



Research and develop your business ideas

Developing your business idea into a viable product or service is a critical part of building a business. Thorough assessment and market research at an early stage will help you to establish whether there is a market for your product or service.

This guide will help you assess whether your idea can form the foundation for a successful business and put a process in place to monitor and measure its progress.

It also has tips on how to finance the development of your idea and how to protect it if other people get involved.

Finding and developing your new idea for a business

A new idea is often the basis for starting up a business. Many entrepreneurs spot a gap in the market and start businesses that provide a product or service that fills it. Others come up with ways to improve an existing product.

Coming up with a new idea

If you want to start a business but don't yet have an idea to work with, there are many ways to go about identifying one. The following questions may help:

- Do you have any particular skills that could form the basis of a new business?
- Are you aware of a gap in the market in the industry that you currently work in?
- Do you have a hobby that could be turned into a business?
- Has there ever been a time when you needed a particular service or product that nobody else provides? If you needed it, there is a good chance that other people will too.
- Can you help solve any of the problems posted by government departments and public sector organisations on the Small Business Research Initiative (SBRI) website? SBRI is a government scheme supported by the Technology Strategy Board that awards funding to develop innovative ideas.

See the page on the Small Business Research Initiative in our guide on support networks and facilities for innovation and R&D.

Developing your idea

Once you have got a business idea, take time to refine it. This will help you to decide whether it could be the foundation of a successful business.

There are various established methods of developing a business idea. You can:

- conduct **market research** to discover whether your idea fills a gap in the market - see our guide on market research and market reports
- **brainstorm** your idea with friends, colleagues or staff - they can give different perspectives on the idea and may know if anyone else is doing the same thing
- think about whether your idea can take advantage of an opportunity created by **new technologies**, eg by trading online
- consider whether **social trends** will affect demand for your product, eg the increasing demand for organic food or concerns about global warming and

carbon footprints

Support for businesses developing new ideas

Designing Demand is a practical mentoring programme developed to help small to medium-sized businesses and technology start-ups use design to improve performance.

It helps businesses embed effective processes for the management of design and innovation and gives managers the skills to exploit design by spotting opportunities, briefing designers and running projects that deliver.

Designing Demand is part of a range of support offered to businesses in England through the government's Solutions for Business portfolio.

Find out about Designing Demand on the Designing Demand website - Opens in a new window.

Is there a market for my idea?

There are certain criteria you can use to establish whether there is a market or demand for your product or service:

- Does it satisfy or create a market need?
- Can you identify potential customers?
- Will it outlive passing trends or capitalise on the trend before it dies away?
- Is it unique, distinct or superior to those offered by competitors?
- What competition will it face - direct or indirect, local, national or global?
- Is the product safe for public use and does it comply with relevant regulations and legislation? Seek legal advice before proceeding.
- Will the market want your product or service at a realistic price?

Market research can play an important role in answering many of these questions and increasing your chances of success. It is much better to invest time researching before you invest your money.

Market research techniques can be basic or sophisticated. You could:

- canvass the opinion of friends and colleagues
- survey the public about whether they would use the product or service
- ask customers of competing products what improvements they would like to see
- use focus groups to test your product or service
- monitor your competitors' activities
- look at what has and hasn't worked in your industry or market niche
- hire a market research agency
- try a small scale trial launch - perhaps through your own website or one of the online outlet or auction sites

It is very important that you are as thorough in your market research as possible, as mistakes made at this stage of development could prove costly later on. Remember, the more information you have, the better you will be able to understand your potential customers, the marketplace and how your product fits in. For more information, see our guide on common mistakes when starting up - and how to avoid them.

Plan the development of your idea

Try to identify the key stages or **checkpoints** in the development of your idea.

Each checkpoint gives you a chance to evaluate the progress of your product or service and decide whether you need to make any changes. It will also allow you to consider at the end of each stage whether to progress with the idea. Any idea that has no realistic chance of success should be dropped before too much time or money is invested.

Your checkpoints may include:

- **designing** - turning your idea into a product or service that can actually be sold
- **prototyping** - creating a useable example of your product or service, which can then be tested
- **protecting** - applying for a patent if you have invented a product or type of technology
- **financing** - raising the money you will need to get your business started
- **operations** - setting up the structure of your business, eg finding a suitable location, hiring staff, etc
- **marketing** - working out how you will sell your product or service

Judge your progress

If the goals of any of your checkpoints are not met, you need to analyse why this is the case. Ask yourself whether your objectives were unreasonable. If so, you may need to revise your objectives.

