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How to Decide If You Have a Business or Just an Idea

ENTREPRENEURS: One main question needs to be answered before beginning.
By Matt Crowley

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Editor's Note: Starting a new business is easy. Succeeding with a new business can be a challenge. This new monthly start-up column discusses the most effective strategies that serial entrepreneurs have used to grow their businesses.

Many entrepreneurs start thinking about how to launch their businesses by strolling down the "Business" aisle at Borders or Barnes & Noble. There are literally dozens of books being churned out every year offering to help entrepreneurs get their businesses started. The authors cover everything from how to order a domain name on the Internet to leasing offices. It's easy to get excited just flipping through these books and imagining how life would be as the next Fortune 500 CEO.

There is a nasty topic many of these books gloss over – how many businesses crash and burn. I want to keep you enthusiastic about your business idea, but at the same time I want to make sure your eyes are wide open as we go through the process. According to the Small Business Administration, 552,600 firms opened for business and 660,900 closed their doors in 2009. The SBA likes to say that some of this is seasonal businesses opening and closing in the same year – examples would include the Halloween costume stores or fruit stands. Even factoring these businesses in, the numbers can be intimidating.

How does an entrepreneur succeed against those odds? Do you need a great business plan? Does your business need to revolve around something you can patent? How much cash should you carry to get the business through that critical first year?

These are the wrong questions. Each of them leads you down the path of spending time and money before you know what you are getting yourself into. The most important question an entrepreneur needs to ask themselves is this:

Is my idea something that can be a real business, or is it just an interesting idea?

Offering solutions

New products and services revolve around solutions to problems. Not all solutions are businesses, though. A solution needs to address a problem that is so big that enough customers will want the solution. It needs to solve a problem that is painful enough for customers to be willing to pay to relieve the pain. The customer needs to be willing to pay enough for the solution to make a profit for the solution provider. Your solution should solve a problem that a customer understands they

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for the solution provider. Your solution should solve a problem that a customer understands they have, or like the iPod, is something the customer may not have seen as a need but can rapidly understand its benefits once the solution hits the market.

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