes. Let us say a company has a great idea for a new product, but the experience of the competing firms is not taken into account. The risk here is that the first company produces a product which is then quickly replicated and even improved by a rival. It occurs when businesses concentrate on the desirability of goods from a customer viewpoint but forget about rivals.

Instead, consider creating a product that does not exist on the market and does not meet the desires and expectations of the customers. A good example of such a commodity is the super-expensive carbon fibre wheelchairs we discussed in an earlier blink. Here we have a business that took into account some elements of the Grid – rivalry and the market – but failed to take account of others, such as customer needs. It's also important to remember how one item adjustments can have a knock-on impact on others. Outsourcing, for example, sounds like a brilliant idea in itself-after all, it saves on costs and raises profits. Look closer, however, and it soon becomes clear that it can also reduce the bargaining power of a company, which in turn makes it easier for rivals to enter this market.

This is exactly what happened to Dell's computer company. Dell outsourced most of its manufacturing to a Taiwanese manufacturer named Asus, in the hope of lowering its costs. Asus originally developed motherboards but was responsible for all of Dell's assembly work soon enough. In the short term, this move increased Dell's revenues, but then Asus used Dell's product expertise to launch its line of computers. It was too late when Dell saw Asus in the rear mirror-the Taiwanese corporation was already overtaking its American counterpart. In other words, outsourcing made Dell imitative and cost it its bargaining power, thereby enabling the rise of a strong competitor. Right now that we've laid out the Grid and defined its components, it's time to show you how you can apply the Grid to a hard-fought enterprise.

Previously, the author was engaged by a service sector business which had fallen into financial difficulties. He discovered some puzzling patterns when looking at the firm's data. For example, customer satisfaction was high but repeat purchases were low. The company still had many potential buyers but very few were committed to a purchase. What was happening here, then? Well, here are a few things the author's learned from this example. Let's continue with one of the most obvious lessons: often, to find changes, you simply need a fresh pair of eyes. Take the question of the low-repeat transaction. He found that the organization was offering one-off ventures when the author asked around and did not provide continuous operation. No wonder consumers didn't come back-they weren't asked to come back! However, none had noticed this until it was pointed out by the author.

So when the firm launched a biannual check-up service that established ongoing customer relationships, it saw big returns. That takes us to the second lesson: don't always trust your intuition because, in unexpected ways, problems always arise. There were plenty of potential customers out there as the author discovered – the trick was finding a way to get them to commit to the business. It, in effect, indicated that the consumer experience might have been amiss. Reviewing the company's proposals to prospective customers, the author considered the proposals to be extremely technical, totally inaccessible and failed to explain the service's benefits. Hence, he encouraged the company to improve its plans, which were both less costly and gained more.

Every business success depends on nine interdependent factors. It means you will need to analyse the approach of your company from several perspectives. For example, looking at things from your customer, you should understand their needs and expectations, and the cost of your product. In comparison, when it comes to growth, you'll need to understand how imitable your products are and what your rivals are selling. Cover all nine of these bases and you're going to be well on the road to success.

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