

The Handbook for Business, the Bible

29: Get advice and be wise for life

Proverbs 19:20 is awesome - *"Get all the advice you can and be wise the rest of your life"* TLB

Getting all the advice you can is great advice, not only for the story of life, but also of business.

Once upon a time I ran workshops for people intending to start a business. Many of their ideas had little chance of success; others went on to be successful. The best thing was, people were getting advice before resigning jobs or making financial commitments. We had a lot of fun in those classes.

One particular case stands out:

I remember a couple wanted to start a BBQ chicken joint. In class we did a simple 3-figure breakeven calculation based on how many chooks a day they needed to sell to make it work -

...Desired income (\$100k) + operating expenses (\$240k) = \$340k Gross Profit

...Average profit per chook (\$12 - \$5 = \$7); that's 48k chooks a year OR 156 per day

...After watching the other 2 shops over a few days they decided not to proceed.

Why do so many startups not make it, that is fail?

Stats show about 1/3 of startups make it past year 5 - if 100 started today, 67 won't make it.

There are a whole bunch of secondary reasons but there is ONE major cause of failure:

That is, NO MARKET NEED for the product or service because all the need is being met already -

...So, starting up would result in low sales, low profit, poor cashflow and failure

...Imagine the chook people going ahead but only selling 100/day, instead of 156!

In Horsham, there are about 50 places I can buy a coffee; why would anyone start No 51? But sure enough, someone did recently; imagine the numbers in Bendigo!

What should a person do who is really keen to take the plunge and startup?

Being passionate, always wanting to own a business, being good at what you do, loving people or friends urging you to have a crack is not a success formula!

People need to wise up and get advice from someone who understands startup issues...of course, Christians who lack wisdom are urged to *"ask of God who gives it liberally"* - James 1:5

My initial advice if you're looking to startup is to follow FOUR simple steps:

1. Don't decide first WHAT you are going to sell; rather, identify WHO your ideal customer is
2. Of all the problems this person has, WHAT is the main problem you intend to solve?
3. Then work out HOW to entice these people from their existing supplier to buy from you
4. Whether you intend to sell coffee, shirts, websites or time, do your **Chook Calculation** -
...Desired Income + Operating Expenses = Gross Profit; divide by GP/unit...OR...rate/hour
...Now you will know HOW MANY Units you must sell per year & per day
...Then the big Q to research is - CAN YOU realistically sell that number?

Bottom line: Get good advice and you will be wise for business...for the rest of life!