There are circumstances when you should reconsider your original idea.

These include:

- developing a product or service that isn't commercially viable and won't produce a reasonable financial return
 - developing a product that is not technically viable, eg it cannot be manufactured or it doesn't meet performance requirements
 - someone else releasing a product or service which is very similar or identical to yours, especially if they are a large or well-established competitor
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Finance the development of your idea

Securing adequate funding is one of the biggest obstacles many entrepreneurs face. Your funding needs may also change during the course of product development as it may take longer or cost more than you first expected.

Loans and overdrafts are the most common ways to raise money for a new business.

Government support to help you develop your idea

There are plenty of other ways to raise the finance you need, especially when setting up a new business. Grants and government schemes offering support to new businesses are widely available.

For example, the **Small Business Research Initiative (SBRI)** provides funding for innovative products that could help solve a specific government or public sector problem. Successful applicants receive a **development contract** and 100 per cent funding to demonstrate feasibility and develop a prototype.

Read about support for innovation in our guide on government support for businesses or you can see the page on the Small Business Research Initiative in our guide on support networks and facilities for innovation and R&D.

Other sources of finance to help you develop your idea

As well as loans, overdrafts and government sources of finance, you could also

investigate:

- realising, or cashing in, the value of shares
- investment from business angels or venture capitalists
- family loans
- joint ventures
- remortgaging your property
- bank loans

You should build into your financial forecasts a generous margin for contingencies and the unexpected. It's not worth investing your money and then running out before you have completed the development stage. You should look at the state of your funding at each development stage or checkpoint to help evaluate your finance options.

Business plan

Whenever you approach banks, potential investors, business partners or government departments for money you will need to show them a business plan. This should explain:

- the goals of your business
- what the purpose of the business is
- your marketing plan
- what you intend to spend the invested or borrowed money on
- how this will benefit both the business and the investor or lender
- how you intend to repay any lenders

See our guide on how to use your business plan to get funding.

Sharing your ideas with others

At some stage you will probably wish to discuss your idea with a third party. This could be informally, such as seeking advice or encouragement from friends or family, or formally, by hiring a professional consultant, talking to your solicitor or accountant or forming a partnership or joint venture with another company.

Remember, once you put an idea into the public domain it can no longer be considered confidential or a trade secret. You should therefore take steps to protect your intellectual property.

Before talking to third parties, it is a good idea to ask them to sign a non-disclosure agreement to prevent them from sharing the details of your confidential discussion with others. See our guide on non-disclosure agreements.

Intellectual property

Your intellectual property is what sets you apart from competitors. It could be your company brand, invention, design or creative work. Protecting your intellectual property makes strong business sense.

Remember that you cannot protect an idea in its own right but you can protect the tangible work that you do to realise your idea.

There are several legal ways to do this:

- trade marks restrict others from using your brand or logo
- copyright protects original literary, dramatic, musical and artistic works
- patents protect inventions
- design rights and registration protect a product's appearance

If you form a partnership or joint venture, draw up a contract defining who owns the idea and what the share of future profits will be.

You must seek professional legal advice before taking any final decisions.

You can also contact The Intellectual Property Office with your queries. They can help you protect your brand, creative work or invention. You can apply for a patent online with the Intellectual Property Office.

Test the market

Product testing is important throughout the design process. While you are developing your product or service it's a good idea to keep testing the market to make sure you are still on the right track. You can do this by using:

- **Focus groups** - ask small groups of your target customers what they want from your product or service.
- **Questionnaires** - try to get as wide a sample as possible.
- **Prototypes** - show an early version of your product to customers. You may find that your prototype will go through several stages of development as you refine your idea.

You may need to respond to suggestions from users by modifying the design. Don't be discouraged, as most successful entrepreneurs do not view this as a failure, but as a learning curve.

It's a good idea to send your product to a large or very reputable potential customer or user. A positive testimonial will prove invaluable as you approach other customers.

You may want to consider testing even after your product goes on sale. Ongoing contact with customers can uncover both the shortcomings of your product and possible opportunities that you may have missed.

Once you have a final product, you can then set about building a brand. A brand includes everything that is visible to the customer, such as the product name, its packaging and its delivery.

You also need to consider your **pricing policy**. You need to cost all the materials, other inputs, machinery, processes and administrative time realistically. You will need to research different suppliers and the cost of marketing and distribution. Then check on the price at which your competitors are selling to customers. You can determine the price of your product or service so that it is attractive to customers as well as making you a profit.

