

03. LAY THE GROUNDWORK

AS ANY BUILDER WORTH THEIR SALT WILL TELL YOU, CONSTRUCTING SOMETHING WITHOUT LAYING THE GROUNDWORK IS A RECIPE FOR DISASTER. The foundations for starting a business are essential – you need to assess your own skills and resources, understand the market and clarify how you'll stand out from competitors. You can't take too many shortcuts at this stage.



BALA KAMALLAKHARAN ON WHAT TO ASK YOURSELF BEFORE YOU BEGIN
Bala Kamallakharan is founder and CEO of Startup Iceland, a grassroots initiative aimed at building sustainable startup ecosystems in the Nordic country. Here he outlines the essential things you need to question and critique before you get moving with your business.

‘Absolutely anybody can build a business if they are willing to. In fact, we’re going to see explosions of people creating micro-businesses, because it’s so easy to do it with an internet connection or from your smartphone. We’ve gone from needing to get a job to people building their own jobs. As a pre-seed and seed investor, I encourage founders to think about and question themselves on three main risks: product risk, market risk and team risk.


‘Pay attention to the way you do things normally - why do we do them that way? Can you propose a better, different, faster, more convenient option for the future?’

‘Product risk is simply what you are offering. Revert back to your first principles – what are the human needs that you can draw value from? In addition to this, what are the cracks in the world? Pay close attention to the way you do things normally – why do we do them that way? Can you propose a better, different, faster, more convenient option for the future?
‘Next is market risk. Can you get at least 100 people to buy into what you’re doing? Can you continue to keep those 100 people happy? What are they willing to pay for and how much are they willing to pay for it?
‘Finally, there is team risk. Are you, as the founder of the business, curious enough to become an expert in the problem you are solving and in your customer? I don’t ever tell founders to rush into quitting their jobs in the initial stages when starting out, but they should be able to allocate time to research and build the groundwork of the business. And are you also able to find people to join your mission and commit time to it?
‘You can’t know all the answers before you begin. Business is, in many ways, like an apprenticeship: you can’t read about it or watch YouTube tutorials; you just have to do it. But mindset is also an important part of the equation: do you see yourself as a sceptic or an optimist? The optimists are going to see a better future and work to build it.’


A STEP-BY-STEP GUIDE TO... ASSESSING THE MARKET

ONE VERY IMPORTANT PART OF THE RESEARCH PHASE IS DIGGING INTO THE MARKET YOU’RE HOPING TO ENTER. The level of detail you get into for this might vary depending on what it is you’re trying to do, but the aim is to make sure there’s actually a market for your product or service – and if there is, to show you where exactly you might fit into it.

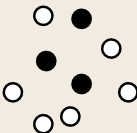
→ If you’re launching something new, assessing the market is essential. This includes looking at the size and general trends of the wider industry you’re hoping to enter; how competitors are performing; and working out how large your potential customer base might be. From there, you should have all the information you need to work out your unique selling point, or USP – why customers will choose you over others offering a similar thing.



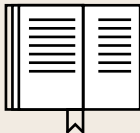
01. CONDUCT SOME SELF-APPRAISAL
Honestly ask yourself whether your product or service is solving a problem and meeting a need. It’s a basic requirement of any new business – you need to be totally honest with yourself.



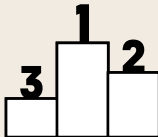
02. LOOK AT INDUSTRY TRENDS
Scope out the sector you’re hoping to enter – looking at notable activity, new players, general growth rates or big exits. It’s also worth reaching out to experts in the industry.



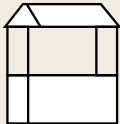
05. NARROW DOWN YOUR CUSTOMER: PSYCHOGRAPHICS
Unlike demographic data, psychographic data focuses on customers’ opinions, interests and values. This qualitative data can be found by surveying customers who use similar products, tracking hashtags or searching on Google Trends.



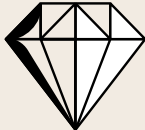
04. NARROW DOWN YOUR CUSTOMER: DEMOGRAPHICS
There are two methods to narrowing this down. The first is looking at demographics: age, gender, income level, education and marital status. Census information is normally easily found online for free, depending on your location.



03. KNOW THE COMPETITION
Think of five to 10 competitors then act like you’re the customer. Go to their store, website and social channels; sign up to their newsletter; abandon their checkout process; read their reviews. Work out why customers are choosing them, and what you will offer that they don’t (more on **page 202**).



06. WORK OUT YOUR MARKET SIZE
There are three tiers to working out your customer base: total addressable market (TAM), serviceable addressable market (SAM) and serviceable obtainable market (SOM). TAM is the number of potential customers, SAM is the percentage of those who’d purchase from you, and SOM is the percentage of those you’d be able to reach.



07. DEFINE YOUR BRAND POSITIONING
The info you’ve got together should help you define your brand positioning (see **page 211**). It’s helpful at this point to write down your positioning statement: a short paragraph that sums up why customers will choose your brand and what you want your customers to feel when they think of you.