

HOW TO COME UP WITH GOOD BUSINESS IDEA



Small and Medium Enterprises Development Authority

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1. Introduction to SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

2. Disclaimer

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision; including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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3. Business Idea

A business idea is a conceptual framework that encapsulates a unique and innovative concept for the creation, development, and operation of a commercial enterprise. It serves as the foundational blueprint upon which a business is built, encompassing the identification of a market need, the formulation of a distinctive value proposition, and the strategic planning required for successful implementation.

A well-formulated business idea typically begins with a comprehensive analysis of market trends, consumer behaviors, and industry gaps. This initial research informs the identification

[illegible]

A hand holding a glowing lightbulb with a brain-like structure inside, surrounded by colorful doodles representing creative ideas. The doodles include various symbols like gears, lightbulbs, cameras, musical notes, and the word "IDEA" repeated multiple times. The background is a textured grey surface.

[illegible]

A hand holding a glowing lightbulb with a brain inside, surrounded by colorful doodles representing creative ideas like 'creative!', 'IDEA', 'start', and 'Idea'.

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Exploring real-world challenges is a valuable method for discovering genuine problems. Once you've pinpointed a few recurring issues, brainstorm potential solutions. This process can guide you toward generating a sought-after business idea.

5. Talk to family or friends.

Generating ideas in isolation can be a formidable task. Therefore, it is advisable to engage with individuals whom you trust.

Family and friends, in particular, can serve as a valuable wellspring of inspiration. Initiate discussions with them about your entrepreneurial aspirations, and solicit their input on potential business ideas. Their observations may reveal market gaps, existing problems requiring solutions, or distinctive perspectives that can leverage your skill set effectively.

Seeking external perspectives can provide the catalyst necessary to discover a compelling business concept. Additionally, this collaborative approach not only enhances your idea-generation process but also opens avenues for supplementary support, such as financial backing or potential partnerships.

6. Make task easier

The best and most lucrative businesses are often the most mundane. They help solve basic problems by making them easier or more efficient.

To hone in on these simple issues, walk through your day. What tasks do you dread? What undesired work takes up your time?

These often overlooked pain points are likely screaming for solutions.

7. Built on existing product or service

A formidable business idea need not involve a complete overhaul. Rather, consider enhancing an existing product or service. Explore opportunities to refine its design, incorporate novel features or innovate its marketing approach. Alternatively, identifying and addressing an underserved market with a particular product or service can also lead to a compelling business proposition.

Conduct a critical examination of your surroundings, posing questions such as: How could this be simplified? How might it become more intuitive, less taxing, and more enjoyable? Additionally, contemplate avenues for enhancing affordability. It's worth noting that even subtle modifications can yield a distinctive and innovative outcome.



8. Start with a hobby

Your hobbies and passions can be a great source of business ideas. Whether you love baking, photography, or gardening, there's likely a way to turn your hobby into a business.

You just need to determine how to monetize your skills or the products you create. If you're unsure how take it slow and start with a side hustle. You'll still need to consider pricing, expenses, and how much time to invest but you'll have less risk and more time to adapt your hobby into a business.

9. Jump on a trend

Identifying and capitalizing on emerging trends, whether in technology, fashion, or shifts in consumer behavior, presents valuable business opportunities. However, it is essential to navigate potential complexities associated with this approach.

A nascent or limited market for a product or service stemming from a trend is probable. Effectively communicating the problem it addresses becomes crucial in generating demand for a need that may not be widely recognized. It is imperative to ascertain the longevity of the trend, differentiating between enduring developments such as AI tools and transient fads like fidget spinners.

Anticipate the emergence of numerous competitors as the trend gains momentum. Prioritize the establishment of a robust brand presence and early loyalty-building initiatives to maintain a competitive edge and mitigate the impact of imitating entities.



10. Innovate

Innovation entails the creation of novel solutions or the exploration of unique approaches to established products or services. This necessitates a combination of creativity and a proactive attitude toward risk-taking, with the potential to yield distinctive and successful business concepts.

It is important to acknowledge that pursuing innovation may imply the absence of an existing market for the envisioned product or service. However, by foreseeing potential challenges and effectively persuading others of their significance, one has the opportunity to spearhead a nascent and untapped movement.

11. What are the qualities of good business idea?

While there may not be an unequivocally flawless business idea, certain indicators exist that suggest an idea is worthy of pursuit and stands a higher chance of success.

a. Clear market demand

Essential to the viability of your business idea is the presence of a genuine need for your product or service, signifying its capacity to address tangible challenges for your target customers. However, this is merely the initial consideration.

Further scrutiny is warranted: Will individuals be willing to invest in your solution? Does the potential for disruption to existing alternatives exist?

If the response is negative to either of these questions, it may indicate that the idea lacks merit as a viable business proposition.

b. Scalable and profitable

Scalability and profitability are tied together.

An idea is scalable if you can:

- Attract more customers.
- Accommodate this increased demand.
- Lower costs as you grow.

An idea is profitable if revenue exceeds expenses.

Now, your business may take time to be profitable. But it should display the ability to grow and scale to achieve profitability.

If your business idea can't bring in more customers or decrease costs—you'll struggle to be profitable.

c. Fits your goals

Are you aspiring to convert your passion into a revenue stream, pursue rapid growth for eventual sale, or establish a lasting legacy for future generations?

It is imperative to clarify your entrepreneurial objectives, as certain business ideas align more effectively with specific goals. Ensuring congruence between your motivation and the chosen business is essential; a misalignment may pose challenges in sustaining long-term commitment and success.