



# How to Tell If You Have a Good Business Idea

So, you've got an idea for a business. Now you want to know—is it a good idea? Does it solve the problem your target audience says they have? Is it something people are going to want to pay money for? This checklist will walk you through the process of validating your business idea.

## 1. Document your key assumptions about your business

At this stage, all you're trying to do is document your assumptions. This shouldn't take you more than 30 minutes if you use the [One-Page Pitch](#) format. Later you'll get out into the "real world" to test those assumptions.

- Outline your business's one-sentence value proposition
- Define the problem your business is solving
- Describe how your products or services solve your ideal customer's problem
- Identify your ideal customer (who are you solving the problem for?)
- Research how your potential customers might be solving their problem today
- Figure out what sales and marketing channels you'll use to reach your target customers
- Figure out what your team will look like (identify any members you may need to hire)
- Rough out your business model, or at least how you will make money and what your primary expenses will be
- Outline the next steps you're going to take to validate your assumptions
- Identify any partners or other companies whose support you may need

## 2. Talk to your potential customers

To begin testing your assumptions, you'll first need to get out and actually talk to your customers. This will help you determine whether or not your assumptions about what they want (and are willing to pay for) are on track. Your risk of failure is much higher if you don't do this.

- Verify that your potential customers have the problem you assume they have
- Find out how they're solving their problem today
- Find out what they think of your idea
- Ask them what they'd be willing to pay for your solution
- For higher quality feedback, show them your prototype (if you have one)
- Find people who think your idea sucks—and learn from them

### 3. Update your assumptions based on what you've learned

In the first step, you created a [One-Page Pitch](#) which outlined your assumptions. Now that you know more about your customers and what they want, it's time to update those assumptions.

- Go back and refine\* your [One-Page Pitch](#), specifically focusing on refining your problem definition, your solution, and target market

*\*Refining your pitch and going through several iterations is key to the entire process of figuring out whether or not you have a good idea. You may do this a few times before you feel ready for the next step, and you may even do it again after the next step!*

### 4. Determine how much money you will need to launch your business

By this stage, you'll know if you have a winning idea on your hands. Now, you need to figure out whether it's financially viable, and how much you'll need to get going. It's best to start small and adapt as you learn more, so do factor that in as you work out your startup costs!

- Create a sales forecast
- Create an expense budget
- Create a cash flow forecast

If it looks like you've got a viable financial model and you've got a market that is interested in your idea, you've got a good business idea on your hands!