Here's how I exploited a gap in the market

Jeff Sacree

Gecko Headgear Ltd - Opens in a new window

Jeff's top tips:

- "Research your market, including the competition."
- "Use customer feedback to refine and develop your products."
- "Be persistent and determined when a door slams in your face."

Based in Cornwall, Gecko Headgear Ltd is a designer and manufacturer of marine

safety helmets. Founded in 1993 by Jeff Sacree, the company employs seven people and started out as a surfboard business. Jeff explains how he spotted a gap in the niche watersports market, for which he developed an innovative heat-retaining helmet.

What I did

Identify the market

"As a surfer, I could see the potential for a helmet that was both lightweight and heat-retaining. I was also looking for ways to diversify my product offering, since selling surfboards is highly seasonal. I designed and made the first helmet for myself but the idea soon caught on with other surfers.

"However, surfing is a relatively small market and I began wondering if I could base the whole business on my helmet design. I researched other potential users and a conversation with a lifeboatman led me to approach the Royal National Lifeboat Institution (RNLI), who were immediately interested in using a version of the helmet."

Plan ahead and get funding

"Although I was already making helmets, working with the RNLI was a different ballgame. The helmet they wanted had to be adapted, tested and certified before I could start selling it. I also needed to take on staff, which meant the company needed investment. I got a bank loan on the back of the RNLI's involvement, which was then topped up at various stages.

"A good relationship with the bank is crucial when you're trying to bring an innovative product to market. In our case the product development process took three years - far longer than we initially expected."

Keep innovating

"When the RNLI contract finally brought us success, we were careful not to rest on our laurels.

"To date, we've gone through ten different versions of the safety helmet, refining it in line with customer feedback each time. The helmet can now accept a range of add-ons, such as cameras, torches and communications equipment, according to customer requirements. We've also developed a new full-face helmet for watercraft racing and a range designed to capitalise on the current boom in extreme sports.

"Partnerships with suppliers have been another key to success. For example, we've worked with a manufacturer to develop a new adhesive that can withstand saltwater use. We've also partnered with The Welding Institute to find better ways of welding sections of the helmet together. This has helped us innovate and keep ahead of competitors."

What I'd do differently

Get advice sooner

"Approaching the RNLI was quite a bold move for a one-man band. I had no experience of dealing with large organisations and, with hindsight, I could easily have come unstuck in the early stages. Getting advice from Business Link at an earlier stage would have helped me approach such sales conversations better prepared."

Business Link Helpline

0845 600 9 006

The Chartered Institute of Marketing General Enquiry Line

01628 427 500

Intellectual Property Office Information Centre

0300 300 2000

Related guides on businesslink.gov.uk

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Non-disclosure agreements

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Related web sites you might find useful

Business idea development case study on the Design Council website

<http://www.designcouncil.org.uk/innocent>

Idea development resources on the British Library Business & IP Centre website

<http://www.bl.uk/bipc/dbandpubs/busres/index.html>

Business viability assessment tool on the Venture Navigator website (registration required)

<http://www.venturenavigator.co.uk/assessment/available/1/10>

Business support for innovative businesses on the Designing Demand website

<http://www.designingdemand.org.uk>

Online business mentoring on the horsemouth website

<http://www.horsemouth.co.uk/publisha.content/spotlight/taxonomy.publisha>

Idea generation and creativity advice on the Design Council website

<http://www.designcouncil.org.uk/designmethods>

Local business support on the National Federation of Enterprise Agencies website

<http://www.nfea.com>

SBRI opportunities on the Technology Strategy Board website

<http://www.innovateuk.org/deliveringinnovation/smallbusinessresearchinitiative/competitions.ashx>

Market research techniques on the Market Research Society website

<http://www.mrs.org.uk/mrindustry/index.htm>

Market research agency search on the Research Buyer's Guide website

<http://www.rbg.org.uk>

Idea innovation on the Design Council website

<http://www.designcouncil.org.uk/innovation>

Solicitor listings on the Law Society website

<http://www.lawsociety.org.uk/choosingandusing/findasolicitor.law>

Trade mark, copyright, patent and design protection on the Intellectual Property Office website

<http://www.ipo.gov.uk>

Search for a patent attorney on the Chartered Institute of Patent Attorneys website

<http://www.cipa.org.uk/members/directory/default.asp?m=f&dir=1>

Search for a trade mark attorney on the Institute of Trade Mark Attorneys website

<http://www.itma.org.uk/>

Market research techniques on the Market Research Society website

http://www.mrs.org.uk/standards/mrs_guidelines.htm

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